European Water Regulators

Circular Economy Act Follow-up

Examples and Detailed Proposals: 1st Meeting of the Drafting Team

27 JANUARY 2026, Online

Proposed Agenda

- Introduction
- More efficient EPR Schemes
- Regulators' Active Contribution to the MW System Efficiency

Introduction

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Objectives

- The purpose of this document is to follow up on the discussion with the European Commission during the meeting of 3 December 2025 in Brussels, as well as on the subsequent decisions of the TF "Waste". The work that awaits us in the coming weeks will produce technically sound suggestions and detailed proposals on the most interesting elements that emerged on 3 December, namely "the contribution of regulators to the efficiency of the municipal waste management system" and "ideas and proposals to increase the efficiency of EPR schemes".
- These insights and proposals must be seen in line with the policy proposals presented by regulators on 6 November 2026 during the public consultation on the Circular Economy Act. The following notes represent an outline of the contribution that will be prepared by the drafting team.

Methodology

- Setting up of an open Drafting Team
- Presenting focused suggestions, concrete examples, detailed proposals

EPR Efficiency

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Recap

During the joint seminar in April 2025 in Brussels, regulators and the European Commission exchanged ideas and information on the EPR systems present in countries where there is an independent Authority, their performance and the economic and financial structure of national systems. The discussion revealed the need for an in-depth analysis, confirmed in Rome during the meeting on 8 May prior to the consultation on the EAC and reiterated in Brussels on 3 December.

Regulators' Role

The role of regulators in the different national EPR systems is very diverse, as is the economic and institutional structure of the schemes. However:

- It is foreseeable that the role of regulators will gain more weight soon, especially due to the legal provision that obliges EPRs to cover at least 80% of the costs of separate collection, which requires a careful definition of these costs and an appropriate implementation of the rule (see Art. 8bis-4. C of Directive 2018/85, according to which those costs must be only the "necessary costs").
- The general vision that regulators have of the system place independent authorities in a strategic position for defining the economic relations between the parties relevant to the operation of EPRs.

EPR Efficiency – Suggestions and Proposals

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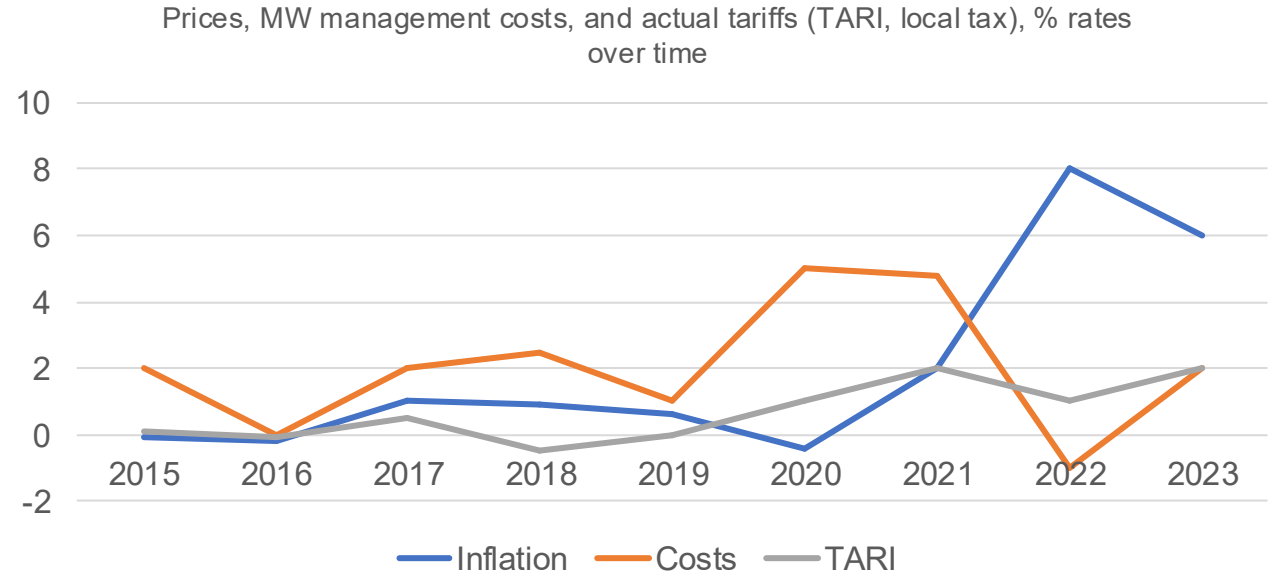
The discussion within the Task Force highlighted the following elements of interest:

