Participation in the Consultation on the Circular Economy Act

Outline of the Waste Task Force's contribution and activities

Objective of this outline

Following the bilateral meeting with the European Commission on 7-8 May 2025 in Rome, the Waste Task Force has committed to participate, both collectively and through individual contributions, in the upcoming consultation on the Circular Economy Act (hereinafter, EAC).

The contribution of municipal waste regulators to the consultation on the EAC

This outline takes into account the points raised by the Commission as relevant for the adoption of a regulation. However, TF and its members should feel free to

Outline Contents

The outline contains:

- a general introduction, based on the preliminary, confidential document already sent to the Commission (before the meeting in Rome);
- policy indications, in line with the "messages" made explicit during the meeting in Rome and developed in the form of a manifesto with a potential autonomous use of communication.
- a specific examination for each of the relevant points. The 7 points raised by the Commission are considered, plus all those that the TF deems appropriate to highlight (7 +)
- for each of the relevant points, a "questionnaire" whose objective is to call Members to prepare contributions and suggestions, as well as to provide evidence, data and figures useful to support the proposals.

The outline is divided into four chapters (NB: the final PP will not necessarily follow this scheme):

1. Introduction
2. Policy indications (Manifesto for an efficient and effective circular economy)
3. Relevant points for the contribution ("7 +"): examination, proposals and questionnaire
4. Peer review (to be confirmed)

Introduction: the contribution of independent regulatory authorities to the Circular Economy

The independent national regulatory model is relatively recent in Europe: to date there are 7 Member States that have established independent authorities responsible for the economic regulation of municipal waste. The motivations of the Member States that have set up national Authorities are different and range from the recovery of situations of technical insufficiency and economic crisis in the sector, to the need to bring the environmental performance of low-performing regions closer to the national average.

As a result, the endowment of powers and responsibilities is differentiated by national Authorities. However, it is important to underline the common characteristics: everywhere, the regulatory authorities are required to increase the efficiency, transparency and functionality of the municipal waste collection and treatment system.

In addition, the choice to establish national authorities in the waste sector reflects the need to respond more effectively to the challenges of the circular economy in terms of better governance. It is well known that industrial waste management throughout Europe is highly fragmented: planning responsibilities are typically attributed to municipalities, even if there is a process of concentration of competences in favour of regional entities and aggregations of municipalities. Waste management is also fragmented on the industry side: the presence of a few, large, national and transnational players does not compensate for an industry structure based on small entities.

However, it is the Member States, not the lower levels of government, that must guarantee the achievement of the circular economy objectives stemming out from the European Union's legislation; In a context of fragmented governance, it seems sensible to set up central entities whose task, among others, is to try to ensure consistency in the action of decentralised entities with respect to the pursuit of national objectives.

Independent regulatory authorities are, therefore, "neutral" entities, which balance the interests and objectives of the many different actors involved in the provision of municipal waste management services.

This is a feature of great importance in the context of circular economy developments. The circular economy, in fact, has profoundly transformed the nature and role of operators and institutions dealing with urban waste: private operators, often small, have increasing public service obligations; Local communities, often with limited capacity for action, have a responsibility to achieve global environmental goals. In other words, the structure of motivations, incentives and objectives becomes more complex. Neutral institutions, which do not have direct interests in the industry (such as local authorities, which are at the same time owners, customers and regulators of operators), can ensure the balancing of conflicting objectives and the consistency of incentives with the general policy objectives.

Another interesting feature of national regulators is the focus on efficiency. Regulators promote the recovery of management costs according to the polluter pays principle, but not all costs are eligible. Over time, regulators bring eligible costs close to the "best possible"

value, after which cost reduction can only occur at the price of reducing the quantity and quality of services. In other words, regulators ensure that municipal waste is managed at the lowest possible cost to the community, thus freeing up resources for investment and preventing citizens from feeling that the circular economy requires an excessive economic cost.

Regarding quality, regulators are often committed to promoting increasing levels of quality of services, as well as the right of citizens to have homogeneous minimum levels of quality regardless of income, social background and where they live.

