



Plastic  
Waste

# Guiding Principles for the Ecomodulation of EPR Fees for Packaging

A paper endorsed  
by members of The  
Consumer Goods  
Forum's Coalition of  
Action on Plastic Waste

[www.tcgfplasticwaste.com](http://www.tcgfplasticwaste.com)

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## About The Consumer Goods Forum's Coalition of Action on Plastic Waste

The Consumer Goods Forum ("CGF") Coalition of Action on Plastic Waste was founded in 2020 with the aim of developing a more circular approach to the development and processing of plastic packaging in the consumer goods industry. The development of the Coalition builds on the CGF's 2018 endorsement of the Ellen MacArthur Foundation's New Plastics Economy. As a CEO-led group of 40 committed and innovative retailers and manufacturers, the Coalition's vision of accelerating progress towards the New Plastics Economy is embodied by its central aims for members to work towards implementing impactful measures through multi-stakeholder collaborations that will help make circularity the norm in the industry.

## List of Endorsers

This paper supports a proactive stance across our industry to deliver constructive recommendations about optimal EPR when programmes are being pursued or developed while fostering pre-competitive collaboration at the local level.

- Amcor
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- Nestlé
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- Reckitt
- Refresco
- Rewe Group
- SC Johnson
- SIG Combibloc Group
- Tetra Pak
- The Coca-Cola Company
- Unilever
- Walmart



## Introduction

This paper is an appendix to “*Building a Circular Economy for Packaging: View from the Consumer Goods Industry on Optimal Extended Producer Responsibility*”, developed by The Consumer Goods Forum Plastic Waste Coalition of Action (PWCoA) and first published in August 2020.

To progress towards a circular economy, PwCoA believes that the performance of waste management and recycling systems throughout the world needs to urgently improve. Extended Producer Responsibility (EPR) programmes for packaging can accelerate this progress and provide critical and effective support to recycling, particularly when the right conditions are in place for a given market.

Incentives for packaging sustainability are a key design parameter for optimal EPR, and ecomodulation of EPR fees is one approach to providing such incentives. It is an important yet complex consideration for both industry and policymakers. As EPR systems for packaging continue to advance in markets around the world, we expect that proposals to establish or reform rules around ecomodulation will feature prominently.

## EPR Fees and Ecomodulation

EPR schemes for packaging rely on a system of fees that are assigned to packaging based on material type (e.g., plastic, paper, metal) and weight. “Ecomodulation” is an approach by which these fees are informed by and structured according to environmental considerations and policy objectives. Two critical features of the fee-setting mechanism for any EPR system<sup>1</sup> are the following:

1. **Each material type should “pay its own way”**, meaning EPR fees should consider the cost to collect and sort each material for recycling in order to achieve expected targets as well as revenues or gate fees. Differentiation by material type may become relatively granular, for example, by distinguishing between different plastic resins or colors of glass. Additionally, some materials are charged EPR fees but not collected for recycling in the early stages of an EPR system because the ability to sort and market the materials does not yet exist. While this is a practical reality that EPR systems need to address, any material that pays fees into an EPR system must be matched with a commensurate plan to sort and market the material over time, e.g., improving recycling capabilities for these materials.
2. **EPR systems should operate on a net cost basis**, meaning the EPR fees should reflect the revenue that is generated by the sale of materials for reprocessing. The market value of a given material may relate to its recyclability but not necessarily; market values are driven by many factors, including the prices of virgin alternatives.

1. Generally speaking, we focus on optimal EPR systems that require or encourage producers to join a common PRO guided by one fee setting mechanism. In practice, however, EPR fee structures will also reflect market rules around competition among Producer Responsibility Organisations, system overhead, and the ability of individual producers to negotiate fees.

