



EXTENDED PRODUCER RESPONSIBILITY (EPR) – OPPORTUNITIES AND LIMITS

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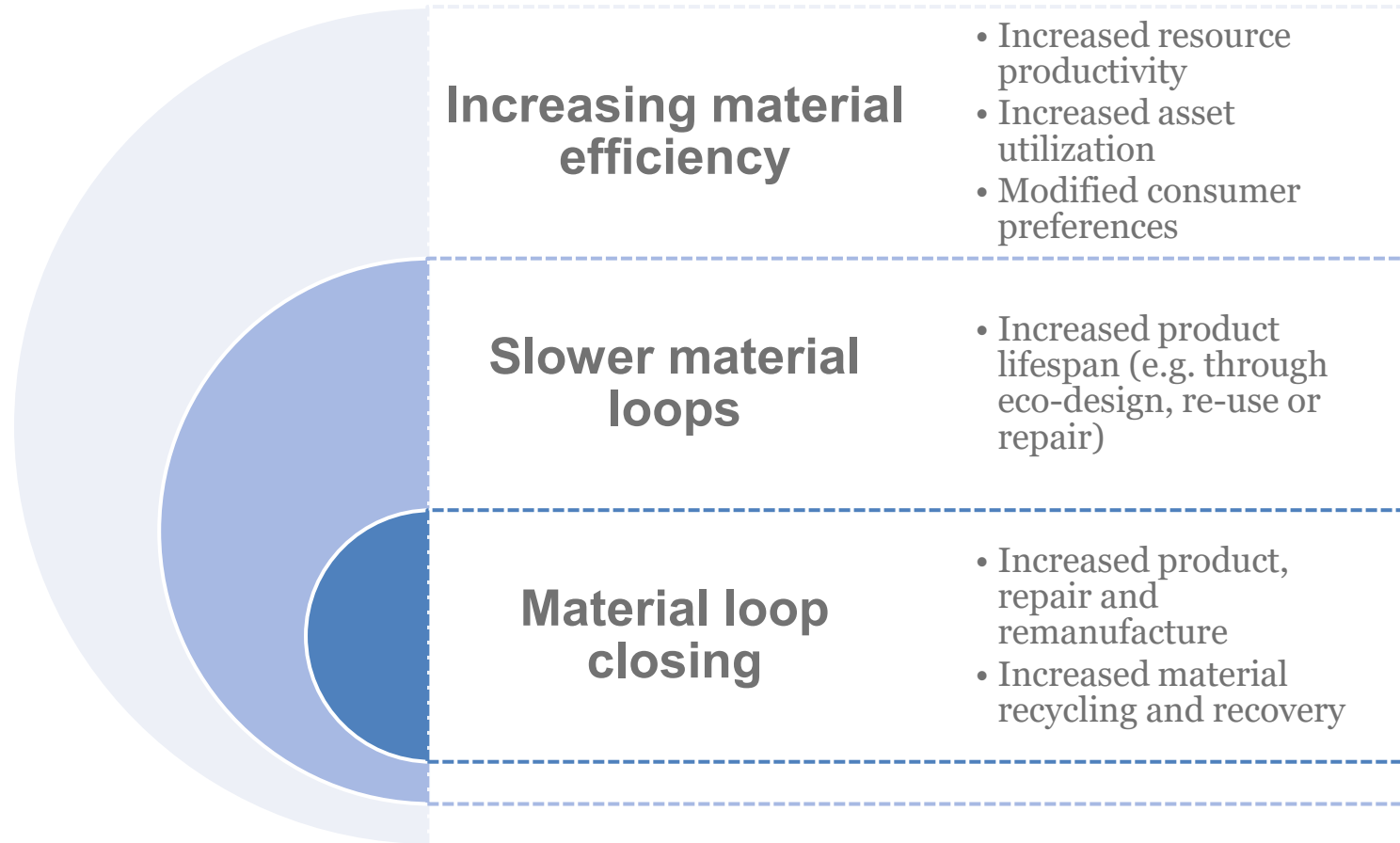
**EPR Club and European Economic and Social Committee Event
“How can EPR promote sustainable production and
consumption?”**