All these characteristics converge in a key field of action for all regulators, which is the search for transparency. Knowing what you pay and why is always important, but it becomes essential in a phase of economic and social reform that requires substantial investments and, therefore, at least in the short term, increases in the costs incurred by citizens.

Transparency is a "natural" feature of independent regulation even "on the other side of the table". Regulators not only demand and impose transparency but promote and disseminate it. Sharing decisions, consulting stakeholders, publishing analyses, developing regulatory criteria (in terms of tariffs, quality and public service obligations) valid for everyone and everywhere are activities in which regulatory authorities are engaged on a daily basis, and which are an essential part of the know-how of independent regulation.

A new impetus for the circular economy

The Circular Economy Act (CEA) is configured as a set of programs, changes to existing regulations and new legislation whose objective will be to increase the circularity rate of the European economy – i.e. the rate of reuse in the economic process of materials obtained from waste. The CEA is one of the main objectives of the new Commissioner for the Environment; the Commission's commitment is to start work on the EAC in 2025, so to present a legislative proposal by 2026.

The need for organic action and strong change arises from the awareness of:

- the slowness of the process of pushing the economy towards circularity
- the difficulty of many Member States in meeting recycling targets
- the low level of intra-EU trade in recyclable waste and the persistent price difference between virgin and recycled raw materials.

Based on the information circulated and from the reading of the relevant chapter contained in the "Clean Industrial Act", the strategy of the EU institutions provides:

1. supporting a more functional internal market for waste/recyclables, through standardisation, certification of origin and facilitation of use and reintegration
2. an increase in the recycling rate, greater investment in infrastructure and an improvement in the quality of separate waste collection
3. methods to reduce the price gap between virgin raw materials and secondary raw materials, to encourage greater use of recycled materials

4. obligations to use recycled materials, to increase their demand and to indirectly promote economies of scale in the production of secondary raw materials.

How can regulators contribute?

As regards the **construction of an efficient internal market**, it should be emphasised that some regulatory authorities have powers in the area of quality of services, which may include monitoring the quality of waste sent for recycling. The quality of separate waste collection is, by unanimous recognition, a key feature of the strategy to increase circularity: correctly selected materials and a consistent management of the waste chain contribute to making the work of the recycling industry more effective, whose costs increase as waste increases and the quality of recyclable waste decreases.

More importantly, regulators can help build the market backing structure: certificates of origin, the establishment of common rules for trade, the establishment of organised markets have long been the preserve of regulators. In addition, regulators can make their experience in the field of tradable certificates available if the CEA considers, as would be desirable, the establishment of a tradable "environmental certificate" mechanism on which the fulfilment of recycling obligations is based (see the UK experience).

It must also be recognized that all these possible tasks often find their place in government offices; The work of regulators on the issues mentioned above is, and perhaps will be, carried out in partnership with governments. However, there is one case where an independent regulatory authority has been explicitly given powers to control the import of waste (Denmark); The status of regulators in this field is therefore open to development. Pending wider recognition of independent regulators, it is important to underline that the existing authorities are committed, by law and practice, to collaborate closely with the offices of the ministries, and intend to do so increasingly with the offices of the European Commission. When, in the remainder of this document, the issue of governance is addressed, it will be seen that the central point of the dialogue on regulation is not "to have more regulatory authorities", but to introduce and promote, throughout the European Union, solid principles of regulation and loyal collaboration between institutions to achieve environmental objectives.

On **point 2,** the role of regulators is much clearer and more decisive. Through tariff regulation, regulators incentivise, protect and make possible precisely the necessary investments, also through the differentiated application of the rate of return on investments according to the degree of environmental sustainability of the plants. In addition, most regulators have specific expertise on the quality and value of separate collection. Increasing the quality of selection activities can be achieved through virtuous behaviour, which regulators can incentivise through tariff policy, and technological progress, which regulators can incentivise through tariffs for the use of plants with innovative technologies.

Point **3** is perhaps the most challenging, but also the most fascinating. The economic literature (not abundant, therefore, to be encouraged and developed) highlights areas of potential efficiency in the management of the waste cycle. If, through appropriate incentives (price cap, profit sharing, competition yardstick, etc.), regulators are able to

reduce the cost of waste management services over time, this is reflected in the lower cost of the entire cycle and therefore in the lower cost of producing recycled materials. In the future, subsidies to cover the difference between the cost of virgin material and the cost of recycled material will be reduced, or cancelled, due to the increased efficiency induced by economic regulation.