The concept of ecomodulation is embedded into these basic fee-setting steps, for example, through the incentives that are created to avoid unnecessary packaging, make packaging as light as possible, and improve recyclability. In addition, ecomodulation may include adjustments to EPR fees to introduce specific incentives (“bonuses”) and disincentives (“maluses”) that drive at targeted policy objectives. In this sense, ecomodulation has both basic and more complex, multi-factor forms.<sup>2</sup>

## Summary of Key Terms Used in This Paper

- **EPR fee-setting:** The process of defining the fee levels that are assigned to packaging based on material type (e.g., plastic, paper, metal), weight and characteristics.
- **Ecomodulation:** The approach by which EPR fees are informed by and structured according to environmental considerations and policy objectives, in particular objectives to further increase packaging recyclability and the efficient use of materials (without causing unintended consequences for other environmental metrics such as life-cycle greenhouse gas emissions).
- **Basic Ecomodulation:** Variation in EPR fees to account for the recyclability of different materials as well as the net cost of recycling, based on a limited number of factors
- **Multi-factor Ecomodulation:** Adjustments to EPR fees to introduce specific incentives (“bonuses”) and disincentives (“maluses”) that drive at targeted policy objectives beyond packaging recyclability and the efficient use of materials, for example, the use of bio-based materials or recycled content. These adjustments may introduce significant cost and complexity to the operation of the system.

2. See, for example: OECD (2021) Modulated fees for extended producer responsibility schemes (EPR). Environment Directorate, Working Party on Resource Productivity and Waste, ENV/EPOC/WPRPW(2020)2/FINAL

## PWCoA's Perspective on Ecomodulation

**PWCoA supports well-designed approaches to ecomodulation. When ecomodulation provides clear, predictable and harmonised incentives, it can be an important mechanism for driving the design of sustainable packaging and enabling the effectiveness and success of high performing EPR systems.**

We agree that ecomodulation should always support packaging recyclability and the efficient use of materials. Multi-factor ecomodulation, though, must be approached with care. Incentivizing sustainability is correct in principle but in practice may introduce significant complexity and subjectivity to the detriment of the system. For example, ecomodulation aimed at incentivizing low carbon intensity would likely require complex lifecycle assessments, and the impact of the fee adjustments would have to be accounted for annually in the system budget. Ecomodulation of EPR fees cannot be used to meet all policy objectives. Other policy tools may be simpler and more effective at achieving a given aim.

Multi-factor ecomodulation is a particular focus in mature EPR systems where EPR rules, governance and infrastructure are in place to support its implementation. In transitional markets where infrastructure and system governance are not yet mature, multi-factor ecomodulation should probably be avoided at the outset.

## Key Principles for Ecomodulation

We outline the following 6 key principles that should guide the ecomodulation of packaging material:

### 1. Simplicity

**An ecomodulation system should be designed as simply as possible, with practical implementation in mind.** Overly complex design risks increasing costs and creating a barrier to compliance, diminishing the impact of the proposed incentives. An ecomodulation system must find a balance between being sufficiently granular to account for the differences in the net cost of packaging materials and types, without going into excessive details that compromise efficient implementation.

### 2. Clarity of objectives and criteria

**The objectives of ecomodulation should be made explicit to make clear which improvements in the waste management and recycling system it targets. These can include a drive towards more efficient technology and better packaging design.**

The objectives of ecomodulation should be clearly stated, beginning with incentives for recyclable packaging, discouraging hard-to-recycle designs, and driving the necessary

infrastructure for recycling. Ecomodulation over time should increase collection rates, recycling rates and yields of specific packaging materials and formats. It should be technology-neutral rather than prescriptive, allowing the market to choose the most appropriate and cost-effective solutions. Fee structures must be regularly re-evaluated taking into consideration innovation and substantive changes in the collection, sorting and recycling infrastructure.

‘Recyclability’ is a critical priority, and ecomodulation needs to address materials that present challenges to collection, sortation, and/or processing. Design for recyclability should be aligned with accepted standards, for example as codified by The Consumer Goods Forum’s ‘Golden Design Rules’.<sup>3</sup> Criteria that do not affect the collection, sorting and recycling, such as the use of recycled content, may be considered under multi-factor ecomodulation and could be better supported by other policy tools. Where such criteria are already included in ecomodulation systems, for example the inclusion of recycled content in France and Québec, policymakers need to take into consideration potentially countervailing regulations, such as food and healthcare product safety regulations, to avoid penalizing certain packaging types and producers.