16 November 2022, Brussels



Defining the circular economy

Defining a Circular Economy





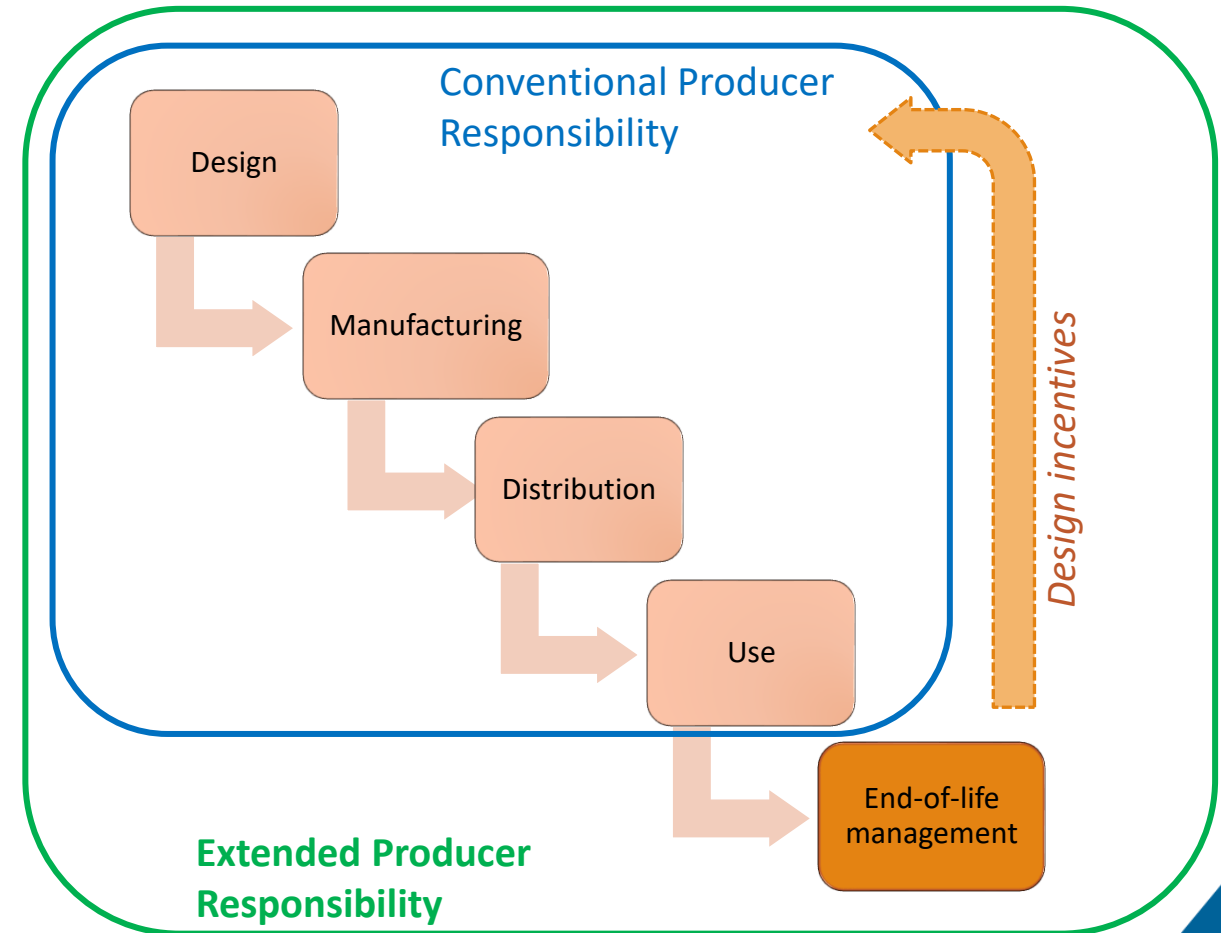
Extended Producer Responsibility Systems (EPR)

OECD definition:

EPR is an environmental policy approach in which a producer's responsibility for a product is extended to the post-consumer stage of a product's life cycle.