As far as **point 4** is concerned, it is perhaps the most exclusively political matter, with less of a role for regulators. However, the investment support that can derive from a correct pricing policy in favor of stability, transparency and cost coverage, can be a strong indirect aid to the pursuit of economies of scale in the recycling industry. In this sense, once again the commitment of regulators can be a key to increasing the overall effectiveness of the municipal waste system.

Talking about the overall effectiveness of the system, it is important to emphasise that the success of the circular economy depends on the functioning of all the parts and sectors that contribute to it. Waste is an important part of the process, and it is useful to look at the waste cycle as a whole: as already pointed out, each part of the supply chain affects the desired result, which basically is to have more recycled materials in the economy.

Even if regulatory authorities typically have competences on specific parts of the waste management chain, they carefully look at the interrelationships between the various parts and can help the European Union to make the waste sector as such more efficient, thus pushing the circular economy.

The pillars of regulatory action:

economic rationality, transparency, integration, governance

In the remainder of this document, the Authorities part of the Municipal Waste Regulators Group, made up of independent national regulators from Hungary, Greece, Italy, Lithuania, Latvia, Portugal, Romania and Hungary will present ideas and proposals in view of the adoption of the EAC.

These ideas and proposals are inspired by the principles of regulatory action, which are common to all national authorities, regardless of the institutional framework and the specific attribution of powers and competencies. The contribution of regulators to the building of the circular economy is, therefore, based on the concrete experience and vision gained by regulators in their daily work. Furthermore, framing the proposals on the circular economy in the general principles of economic regulation underlines the propensity of these principles to be used in every national context, without necessarily establishing specific agencies.

The reflections, ideas and proposals contained in this document are therefore formulated taking into account the shared principles of regulation and elaborated in the context of the fields of action described below.

To be completed: areas of action of regulation (economic rationality, transparency, integration, governance – reference is made to "Rome's Presentation by Regulators).

Ideas and proposals to achieve circular economy objectives at minimum cost to citizens

1. A market-driven circular economy

The need to strengthen market mechanisms stems from the observation that cross-border trade in secondary raw materials (SRMs) is not satisfactory. There is also a persistent weakness in standardisation, which hampers trade growth. The lack of standardization does not only concern the nature and quality of materials but extends to economic support schemes: the production of SRM can be subsidized differently in different Member States, which leads to distortions in trade and inefficiency of price signals.

Regulators firmly believe that a larger and more efficient market can decisively help the development of the circular economy and help the regulatory activities themselves: correct and stable prices of SRMs are reflected in a more robust tariff regulation of the "upstream" phases of the recycling chain (collection and treatment of waste destined for recycling). For these reasons, regulators propose the following actions.

- Promoting economic rationality: to make price signals effective, to enable as many stakeholders as possible to access national markets (integration) and the common market through the creation of a standardised European SRM trading platform. Regulators agree with the establishment of "regional hubs", if these are the first step towards the progressive establishment of a European market platform; moreover, the boundaries of the hubs should be flexible and changeable, referring, for example, not necessarily to Member States but to geographical entities (regions and sub-regions) and products (type of SRM).
- Promoting integration: Alongside the regional and European market for SRMs, an integrated market for recyclable waste should be created. To this end, the cross-border exchange of recyclable municipal waste should be allowed, extending the current provision for packaging waste.
- Promoting transparency: quantities and prices of SRM and recyclable waste trades, both in regional hubs and in the future integrated European market, should be recorded and regularly published, also to feed into Eurostat's surveys.

In summary, it is proposed that the EAC Regulation establish flexible regional hubs, provide for the European Commission's delegate powers to propose the integration of these hubs into a common market, establish an electronic platform for the registration and publication of prices and quantities, and allow the cross-border exchange of recyclable waste where this waste is standardised. Delegated powers should also be established to provide for recyclable waste standardisation, so to facilitate the setting up of a truly functioning internal market.

