

FEAD position on the EP Report on the EU ETS revision

Ahead of the vote in the Plenary on the 22nd of June, FEAD has a major concern about the ENVI Report on the EU ETS Directive revision, which includes municipal waste incinerators in 2026.

- **An impact assessment must be a precondition for such a major change in the sector and must reflect the best options to tackle CO₂ emissions from municipal waste incineration in the long-term, considering both, climate and circular economy.** If appropriate, it should then be followed by a corresponding legislative proposal to further adapt the EU ETS.
- In this regard, the Council's approach is preferable, requiring a pre-impact assessment to *'include/not include' incineration into the EU ETS*. This ensures the appropriate decision will be taken, especially given the fact that W-to-E solutions are still avoiding more CO₂ emissions than they emit, as shown by a recent [study](#) commissioned by FEAD and other partners.
- The positive/adverse impacts of the inclusion of municipal waste incineration under the EU ETS on the whole waste management chain, and a comparison with the effects of existing measures under the ESR, need to be addressed in an impact assessment, since the whole waste management sector is currently covered by the strengthened ESR objectives.
- **The effects of a possible inclusion of incineration under the ETS on landfilling, on exports of waste to third countries,** and more generally on circular economy and CO₂ emissions must be quantified. This will allow the right conclusions and necessary information to permeate before taking any legislative decisions on the right policy instrument to improve separate collection and recycling.

Certificate solutions are very popular as market-based instruments for combating climate change and are regarded as the 'ideal' instrument of environmental policy from an economic point of view. **Theoretically, a functioning emissions trading system could be both perfectly effective and efficient,** while also advancing environmental technological progress and allowing for reinvestments in environmental protection projects. **In practice, however, emissions trading is not equally suitable for every sector. The best approach must be applied on a case-by-case basis,** considering the greenhouse gas mitigation potential available (environmental effectiveness of the measure) as well as its capacity to create incentives to reduce emissions from a cost-effectiveness

perspective. Consideration should also be given to the size of the installations, as the ETS was designed for large emitters, creating a level playing field between them.

Before deciding on the inclusion of municipal waste incinerators in the EU ETS, the EU legislator must consider the following points in an impact assessment:

- **Level playing field:** having an EU-ETS that includes municipal waste incinerators seems to be seen as the way to ensure a level playing field with national ETS systems already covering waste incineration. However, this will most probably not result in MS abrogating existing taxation schemes, imposed under the ESR, resulting in a ‘double penalty’ at the citizens/consumers’ costs.¹ Those national taxes will most probably not be abrogated because the revenues go to different budgets (EU for the ETS and national budget for the national taxes) and they have different purposes. Such taxes have been designed to support the waste treatment hierarchy, i.e., ensuring more recycling and less disposal. For this reason, it needs to be considered that such double penalties would not only create differences across the Member States but could also jeopardize existing national fiscal and regulatory frameworks devised under the ESR that were purposefully created to optimise the global waste management chain in relation with the goals of the European directives (including the WFD).
- **High administrative burden and costs for very limited emissions in total.** According to the annual GHG inventories of the European Environmental Agency,² the fossil CO₂ emissions from WtE plants weight in total approx. 1% on the overall GHG balance in Europe among all sources (constant in the last 10 years). A cost-benefit analysis should consider the impact of the measure considering the ca. 100 million tonnes of residual waste safely treated by WtE plants every year.
- **Limited possibilities to reduce emissions, as the latter depend upon the carbon content of the waste received, which undermines the purpose and essence of the ETS, meaning to create incentives to reduce emissions where these are most cost-effective.** Avoiding/refusing high-carbon-content, non-recyclable waste streams (essentially plastics) poses the question of how those waste streams will be treated, which will in any case not recover the energy content embedded in such non-recyclable waste. Co-incinerators (if > 20MW) are currently included in the ETS because they operate in manufacturing processes and can select less emitting waste derived fuels preparations, while municipal incinerators cannot. CCS/CCU can be examined and deployed for a very limited number of cases for municipal incinerators.
- **Higher prices for incineration are detrimental to move waste treatments up in the waste hierarchy:** waste-to-energy plays an essential role in circularity by safely treating waste that cannot be prevented or recycled. It is integral to the recycling chain, for treating recycling residues and recovering their energy content instead of disposing of them. Higher prices for incineration would also be at the expense of the recycling chain.³

¹ Taking the example of France, the TGAP (tax on polluting activities) covers waste incineration.

Although there is also a carbon tax in France, it applies to fossil fuels, so that waste incineration (as a waste treatment activity) is not included in it, and meaning that the inclusion in the ETS would indeed result in a double penalty there (i.e., no level playing field).

² <https://www.eea.europa.eu/themes/climate/eu-greenhouse-gas-inventory>

³ The treatment of residues of recyclers also need to be treated and disposed of at the expenses of the recycling activities.

- **Waste incineration plants avoid the use of fossil fuels thereby saving on CO₂ emissions.** By recovering the energy generated, the sector offers a local source of energy, avoiding the use of fossil fuels and contributing to our energy independence and reduces the overall GHG emissions impact. In addition, recovering metals from bottom ashes also avoids emissions in the manufacturing sector.
- **Potential adverse effects on the entire waste management chain.** The inclusion of waste incineration in the ETS entails potential adverse impacts for the entire value chain, e.g., by making recycling more expensive or by disrupting the full implementation of the waste hierarchy, giving disposal, in particular landfilling, a competitive advantage over energy recovery. **This must be carefully evaluated in the IA, and the best way to tackle their greenhouse gas emissions.**

The importance of the above-mentioned points is not sufficiently taken into consideration in the ENVI Report that asks for the inclusion of municipal waste incinerators in the EU ETS in 2026. Such an approach unquestionably misses the overall bigger picture and the initial question which is whether such an inclusion is the most appropriate instrument in terms of both, climate and circularity. For these reasons, FEAD supports and encourages the approach taken by the Council in the revised Presidency compromise text from 10th June 2022.

FEAD is the European Waste Management Association, representing the private waste and resource management industry across Europe, including 19 national waste management federations and 3,000 waste management companies. Private waste management companies operate in 60% of municipal waste markets in Europe and in 75% of industrial and commercial waste. This means more than 320,000 local jobs, fuelling €5 billion of investments into the economy every year. For more information, please contact

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