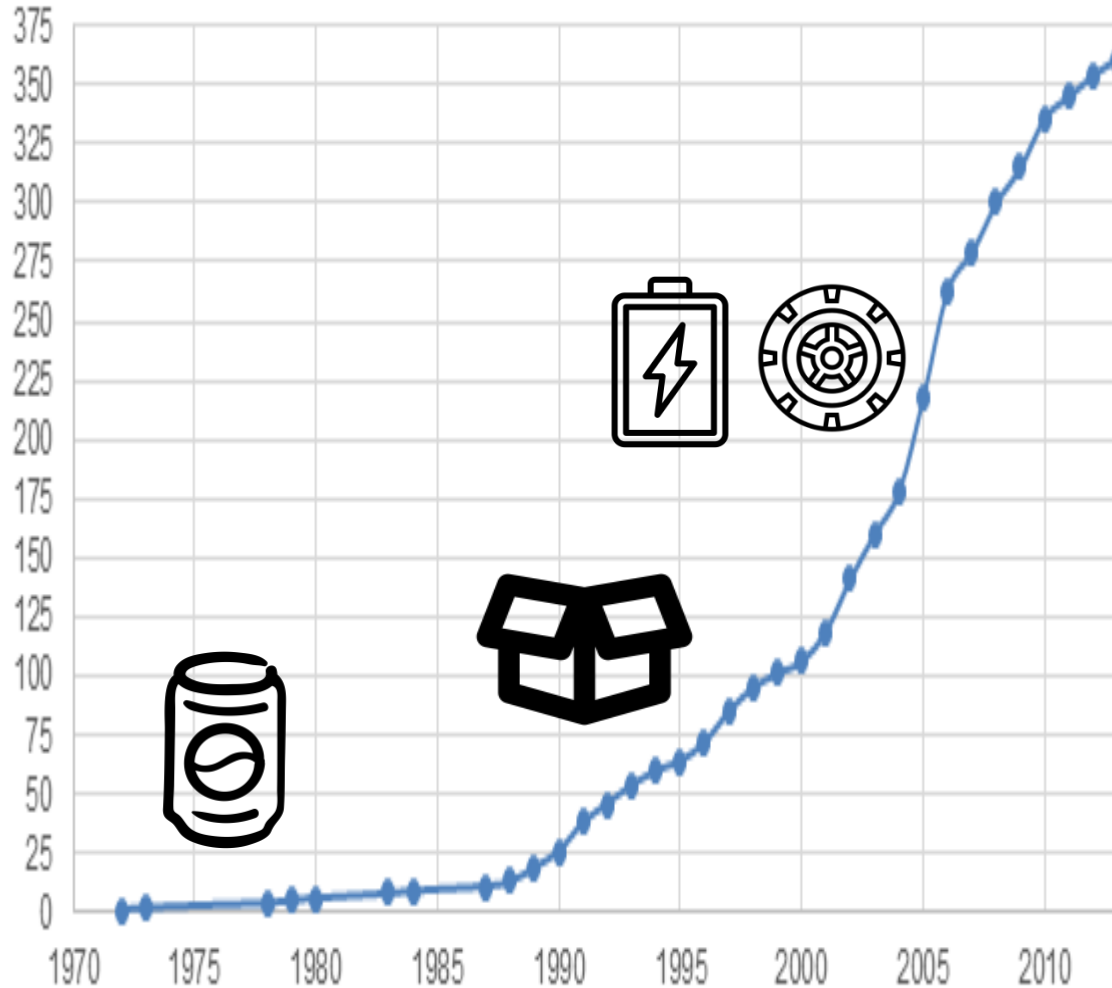
Two objectives:

- implements the “**polluter pays principle**”
- provides an implicit **incentive for sustainable design** of products (DfE)