Internal consultation: do you agree with the proposals? What proposals could be added? Can you develop proposals with evidence from data and information collected in relation to regulatory activities? If yes, please indicate which information you would like to indicate as confidential and unpublishable.

2. EPR

Regulators see the effective application of the extended responsibility principle as a key issue for the success of the strategy to strengthen the Circular Economy.

EPR schemes are generally not regulated by national authorities: they are considered market players, are usually organised as private companies and are called upon to balance the interests of the consortia's participants by autonomously setting environmental fees (the cost packaging producers and importers are called to cover aimed to ensure the end-of-cycle treatment of packaging products). However, EPR schemes respond to public policy objectives; Furthermore, as regards the scope of action of regulators, their functioning profoundly affects the cost structure of activities "upstream" of recycling, with an impact on the tariffs paid by citizens. This is why regulatory agencies are more and more involved in monitoring the EPR schemes' functioning. Moreover, regulators have sometimes a say when it comes to establishing the "correct level" of costs to be covered by schemes (Italy, Portugal), as well as to setting up the fees to be paid by obliged players.

It is the opinion of regulators that EPR schemes can be subject to a deep and careful review that increases their efficiency and transparency. It is worth noting that one of the few "economic rationale" provisions in the waste legislation is contained in Article 8 of the Framework Directive, regarding the need to cover a certain share of the packaging treatment chain's costs and the requirement to cover "necessary costs". This provision, particularly appreciated by those involved in the economic regulation of waste, paves the way for necessary reforms in the direction of greater efficiency of the EPR scheme system.

Regulators agree with the Commission's approach to harmonising fee settings and see a significant scope for the CEA to introduce effective tools and more ambitious reforms.

Introducing digitization and creating a "one-stop-shop" for operators who want to qualify to operate in a Member State are interesting proposals, which deserve more detail and extensive application. The following initiatives are therefore proposed.

- Economic rationality: standardizing the rules for the formation of tariffs is an opportunity to extend the modulation of tariffs to a measure of efficiency (the increase of tariffs should be requested only if EPR schemes reduce administrative costs, for example, or if they demonstrate that they have favored economies of scale and scope in the medium term).
- Economic rationality: there is room for new specific flows ((integrated batteries …). However, the introduction of new flows should entail the provision of powers for the Commission to reconsider the methodological reconsideration of EPR, including the possibility of moving from "EPR by product (packaging)" to "EPR by material" (which include, but go further, packaging) in the medium term. This can lead to economies of scale, as well as more leeway to reflect environmental value
- Transparency: Introduce harmonised minimum standards for accounting, so that the technical and economic results of EPR schemes are published, standardised and comparable. In addition, provision should be made for Member States that have independent regulatory agencies to allow such agencies to assess the efficient

costs that EPRs are called upon to cover. The principle contained in Article 8, in fact, requires implementing criteria and institutions.

- Market integration: Digitalisation could contribute to the creation of an exchange platform, so that any interested EU company can participate in any EPR and buy/sell SRM. This proposal must be seen in coordination with the proposal to create a single European market, made in the previous chapter on market reform.
- Governance: evaluating, in the review of the regulation of EPRs, tools to hinder conflicts of interest that may arise in schemes in which SRM buyers are predominantly the entities obliged to join organizations. This provision could fall into the category of "transparency".

In summary, we propose that the EAC Regulation should provide for the creation of a digitalised platform that not only offers a "one-step-shop" to operators wishing to qualify as counterparties to national EPR schemes, but also determines the conditions for the establishment of a genuine and functioning market platform. Looking ahead, the Regulation should provide for the possibility for the European Commission to introduce "European EPRs" by material/product categories, in order to pursue economies of scale and foster market integration. The Regulation should include obligations to publish technical and economic results on a standardised basis; the monitoring of economic relationships between relevant actors should also be envisaged, for example by requiring the inclusion in the annual financial report of the details of purchases of RMS by members of the EPR scheme. The Regulation should provide for the option for Member States to entrust Regulatory Authorities with the task of defining the efficient costs covered by EPR schemes. In the context of the desired standardisation of the criteria for setting tariffs, environmental modulation should be accompanied by economic modulation, so that the adjustment of tariffs includes an efficiency criterion. Such a criterion should be established by the regulatory authorities, where they exist, and provide for methods (price cap, maximum share of administrative costs in total costs, benchmarking) for monitoring the costs of managing the schemes over time.

