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Comhar recommendations on the use of economic instruments in waste management

Item Type	other
Publisher	Comhar, Sustainable Development Council
Rights	Y
Download date	2026-05-17 21:59:17
Link to Item	https://hdl.handle.net/20.500.14765/71800

***Comhar* recommendations on the use of economic instruments in waste management**

Context

Making Ireland's Development Sustainable - Review, Assessment and Future Action acknowledged that “increasingly, policy packages will be required, combining appropriate mixes of economic/fiscal instruments, producer responsibility initiatives, regulation and other instruments”. It suggested that it is important to work with - and use - the market in the pursuit of greater eco-efficiency and sustainable development.

This paper outlines *Comhar*'s position on the use of economic instruments as part of an integrated package of measures aimed at achieving improved performance in the area of waste prevention and waste recovery. In particular, this position is being put forward having regard to the commitment in the Agreed Programme for Government which states that consideration will be given to the extension of the levy on plastic bags, to other areas such as non-reusable packaging.

Waste management levies

Comhar welcomes the recent regulatory changes arising from the Waste Management (Amendment) Act 2001 (“the 2001 Act”) which provided a statutory basis for the introduction of new levies on the sale of plastic bags and the deposit of waste at landfill:

- the 15 cent levy on plastic shopping bag was introduced on 4 March, 2002,
- a new landfill levy of €15 per tonne of waste deposit in landfills came into operation on 1 June 2002.

Comhar notes that the 2001 Act provides that further levies may be applied to other goods and articles, subject to confirmation by the Oireachtas.

Comhar believes that, as provided for in the Department's policy document *Preventing and Recycling Waste – Delivering Change*, the focus of Government policy must continue to be on waste prevention and minimisation

as the most desirable options for waste management. *Comhar* considers that while such levies are key instruments in raising awareness and encouraging behaviour change to benefit the environment, they should be applied as part of an integrated package of environmental policy measures, including producer responsibility initiatives, regulation and supporting structures.

The role of levies in raising awareness and changing behaviour

A recent study, on behalf of the European Commission¹ found that the use of environmental levies is increasing in Member States partly driven by EC and OECD calls for a shift in the focus of taxation (away from employment and towards “pollution”). The study concluded that even quite small changes in price/ cost can send strong signals as to the desired behaviour. This suggests that the environmental benefits are greater than would be estimated based on simple concerns on price impacts, given the levy’s additional role of raising awareness and offering a “moral” signal to change behaviour.

This conclusion is borne out by the success of the Plastic Bag Levy which was introduced primarily as an anti-litter initiative. Plastic bags form a very small proportion of the overall solid waste stream but were a very visible form of litter.

Comhar welcomes the fact that the new levy on the sale of plastic shopping bags has generally met with widespread support and that the fall in the consumption of disposable plastic bags has been dramatic and the environmental benefits have been immediate.

It is understood that consumption of disposable plastic bags is estimated to have fallen by around 90% and to date, €3.8 million has been received by the Department from the Revenue Commissioners from the operation of the levy.

Hypothecation of revenue from levies

Comhar believes that the environmental benefit of levies needs to be clear. The establishment of the new Environment Fund under Section 12 of the 2001 Act is welcome. However, any revenue hypothecated for environmental

¹ Study on the Economic and Environmental Implications of the Use of Environmental Taxes and Charges in the European Union and its Member States - Ecotec Research and Consulting April 2001.

purposes should not displace exchequer funding that otherwise might be made available.

Producer responsibility initiatives

Comhar acknowledges the valuable contribution which producer responsibility initiatives make in meeting national objectives in the prevention and recovery of waste. Under the terms of the EU Directive on Packaging and Packaging Waste, Ireland is obliged to achieve a packaging recovery rate of 25% by June 2001 and 50% by end 2005.

Repak Ltd was established in 1997, as a producer responsibility initiative by industry to meet these targets. The 2001 target has been met and good progress is being made towards the difficult 2005 target. In the case of cans, for example, Repak has advised that it subsidised the collection of approximately 1,350 tonnes of aluminium cans in 2001; up to end September this year, it had subsidised approximately 1,300 tonnes. The projected figure for 2002 is in the order of 1,800 tonnes or circa 18% of the total cans on the market. To put this progress in context, Repak subsidised the collection of 719 tonnes in 1998.

The expanded bring bank network on foot of the Department's Capital Grants Scheme, together with expanded kerbside collection currently being rolled out, should see substantial increases on the tonnage collected over the next two years.

Any decision to introduce further levies on packaging waste should take into account progress made by industry itself, through Repak and other means, to meet the Packaging Directive's targets.