When comparing the environmental performance of different packaging materials such as plastics, metals, glass, and fiber, the full lifecycle of the material needs to be evaluated, including the carbon footprint and system-level impacts related to waste, refrigeration, and other factors.

### 3. Focus on net cost

**Ecomodulation must include the ‘net cost’ of collection, sorting and recycling of a material stream to provide the optimal set of incentives for the design and production of recyclable packaging.**

Packaging materials and types with well-established recycling streams will have a lower ‘net cost’, resulting in lower ecomodulated fees. On the other hand, packaging materials that cannot easily be recycled at scale with current sorting and recycling infrastructure will likely have a higher net cost. Often, but not always, this goes hand in hand with a lower end-of-life value. The net cost for materials with emerging recycling technologies falls in between.

### 4. Investment into system improvement

EPR fees collected on materials with relatively low recycling rates should be ringfenced for the development of infrastructure, technology, and consumer education to enable recycling of those materials. Fees should not be used to cross-subsidise packaging materials and avoid the payment of actual net cost. Furthermore, revenues must not be used for continued support of end-of-life practices that stand below recycling in the waste-mana-

3. <https://www.theconsumergoodsforum.com/environmental-sustainability/plastic-waste/key-projects/package-design/>

gement hierarchy, such as landfill or incineration, with or without energy recovery, taking into account local conditions. Investments for recycling material with low recycling rates need to be incentivized, with transition periods set when appropriate.

## 5. Transparency and consultation

**The rules of an ecomodulation system should be fully transparent to all stakeholders and defined through a dialogue with industry.** The obligated industry, i.e., companies directly affected by the EPR legislation, must be included in decision-making processes where ecomodulation rules are defined, evaluated and updated to ensure that the parameters of the system are both impactful and practical. Obligated manufacturing industry has broad experience in the design, production and use of packaging, and can therefore provide effective support in defining practical solutions that are balanced between environmental impact and economic feasibility.

In addition, transparency is needed on actual collection, sorting and recycling rates for different types of packaging, to track the achievement of key outcomes, such as recycling targets, and to derive corrective measures where needed.

## 6. Harmonisation and a level playing field

**Consistent criteria for ecomodulation should be developed and implemented across markets and jurisdictions wherever possible.** An ecomodulation system should be based on an agreed set of criteria, e.g. common definitions of recyclability. The definitions of these criteria should be comparable, if not similar across markets.

A harmonised approach provides a consistent set of incentives to producers and facilitates the free flow of packaging, and packaged goods, across jurisdictions by reducing the administrative and logistical burden. It also facilitates a common understanding among consumers of how to sort household waste. This is equally relevant in markets with multiple, competing PROs, where ecomodulation rules should ideally be aligned between PROs to ensure that financial incentives are aligned, however subject to applicable competition law. Different ecomodulation systems within one single country or within a region with highly integrated national markets undermines the desired outcome of ecomodulation by sending conflicting signals to the actors of the value chain.

Whenever infrastructure needs to be built, shared responsibility between different actors of the value chain is important, ensuring every party pays its fair share.



## About the Consumer Goods Forum

The Consumer Goods Forum (“CGF”) is a global, parity-based industry network that is driven by its members to encourage the global adoption of practices and standards that serves the consumer goods industry worldwide. It brings together the CEOs and senior management of some 400 retailers, manufacturers, service providers, and other stakeholders across 70 countries, and it reflects the diversity of the industry in geography, size, product category and format. Its member companies have combined sales of EUR 3.5 trillion and directly employ nearly 10 million people, with a further 90 million related jobs estimated along the value chain. It is governed by its Board of Directors, which comprises more than 50 manufacturer and retailer CEOs. For more information, please visit: [www.theconsumergoodsforum.com](http://www.theconsumergoodsforum.com).



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