Internal consultation: do you agree with the proposals? What proposals could be added? Can you develop proposals with evidence from data and information collected in relation to regulatory activities? If yes, please indicate which information you would like to indicate as confidential and unpublishable. In particular, in-depth analysis of the evolution over time of the management costs of EPR schemes, the degree of coverage of these costs according to the criteria of Article 8 and the evolution of the prices of SRMs sold by EPRs are welcome.

3. End of Waste

The harmonization of the criteria for the definition of the EOW is certainly a strategic point in the path towards the circular economy. Despite efforts, the process that would lead to the mutual recognition of the EOW criteria appears slow and difficult. Regulators welcome the Commission's efforts, also thanks to the JRC's commitment, to accelerate the process of defining and harmonising EOW criteria. This is an issue that typically falls under the responsibility of governments; Regulators, however, can offer significant support through the adoption of governance models in search of greater effectiveness in decision-making. In this respect, it is worth recalling the experience gained by regulators in the course of the evolution of directives and regulations on the energy market.

At the dawn of the internal electricity market, the analysis of many difficult technical issues was delegated to mixed entities led by the Commission, but composed of Member States, energy companies and regulators. This governance model has led to the current institutional set-up and the consolidated collaboration between regulators, industry, Member States and the European Commission that can be found, for example, in the annual forums in Florence and Madrid. On the difficult path towards mutual recognition of the EOW criteria, we can set up an institutional framework based on "mixed expertise" (regulators, Member State representatives, industry associations), bound by strict rules regarding discussion methodology and delivery times. Where the discussion does not lead to results within the expected timeframe, the Commission takes decisions on the basis of the evidence gathered by the entities (delegated powers). The following action is therefore proposed.

Governance: it is established in a Discussion Forum led by the Commission and composed of Member States, independent regulators, JRCs, representatives of industry and technical standardization entities.

In summary, the EAC Regulation should establish the Dialogue Forum on the Mutual Recognition of EOW Criteria; alternatively, the regulation establishes an Expert Group according to the existing rules, which includes national regulatory authorities. The Regulation should provide for delegated powers for the European Commission to adopt EOW criteria on the basis of the Dialogue or the results achieved by the Group of Experts.

Internal consultation: do you agree with the proposals? What proposals could be added? Can you develop proposals with evidence from data and information collected in relation to regulatory activities? If yes, please indicate which information you would like to indicate as confidential and unpublishable.

4. Reduction of waste in landfills

Despite the recomposition of the mix of waste treatment technologies in favor of recycling, the percentage of municipal waste still destined for landfill remains high and far from the circular economy objectives.

An additional tool to the usual landfill taxation strategies, the objective of which is to rebalance the use of landfills between regions and operators, is the "cap and trade" system: once the maximum permitted levels of use of landfills have been established, local operators and administrative districts can cover the negative difference with respect to the objectives with the surplus obtained by other operators and administrative regions. In highlighting the opportunity cost of excessive use of landfills, this system follows criteria of economic rationality and is welcomed by regulators.

However, the limit of a cap-an-trade system lies in its national dimension: it is possible that it reduces the use of landfills in individual Member States, thus contributing to the European objective, but its potential would be greater if the system had a cross-border dimension. In fact, the limitation is constituted by the physical market character: if we created "distance from landfill targets" certificates that could be marketed by operators within states and between states, the scope of the system would be extended, allowing greater effectiveness of price and opportunity cost signals. In addition, there are other methods to encourage the minimization of landfill disposal, directly coming from the tariff regulation experimented, for example, in Italy.

But there is even greater potential in a European cap-and-trade system, if we abandon the specific target of the percentage of waste in landfills. If we take a "circularity portfolio" rather than landfill rates as the basis for capping and trading systems, we could allow member states to negotiate their mix of treatment technologies.

Therefore, Member States facing difficulties in achieving their recycling targets can request available Member States and/or EU bodies to recycle the necessary share of municipal waste. This involves liberalising trade in recyclable municipal waste, as already highlighted above.

The following actions are suggested.