Comhar recognises that the use of levies is also envisaged as key a mechanism in relation to implementation of other producer responsibility initiatives such as end-of-life vehicles (ELVs), tyres and waste electrical and electronic equipment (WEEE).

Supporting structures and complementary measures

The policy statement *Preventing and Recycling Waste – Delivering Change* recognises that one of the main barriers to an improved and sustainable recycling performance is the lack of stable and economically attractive

markets and outlets for recyclable materials. In this context, *Comhar* believes that is essential to establish, as soon as possible:

- the Recycling Consultative Forum, to act as a consultative and advisory body on all aspects of recycling, and
- the Market Development Group to devise and implement a market development programme for the use and marketing of recyclable materials.

Comhar believes that a sustained commitment is required in the promotion of consumer and producer awareness of the benefits of the prevention and recycling waste, to give effect to behaviour change. *Comhar* considers that such complementary measures should also highlight the benefits of the reuse of discarded products through the promotion of “waste exchanges” and “swap shops”

Limitation on right to impose bans on packaging material

Comhar notes that article 18 of Packaging Directive provides that “Member States shall not impede the placing on the market of their territory of packaging which satisfies the provisions of the Directive”. In effect, as long as packaging satisfies the essential requirements on the composition and the reusable, recoverable and recyclable nature of packaging, it cannot be prohibited from being placed on the market. Article 15 of the Directive does, however, allow Member States to adopt economic measures in support of the objectives of the Directive to ensure the recovery of packaging waste.

The experience in other countries

Comhar believes that the experience in other EU countries can offer useful models of best practice. Denmark banned cans for a number of years. The law was repealed earlier this year after long running legal dispute with EU Commission.

Denmark has introduced legislation providing for –

- a) a deposit and refund scheme for beer and soft drinks containers, with differentiated deposits depending on packaging type/size of container, and
- b) a weight-based packaging eco-tax covering all types of packaging, again with differentiated rates depending on packaging type. The aim of this tax is to reduce the amount of packaging waste and to shift the demand towards materials with lower environmental impact.

Denmark is using Life Cycle Analysis as the main tool in determining rates of environmental levies and framing packaging waste policy.

In Finland, a tax on disposable containers has encouraged the establishment of a deposit system for cans which has resulted in much higher levels of recycling of cans than prior to the introduction of the tax. It has also helped support the existing refill system by making other kinds of packaging systems more expensive.

Options for further levies

Comhar considers that decisions on the introduction of further levies need to take account of issues in relation to persistent litter, the promotion of recycling and the minimisation of waste. Different objectives in this regard would influence the choice of any levy (e.g. problematic products from a litter perspective include polystyrene fast food packaging and chewing gum).

Any new levies need to be well thought out and targeted and subject to ex-ante and ex-post research on environmental and economic impacts. In the context of the commitment in the Programme for Government, consideration should be given to further levies on certain packaging e.g. paper bags, plastic beverage containers, Tetra Pak, cans, polystyrene fast food packaging, etc. Other problematic products from a waste/ litter perspective, e.g. chewing gum, newspapers and newsprint should also be considered. Options for introducing deposit and return systems (as an alternative, or addition, to levies) could also be considered.

Conclusions

- *Comhar* considers that economic instruments are an important component in the package of environmental policy measures, which also include producer responsibility initiatives, regulation and supporting structures and complement.
- *Comhar* recognises that progress is being made in Ireland on producer responsibility initiatives, e.g. REPAK, and forthcoming initiatives are planned in the areas waste electrical and electronic equipment, end-of-life vehicles and fridges. Any decisions on future levies should take account of the progress on such initiatives.
- It is essential supporting structures and complementary measures, as envisaged in the policy statement *Preventing and Recycling Waste - Delivering Change*, are put in place, as soon as possible; *Comhar* would like to see early establishment of the Market Development Group and the Recycling Consultative Forum, as well as a sustained commitment to environmental awareness and education.
- Any new environmental levies or taxes need to be well thought out and targeted. Products recommended should be subject to ex-ante and ex-post evaluation.
- The experience in other EU countries can offer useful models of best practice.
- The environmental benefit of levies needs to be clear; any revenue hypothecated for environmental purposes should not displace exchequer funding that otherwise might be made available.
- Products which are problematic from a waste/ litter perspective, for which levies could be considered, include chewing gum, polystyrene food containers, Tetra Pak, newspaper and newsprint.
- The initial focus of the Working Group has been on the commitment, in the Agreed Programme for Government, to consider the extension of the plastic bag levy to other products; *Comhar* now proposes to extend the mandate and time-frame of the Working Group to consider the wider context of economic instruments in sustainable production and consumption.

December, 2002