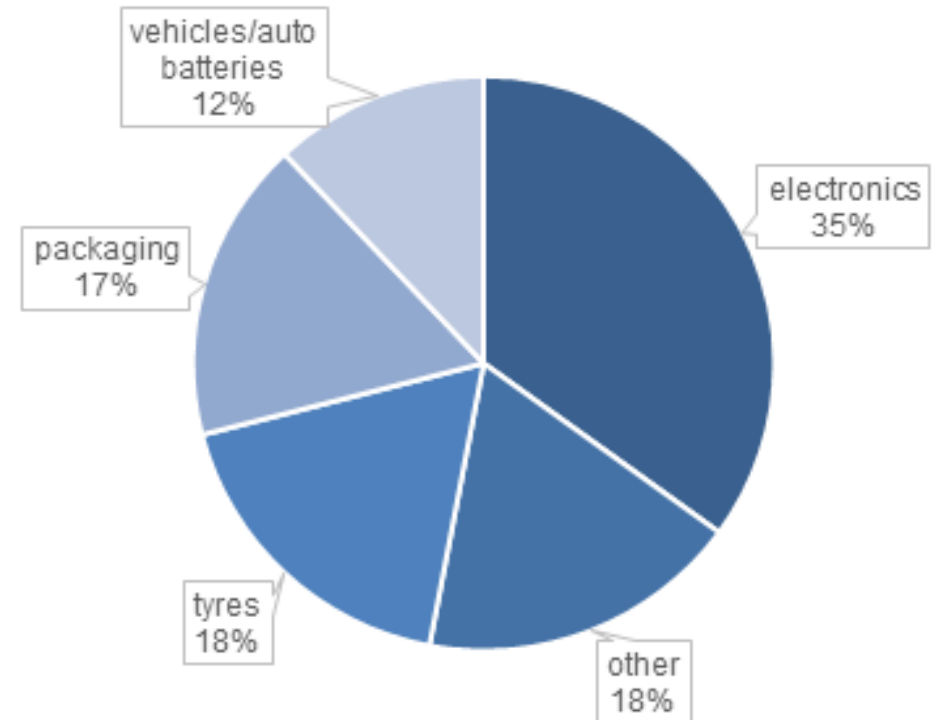




Introduction—historical context



- DRS in North America from 1970s
- Packaging from the 1990s
- 2000s vehicles/batteries, EEE, tyres.





The rationale for fee modulation

- Extended Producer Responsibility (EPR) has three main objectives:
 1. Shift financial burden of waste management from municipalities to producers.
 2. Targets and incentives for increased recycling rates.
 3. **Incentivise design for the environment (DfE).**
- In collective implementation, producers collaborate and pay an **EPR fee** to a Producer Responsibility Organisation (PRO)
- **Fee modulation:** modification of fees paid by producers in a CPR scheme based on measurable product characteristics.



Definitions: Overview of Fee Modulation Types

| Level of Modulation | Methodology | Lifecycle Stage | Modulation Type | Criteria examples | Example(s) | Issues or Considerations |
|---------------------|---|--|---------------------------------------|---|---|--|
| Basic | Granularity (Allocation of actual EoL costs) | End of Life (EoL is the focus) | “Basic” | Product Type, Weight, Source (post-consumer and post-industrial) | Most EPR schemes | <ul style="list-style-type: none"> Costs of design choices are not internalised by each producer; Incentive to lightweight, even at expense of recyclability |
| | | End of Life | “Advanced EoL with Granularity” | Recyclability, Recycling Rate, Presence of Hazardous Substances, Consumer Awareness | Italy, packaging, CONAI | <ul style="list-style-type: none"> Additional complexity Potentially limited incentives for design change by producers |
| Advanced | Bonus/Malus (Bonus/malus adjustments to basic fee) | End of Life | “Advanced EoL with Bonus/Malus” | Recyclability, Recycling Rate, Presence of Hazardous Substances, Consumer Awareness | France, packaging, CITEO | <ul style="list-style-type: none"> Arbitrariness: fee adjustment is not tied to actual cost differences of the design change; Additional complexity |
| | | Lifecycle (Aspects of all lifecycle stages, beyond EoL, can determine fee modulation) | “Advanced Lifecycle with Bonus/Malus” | Recycled Content, Product Lifespan | France, EEE Canada (Quebec), Packaging | <ul style="list-style-type: none"> Arbitrariness: fee adjustment is not tied to actual cost differences of the design change; Additional complexity |