- Economic rationale: The regulation could introduce a system of limiting and trading waste in landfills through marketable certificates at European level, so as to overcome the ban on the export of waste for disposal.
- Economic rationality, governance: to broaden the scope and effectiveness of the "cap and trade" mechanism, certificates can reflect the overall mix of treatment technologies, so that obliged entities (operators, Member States) can "buy" higher recycling percentages, compared to the minimum targets, from other operators and Member States that are more advanced in terms of circular balance.
- Economic rationality, governance: We also propose that regulators (where they exist) provide incentives to reduce landfilling through tariff design. The treatment tariffs, part of the integrated tariff for the management of municipal waste, can be modulated in order to encourage recycling and discourage disposal. Additional components of treatment tariffs may be retained by regulatory authorities or

regional and national planning authorities, for example to finance recycling infrastructure in deficit regions.

In summary, it is proposed that the regulation provide for a circularity rate certification system that reflects the mix of processing technologies of each entity obliged to achieve minimum targets (Member States, regulated operators, market operators); recyclable municipal waste can be traded; the export of recyclable municipal waste involves the exporter paying the cost of recycling and receiving "circularity certificates"; In the event of failure to meet the targets and the impossibility of exporting to a country with a higher recycling capacity, entities with a low recycling rate can purchase equivalent certificates from countries that exceed the minimum recycling targets. Part of the revenues from the mechanism are intended to finance recycling infrastructure, not necessarily in Member States with deficits. the Commission shall have the delegated power to study the methods, mechanisms and market places through which the certificates are tradable. The regulation introduces the possibility for Member States to provide for a modulation of municipal waste tariffs that reflects the environmental cost of treatment, with "rewards and punishments" as an incentive to increase recycling and reduce disposal. This modulation is carried out by the Regulatory Authorities in the Member States that have established them.

Internal consultation: do you agree with the proposals? What proposals could be added? Can you develop proposals with evidence from data and information collected in relation to regulatory activities? If yes, please indicate which information you would like to indicate as confidential and unpublishable.

5. Overall efficiency of the waste management system

At the beginning of this document, it was stated that the search for efficiency is one of the fundamental objectives of independent regulation: identifying the minimum possible cost for any given level of service quality is transformed into the possibility of making the process of developing the circular economy more effective and efficient. By avoiding unnecessary costs, regulators are "freeing up" resources for investment, which are increasingly required by the transformation of the municipal waste industry towards a higher capital intensity. Here it is interesting to underline that, even if economic regulation is often limited to specific parts of the supply chain, the efficiency incentives that regulators introduce in these parts benefit the whole system. Returning to the example of EPR schemes, if the costs of "upstream" activities such as collection, selection and treatment of recyclable waste are equal to 70% of the total cost of producing a certain material from waste recycling, and if economic regulation achieves a 10% reduction in collection and preliminary treatment costs through price cap and profit sharing mechanisms, The final cost per ton of recycled material will be 7% lower.

To use the beneficial potential of economic regulation in the development of the circular economy, it is proposed to consider the following actions.

- Economic rationality: promoting efficiency in those parts of the supply chain that are governed by public service principles, through the introduction of tariff policies that include price cap methodology (progressive reduction of the costs eligible for tariff coverage), benchmarking, efficiency incentives such as profit sharing mechanisms, also referring to the quality of separate waste collection (e.g., allowing operators to retain a share of the largest profits obtained from the sale of high-quality recyclable waste
- Transparency: introduce minimum criteria for the publication and comparability of tariffs, at least to operators that exceed certain sizes. Introduce an obligation to adopt clear, verifiable and comparable calculation methods for tariffs. Facilitate citizens' ability to understand the different cost components and the evolution of tariffs
- Governance: not to provide for the establishment of specific regulatory entities, but to promote the principles of regulation, requiring Member States and operators to adopt clear, fair and comparable tariff policies, minimum levels of quality of services, economic transparency tools such as separate accounts
- Governance: establishing mechanisms to monitor citizens' ability to pay (affordability)
- Integration, economic rationality: when planning local, regional and national treatment and disposal capacity, take into account the efficient use of existing capacity, so as to avoid duplication and overinvestment
- Integration, governance, transparency: progressively extend tariff regulation to parts of the overall system that are not strictly "regulated", such as EPR schemes, which nevertheless play a role of public utility (see the chapter on EPR schemes); in any case, impose transparency and comparability to EPR schemes, at least as far as financial and technical reports are concerned

- Governance: improving the accountability of the entities involved in the planning, regulation and control of the municipal waste industry, establishing the principle that tasks must be clearly distributed and providing for substitute powers where decentralised authorities do not comply with objectives, deadlines and obligations.

