

Position Paper

A Circular Economy to End Plastic Pollution – Sustainable Finance Mechanisms

Plastics Europe supports the establishment of a sustainable financing mechanism as part of the Global Instrument on Plastic Pollution based on the following key pillars:

- ***Creating demand drivers for the transition to circular plastics production*** allows us to build a compelling case for a robust market in recycled plastics, spanning various applications, which in turn can attract diverse investors and new sources of financing. This will lay the foundation for potential public-private partnerships aimed at advancing a circular plastics industry.
- ***Leveraging material-neutral Extended Producer Responsibility (EPR) schemes*** as a circularity driver and an effective tool for managing a producer's responsibility in financing the end-of-life management of the products they place on the global market.
- ***Mobilizing and facilitating access to existing funding mechanisms***, while also exploring innovative funding avenues, to bolster technical assistance and capacity-building efforts in countries lacking the financial and geographical resources required for the establishment of environmentally responsible waste management and recycling infrastructure.
- ***Scaling up global finance initiatives*** to combat plastic pollution through waste prevention and boosting plastic circularity.

Introduction

Plastics Europe supports the development of an enabling policy framework that streamlines the alignment of private and public financial flows with the circular economy objectives as outlined in the Global Instrument on Plastic Pollution. It is also crucial that the financial needs assessment is data-driven and assessed against various policy scenarios, to help governments develop cost-effective approaches. The transition of the whole plastics ecosystem will need both government funding and the mobilisation of private investments.

Creating demand drivers for the transition to circular plastics production

Engaging the private sector early in the process enables it to contribute significantly to the goal of ending plastic pollution. Creating effective demand drivers for recycled plastics (e.g., via mandatory recycling rates and recycled content targets for plastics products) is vital for attracting private sector finance to invest in waste management and recycling. Governments hold a crucial role in

incentivising this transition through introducing circularity policies tailored to national contexts, including legislative targets and incentives for companies embracing circularity. Such measures hold significant potential for redirecting capital towards sustainability, driving innovation in waste management, and growing circular economy markets.

In addition, the creation of new markets for recycled materials fosters a circular economy, generates new jobs, and reduces the environmental burden. These initiatives lay the groundwork for a circular plastics industry while attracting diverse investors and facilitating public-private cooperation and partnerships.

EPR schemes and eco-modulation fees

Besides unleashing industry investments in waste management and recycling infrastructure, the management of plastic waste will require continuous financial support. If designed in accordance with the sector-specific requirements, EPR schemes can be an efficient tool for ensuring that economic operators who place the products on the market finance the management of their products' end-of-life while also incentivising a reliable supply of high-quality recycled materials, promoting circularity, and ensuring waste becomes a future feedstock for plastics products, benefiting various industry sectors when aligned with sector-specific regulations. EPR schemes should be material neutral, comply with minimum requirements and be designed for local conditions to ensure solutions that meet the needs and economies of their area and help to build sustainable business models that benefit local communities, including the informal workers / waste collectors. The EPR introduces the principle of 'full net cost recovery', making producers responsible for covering the full necessary costs of an efficient system for managing waste, including collection, sorting and recycling, net of the value of the materials collected¹.

Introducing circularity targets in the National Action Plans would require a supporting, effective, and workable EPR system that embraces all materials and combination. Such a system must not provide a barrier to future innovative resource-efficient products or new recycling technologies and other innovations being introduced on the market.

Plastics Europe suggests adopting a common guidelines or principles on best-practice EPR schemes that accounts for the unique characteristics of various market sectors, such as packaging, electronic and electrical equipment (EEE), automotive, construction, medical, etc. Where recycled materials have a market and are replacing fossil-based plastics in finished articles, open-loop recycled content from both pre-and post-consumer waste should be considered as a valuable step towards the reduction of primary fossil feedstock usage. Moreover, EPR systems should facilitate straightforward and quick access to high-quality recycled materials, thereby encouraging the use of recycled outputs.