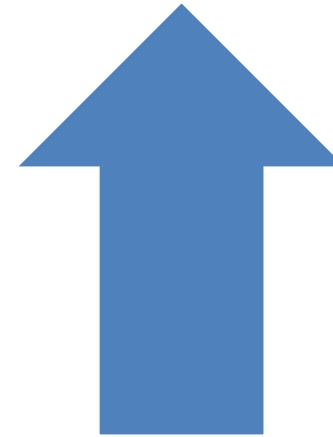
Key Issues and Considerations

| Issue | Description |
|-------------------------------|--|
| Cost recovery | PROs need fees to fully cover operation costs. |
| Magnitude of modulation | A small ratio of fee to product price will provide little incentive for DfE. |
| Competition | Opportunity for capture to increase barriers to entry. |
| Harmonisation | Differences in EPR schemes within or across jurisdictions can send mixed signals and insufficient incentives to producers. |
| Complexity and administration | Costs arise: initially (e.g. to establish the modulation system) and ongoing (e.g. additional reporting and monitoring). |
| Design Trade-offs | DfE to limit fee liability may result in unintended consequences of product characteristics. |
| Free-riding and enforcement | Additional complexity could lead to free riding. |
| Governance | Complexity requires additional decisions to be made in EPR governance. |



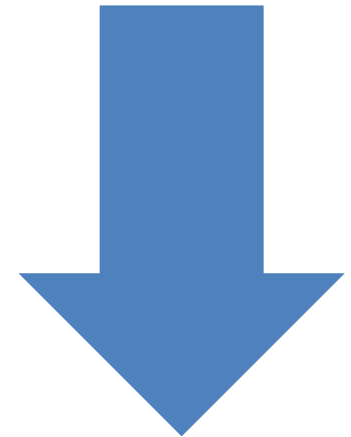
Incentivising design for environment

- Modulation of PRO fees for a characteristic that doesn't directly impact EoL costs.
- Recycled content
- Lifespan extension
 - Examples in France
 - Some fee exclusions for re-useable packaging, Portugal (re-treaded tyres)



+incentives for DfE
+flexible
+producer input into criteria

-sufficient incentives?
-more complex admin





Challenges for EPR along the lifecycle

- Assigning lifecycle product costs (outside EoL) is less straight-forward. Issues can include:
 - Methodological differences: more than one method for non-market valuations.
 - Noise in results: even applying the same method several times can have different results.
 - Incentive for industry to engage in fee setting
 - Limited data
 - More than one way to define a producer. EPR policy could target the manufacturer, importers of second-hand goods, or users of products that pollute during the use-phase.



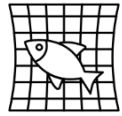
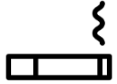
Alternative approaches to EPR

- EPR is just one possible approach of attaining waste and resource productivity goals.
- Three common alternative approaches and arguments in favour of their use include:
 - Public provision of collection and processing.
 - Arguments for this approach: i. Waste management and resource productivity confer public benefits, ii. EPR fees could be passed to consumers in price.
 - **Key question: Do producers have specialised expertise?**
 - Incentives(taxes) for behaviour change by consumers
 - Argument for this approach: consumer action can be partially responsible for the impact, so a tax on the undesired behaviour is more targeted.
 - Product design regulations
 - Argument for this approach: a more compelling policy.



New Aspects of EPR

Additional Products



Regional EPR requirements



Public ambition for separate collection



Large waste streams



Lifecycle Impacts



Mitigating pollution



Design for the environment



Geographic scope of EPR for Second-hand exports



THANK YOU FOR YOUR ATTENTION!

OPEN QUESTIONS

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