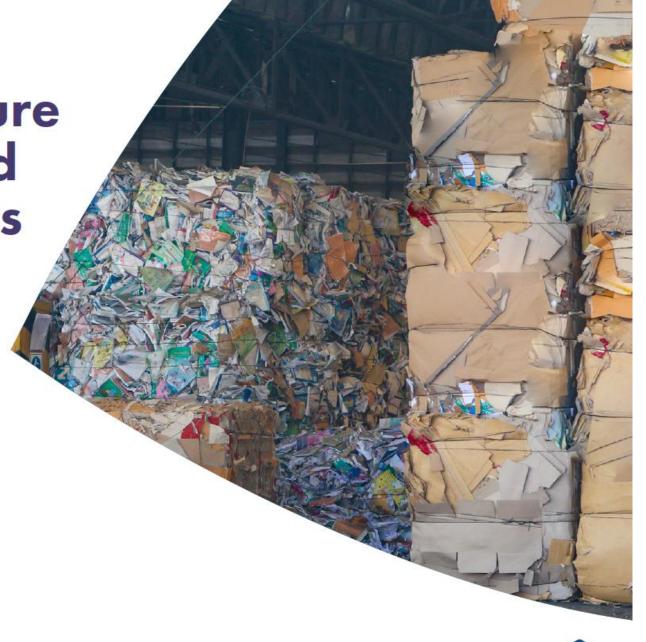
December 2024

**Shaping future** financial and fiscal policies for a more circular economy in the UK







## Financial Polices Reviewed

Decarbonising the Sector

The Landfill Tax

Emissions Trading Scheme

Reducing Resource Consumption

Charges on Single Use Items Subsides for CE Businesses and Reuse









Incentives, intended impacts and unintended consequences



## Decarbonising the Sector

Recycling rates improve

Unintended consequences

More waste is sent to EfW

Waste crime: misclassification of waste

as inert

Weight-based rather

than impact-based

interventions

Rising risk of pollution

from mismanaged AD

and digestate

# Incentives Intended impacts Biodegradable and hazardous waste is diverted from landfill It is more expensive to send higher-emissions materials to landfill Increased resource efficiency

#### Incentives from inclusion of EfW in UK ETS

**Intended impacts** Incentives Less plastic is incinerated Investment in advanced sorting tech Carbon emissions are capped for the sector and can be traded Investment in more efficient facilities **Investment in CCUS** 

Unintended consequences

Increased costs associated with carbon reduction make EfW less economically feasible

Cost is passed to local authorities, limiting funds available for investment

Biogenic emissions are insufficiently addressed

Opportunity cost: investment in preferable infrastructure and technologies

Fluctuating carbon costs limit certainty for investment

Increased incentive for fraud





## Increasing Recycling

#### EPR incentives

Incentives Inten

Producers pay to meet recycling targets

Eco-modulation: producers pay more for products that are harder to recycle or reuse Intended impacts

More funding flows to recycling sector

Recycling rates improve

Producers design for recyclability

**Intended impacts** 

Unintended consequences

Quality of recycling is overlooked

Recycling is prioritised over reuse/repair

Waste exports are incentivised

Risk of new LA payments penalising success

Deposit return scheme incentives

Incentives

Reduced littering

Individuals can redeem a fee by recycling containers

g containers

Increased feedstock for food-grade recycling

Increased recycling

Unintended consequences

Confusion over DRS vs household collections

LAs lose revenue from most valuable household waste stream

**Plastic Packaging Tax incentives** 

Producers and brands incentivised to increase recycled content in

plastic packaging to

over 30%

Incentives

Intended impacts

Secondary plastic is more competitive with virgin plastic

Higher demand for secondary plastic

Higher plastic recycling rates

More closed-loop, high quality plastic packaging recycling Unintended consequences

Higher prices for secondary plastics

Insufficient supply of high-quality and food grade secondary plastic

Lightweighting and material substitution creates more recycling challenges

Increased incentive for fraudulent claims about recycled content



## Reducing Resource Consumption

Incentives from charges on single-use items



#### Incentives from subsidies for circular businesses and infrastructure





### Headline Recommendations

Incentives need more nuance to achieve circular economy and waste management goals

Use EPR schemes to explicitly promote reuse

Refocus policy development efforts to sectors and material streams with higher overall impacts

Improve fiscal levers to create stronger incentives for circularity

Strong data, monitoring and enforcement to ensure intended effects



# Other Emerging Themes

When developing new policy incentives, the opportunity cost should be considered

Realistic and reasonable response times to prevent unmanageable short-term costs need to be factored in

Where money is raised through financial and fiscal policies, this could be used to drive system change towards a circular economy

Incentives need to be coordinated across value chains, so that actors who are limited in their ability to respond gain the support needed from other sectors

Both carrots and sticks may be needed—without the levers or the funding to respond, punitive incentives are of limited value





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