Investments from collected EPR funds should be based on a transparent investment framework that stimulates innovation and the development of the required infrastructure for achieving the Circular

¹ [Development of Guidance on Extended Producer Responsibility \(EPR\) \(europa.eu\)](https://europea.eu)

Economy goals. Additionally, EPR fee differentiation between packaging types / formats should not lead to, nor rely on, cross-subsidisation between dissimilar materials and polymer types. The definition of EPR categories and fee modulation would require solid evaluation criteria and methodologies. Potential eco fee modulation, if applied, should be based on clear, predictable, and harmonised criteria, for example Design for Recycling guidelines and financial incentives based on recycled content targets. This will act as an incentive for product (e.g., packaging) manufacturers to minimise the environmental impact of articles and to design, produce and market products with end-of-life in mind, aiming to transform materials into new secondary raw materials for the circular economy.

EPR fees should be periodically reviewed using transparent information on how much is collected from secondary raw materials sales vs how much is needed to support collection/sorting infrastructure cost.

Global finance initiatives for combatting plastic pollution through waste prevention and boosting plastic circularity

To attract private investment, it is also essential to mitigate the risks associated with initiatives to combat plastic pollution. There are several promising financing initiatives already in play, including initiatives such as blue bonds, blended finance schemes and multi-donor funds. Blended finance mechanisms, which combine public and private funds, can share the risks and increase the attractiveness of projects to private investors. De-risking mechanisms, such as guarantees or insurance, can further reduce the financial risks for private investors.

The **Consumers Beyond Waste Initiative**², facilitated by the World Economic Forum (WEF), is a global, multistakeholder effort aimed at eliminating single-use consumer goods packaging by 2030. It brings together diverse stakeholders from the private, public, and civil society sectors to empower consumers with sustainable alternatives to single-use products, with a specific focus on reuse and durability-based solutions. The initiative launched a joint modelling framework to understand the determinants of reuse systems and developed a playbook for cities³ to test and enable integrated reuse systems on the ground, including case studies and best practices from cities that have successfully adopted reuse models, such as San Francisco, London, Berlin, and Mumbai⁴. It also fostered partnerships with leading cities, aiming to scale up reuse models at a global level while engaging consumers. Through thought leadership, partnership catalysis, and collaboration with

² <https://www.weforum.org/projects/consumers-beyond-disposability>

³ <https://www.weforum.org/reports/consumers-beyond-waste-an-initiative-of-the-world-economic-forum-s-future-of-consumption-platform>

⁴ The City Playbook is one of the three community-authored papers that the initiative has produced, along with the Design Guidelines and the Safety Guidelines. The Design Guidelines provide principles and best practices for designing reusable packaging systems that are attractive, functional, and durable. The initiative hopes that these papers will serve as a holistic framework for practitioners and policymakers who want to adopt or expand reusable packaging systems in their own communities:

related initiatives, it serves as an example of a global initiative that aims to foster innovative financing models to address the plastic waste challenge.

The **Save Our Seas Initiative**⁵, led by USAID, is another example of a global finance initiative designed to combat marine plastic pollution. Backed by an initial funding of \$62.5 million, the initiative has supported programs in areas that represent 40% of total global mismanaged plastic waste, preventing over 60,000 metric tons of plastic and other materials from leaking into the environment⁶. The Save Our Seas Foundation has funded more than 480 projects in 91 countries in the field of marine research, conservation and education around the globe. It takes a multifaceted approach, addressing the issue from various angles, including prevention, circular economies, and regional expansion⁷. The initiative combines funding from multiple sources, including government appropriations, legislative support (Save Our Seas Act 2.0), and private sector investments. This diversified funding model reduces reliance on a single source and strengthens financial sustainability. Through partnerships with impact investors like Circulate Capital, it aims to encourage private sector participation in addressing the plastic pollution issue. This initiative has been followed up by End Plastic Pollution International Collaborative (EPPIC)⁸ that complements and builds on USAID's work with countries to combat plastic pollution under the Save our Seas Initiative and Clean Cities Blue Ocean and provide innovative solutions to enable a just transition. The program has a budget of \$14.5 million USD.

Assistance and capacity building support for waste management in developing countries

Investing in waste collection and management is crucial to address global plastic leakage, especially in developing countries. To establish effective waste management infrastructure in these regions, an annual investment of EUR 25 billion is needed⁹.