1. In the presence of **efficient and sufficiently competitive markets**, the role of the public sector should be limited to monitoring market outcomes. The framework directive, in fact, provides for minimum information obligations aimed at acquiring technical and economic elements for the assessment of the correct operation of the schemes.
2. In the presence of oligopolistic markets, a **more substantial public intervention may be indicated**. Due to their knowledge of the sector and the tools at their disposal, regulators may be called upon to establish efficiency criteria and perform "enhanced monitoring".
3. In all cases, decisions on the degree and functions of regulatory action must be taken on the basis of timely, consistent, comparable and verifiable information. The regulators propose to **include in the Circular Economy Regulation minimum obligations for the processing and publication of fundamental technical and economic data**. The "minimum set" includes economic and financial statements, balance of materials, acquisition costs and sale prices of the material, data (also aggregated) on the number and origin of the subjects who sell recyclable materials and purchase recycled materials. A database is established at European Union level in collaboration with the authorities of the Member States and, where established, with the Regulatory Authorities for the purpose of systematic analysis of data and their comparability.
4. The regulators also discussed with the Commission the overall sustainability of the EPR system. Regulators do not express a position on the request, often coming from associations of operators and recyclers, for subsidies that cover the difference between the cost of SRM and the price of virgin raw materials. However, regulators have stressed the need to encourage or pursue the **control of recycling production costs**.
5. 5. This policy can be pursued with different degrees of intensity: in cases of legal monopoly or market failures, one can thinkof price regulation as happens in the public utility sectors. A more realistic option that is already present in some systems where an independent regulator operates is the **supervision of the costs of separate collection**. More efficient and higher quality separate waste collection "delivers" materials to the recycling chain at lower prices and easier to recycle.
6. The contribution of regulators to the greater efficiency of EPR schemes and, in general, of the recycling chain through better management of separate waste collection is possible, appropriate and advisable. It is proposed that the Regulation **should provide for common criteria and the attribution of specific powers to regulators, where these are established, with regard to monitoring the costs of separate collection, promoting the efficiency of operators and assessing efficient costs.** The current directive sets out the establishment of cost-efficient separate collection as an objective but leaves it to those involved to define them. A system of sharing and comparison is in force in Italy, where the Regulatory Authority participates in discussions between municipalities and EPR schemes and the law establishes a supervisory committee for the operation of EPR schemes. **The possible proposals are "gradual": from the extension of the obligation for Member States to set up supervisory committees participated by the regulatory authorities, to the task of instructing the authorities themselves to determine the efficient costs, so that the agreements of the parties are based on a certain reference.**
7. 7. Finally, regarding the issue of the financial sustainability of a recycling system "challenged" by the uncertainties and erratic nature of raw material prices, while once again emphasizing the political nature of decisions in this regard, the regulators recommend an approach that is as respectful as possible of industrial efficiency criteria and market mechanisms. A possible method to reduce price risk can be borrowed from the recent regulation on the electricity market, which introduces contracts for difference in the renewable energy sector. **The setting of a "strike price" for the subscription of CFDs between Member States and operators could benefit from the economic expertise of regulators.**

MW System Efficiency

The contribution of regulators to the efficiency of the municipal waste industry

- The position paper of 6 November contains numerous proposals for affirming the principles of regulation: transparency, cost-effective tariffs, consumer protection, promotion of the quality of services, policies to encourage behaviour and the organisation of the service consistent with environmental objectives.
- The Commission is in favour of valuing the contribution of regulators; in support of actions that include regulation among the enabling factors of the Circular Economy, "concrete examples" of how regulators promote efficiency through their action are required.
- The "drafting team" therefore aims to list and describe regulatory interventions with demonstrable impact on the efficiency of the system, which can be measured in various ways (higher quality of service at the same cost, reduction of tariffs at the same service levels...).

Tariff regulation in Italy has been keeping the actual tariffs below inflationary dynamics and even lower than the theoretical “Allowed costs”