In summary, it is proposed that the Regulation should take into account the principles of efficiency, transparency and cost-reflectiveness, introducing:

- **transparency obligations (published, comparable and possibly separate accounts at least for larger operators; obligation to indicate tariff criteria and essential cost components in invoices);**
- **efficiency incentives (progressive reduction of permitted costs, including through profit sharing mechanisms),**
- **the invitation to Member States to plan and approve investments verifying the actual need and the best available alternatives,**
- **the establishment of affordability criteria,**
- **the introduction of criteria of rationality and accountability in the distribution of institutional roles within the Member States with the possibility for the European Commission to assess situations of conflict and overlap, and to formulate recommendations to the Member States.**

Internal consultation: do you agree with the proposals? What proposals could be added? Can you develop proposals with evidence from data and information collected in relation to regulatory activities? If yes, please indicate which information you would like to indicate as confidential and unpublishable.

NB: please include in the annex the reference to the studies that calculate ex ante the potential for efficiency in the costs related to the management of municipal waste, and any ex post studies on the effects of regulation (a very recent study by the University of Milan calculates the efficiency gained by the municipal waste system in Italy in relation to the introduction of national economic regulation).

6/7. Circular procurement, more recycled and bio-based materials in the economy

An important part of the reform of the Circular Economy will be predictably and understandably dedicated to supporting the greater diffusion of recycled materials in the European economy. This entails setting minimum obligations to include SRM in the production of certain manufacturing sectors and in purchases by public administrations (so-called "circular procurement" or "green procurement"). This clearly is a typical policy issue, in which regulators are only marginally involved. However, regulators would like to remark that the demand-side approach (supporting demand for recycled goods by imposing minimum content requirements and requiring greater efforts from the public sector) should be accompanied by actions, programmes and reform “on the supply-side”.

Indeed, a supply-side approach has implicitly been adopted in the proposals for specific and global cost reduction activities for municipal waste. This is something we ask for the utmost attention on: merely increasing demand in the presence of inelastic supply can only turn policy making into price increases.

This is why regulators call for a sound analysis of how to balance over time demand and supply, so to avoid shortcomings and inflationary effects. We propose to involve regulators in impact assessment activities, also in cooperation with the JRC. This in turn requires enlarging the discussion and pointing out that we require policy makers to ensure, as far as possible, consistency of the increasing set of measures and legislation due to pursue environmental objectives.

Let's start from the example of the promotion of the use of bio-based materials to submit the EU Institutions a broader reflection on the integration of regulatory policies, proposing the following actions.

- Economic rationality: bio-based content targets must be carefully evaluated in terms of the availability of alternative choices. When energy production from organic waste proves to be more efficient, it should not be discouraged because it "subtracts raw material" from bio-based products
- Integration: The collection and management of organic waste should be seen as part of a rational choice model. Incentives for the collection and use of bio-waste must be consistent with overall environmental and energy policies
- Governance: promoting integrated solutions that determine overall benefits (Win-Win Sectoral Approach), facilitating the production of recyclable products and packaging, encouraging the use of recycled materials, spreading the use of energy recovered from waste in sectors such as district heating, transport, industrial processes whenever possible,
- Integration and governance: Regulated public services are different, but there are many interesting similarities. Regulators have learned to apply common criteria to different industries. This experience is useful for the Community institutions to introduce regulatory principles in the municipal waste sector deriving from other sectors supervised by independent authorities (water, energy).

Internal consultation: What specific proposals could be made to implement the win-win approach, and to increase policy integration, in the EAC Regulation?

Peer Review

This chapter collects the observations, assessment and evaluations of academics and independent experts, acting as "discussants" of the proposals put forward by Regulators