The surge in plastic waste has placed immense pressure on waste management systems globally, especially in developing nations with less robust collection, sorting and disposal infrastructure. In 2019, 22 Mt of plastics entered terrestrial and aquatic environments¹⁰. There is a pressing need to prioritise expanding coverage to the 3 billion individuals lacking access to sustainable waste services and securing a sustainable revenue stream that covers operational expenses for essential waste

⁵ https://www.usaid.gov/sites/default/files/2023-06/2023-USAID-Save-Our-Seas-Initiative-Annual-Report_1.pdf

⁶ <https://www.usaid.gov/urban/save-our-seas/2023-annual-report>

⁷ <https://saveourseas.com/foundation/philosophy/>

⁸ <https://www.state.gov/u-s-department-of-state-launches-the-end-plastic-pollution-international-collaborative-eppic/>

⁹ Agnelli, A. and P. Tortora (2022), "The role of development co-operation in tackling plastic pollution: Key trends, instruments, and opportunities to scale up action", OECD Environment Working Papers, No. 207, OECD Publishing, Paris, <https://doi.org/10.1787/721355cb-en>. Policy highlights: <https://www.oecd-ilibrary.org/docserver/721355cb-en.pdf?expires=1695916489&id=id&accname=guest&checksum=92FA69BFA4C3A69A04662F20DBBB1DBD>

¹⁰ Ibid.

collection¹¹. This step is pivotal in ensuring well-functioning waste management, aligning with industry efforts to mitigate plastic leakage's environmental impact. Failing to address this gap will perpetuate plastic waste mismanagement and plastic leakage.

While development cooperation funding has increased for plastics projects, it remains a fraction of the total needed to curb plastic leakage¹². To maximise impact, strategies should involve targeted alignment with country priorities, acting as a catalyst to leverage other financing sources, and establishing robust policy frameworks for effective investments. Resources for plastic pollution reduction in developing countries should be aligned with circularity principles. In order to unlock sufficient resources, it would be key to facilitate access to existing funding mechanisms, while also explore innovative funding avenues. This will help boost technical assistance and capacity-building efforts in countries lacking the financial and geographical resources required for setting up environmentally responsible waste management and recycling infrastructure.

Integrating lifecycle approaches into policies, while at the same time prioritising inclusivity with a gender perspective in waste management projects and sustainable finance is an efficient pathway to drive behavioural change and facilitate a just transition in addressing plastic pollution¹³.

Effectiveness of a tax-based approach

A global plastic pollution fee based on unspecific national taxes on fossil-based plastics would not help meet the key objectives of the agreement to end plastic pollution and could even divert funds away from investments in waste management and recycling infrastructure. Questions would arise concerning the governance structure and without stringent accountability measures and transparency in the use of tax revenue, there is a risk that funds might be misallocated or used inefficiently, which could undermine recycling infrastructure investments. EPR schemes or a demand-based transition of markets for recycled plastics are a more effective, proven, and comprehensive tool in managing a producer's responsibility across the entire lifecycle of their products, including their end-of-life management. At the same time, they create market incentives for eco-friendly product design, foster local adaptability, promote stakeholder engagement, and generate job opportunities in recycling and waste management. Encouraging the uptake of circular feedstocks becomes a key strategy within this framework, facilitating the phased reduction of dependency on fossil-based materials and accelerating the circular transition in line with reaching our commitment to the Paris agreement.

¹¹ <https://www.unep.org/news-and-stories/press-release/mounting-problem-worlds-cities-produce-10-billion-tonnes-waste-each#:~:text=Despite%20of%20this%2C%20a%20staggering%203%20billion%20people,our%20streets%20with%20grave%20environmental%20and%20health%20consequences.>

¹² Agnelli, A. and P. Tortora (2022), "The role of development co-operation in tackling plastic pollution: Key trends, instruments, and opportunities to scale up action", OECD Environment Working Papers, No. 207, OECD Publishing, Paris, <https://doi.org/10.1787/721355cb-en>. Policy highlights: <https://www.oecd-ilibrary.org/docserver/721355cb-en.pdf?expires=1695916489&id=id&accname=guest&checksum=92FA69BFA4C3A69A04662F20DBBB1DBD>

¹³ Ibid.

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November 2023
