

OECD Global Forum on Environment: Promoting Sustainable Materials Management through Extended Producer Responsibility

Summary by the co-chairs

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The Global Forum on Environment was co-organised by the OECD Working Party on Resource Productivity and Waste (WPRPW) and the Ministry of the Environment of Japan (MOEJ) and took place in Tokyo, Japan on 17-19 June 2014.¹

The last decade has seen a significant surge in the number of Extended Producer Responsibility (EPR) systems in use, with about 400 schemes now in operation across OECD and developing countries. At the same time, the range of product groups being targeted through these instruments has also broadened, leading to EPRs playing a central role in the waste management policies in many countries. Almost 15 years after the OECD published its EPR Guidance Manual for governments, the Global Forum was therefore a very timely event. It was attended by approximately 130 attendees from 27 countries. The third day of the Forum, focusing on EPR developments in Asia, was attended by 250 participants.

The Forum sought to support ongoing OECD work on EPR by taking stock of recent implementation experiences of such schemes. It also provided a multi-stakeholder platform where OECD and partner countries could discuss their experiences with design and implementation of such schemes and explore areas where further guidance is needed for the use and design of EPRs. Besides the benefits of sharing experience across a broad range of regions and countries, one of the key outcomes of the Global Forum was the identification of areas where OECD could focus its attention in an effort to update its 2001 Guidance.

Some of the issues that participants particularly highlighted for further attention by the OECD included the potential impacts of EPR on competition, as well as how to integrate the informal waste sector within EPRs. On these there was also a high level of consensus among participants about the types of approaches that could be taken to address the issues. In contrast, issues where there was less consensus, but still a need for OECD guidance, included how best to provide incentives for design for environment through EPRs, and what role EPR should play when certain waste streams begin to command positive value in the marketplace.

Forum format and discussions

The first two days of the Global Forum were structured around four plenary sessions (scene setting, OECD perspectives, developing country perspectives, proposed guidance), including a half day of work in smaller break-out groups. The third day was targeted particularly at a Japanese audience and included a focus on EPR developments in Asia. The Forum concluded with site visits to two recycling facilities in the greater Tokyo area.

¹ The Forum benefited from financial support from the Government of Japan, the European Union and a number of other partners.

Speakers at the Forum ranged from national and local government officials, academic experts, representatives of the private sector (including producers and recyclers) and EPR trade associations and experts from the OECD Secretariat.

The Forum opened with a scene-setting plenary session featuring keynote remarks by the co-chairs, followed by a discussion of the role of EPR as part of broader efforts to achieve sustainable materials management. The session then zoomed in to cover a range of EPR design and implementation issues in more detail. Speakers covered the history of EPR development and analysis on the distribution of different types of EPR scheme by policy type, by product category and by geographical region. Discussion began to address implementation challenges faced by countries, as well as different views on how EPR can interact with other waste management challenges such as incineration and waste-to-energy. There were some questions on the required balance between the harmonisation of approaches at the regional (e.g. the European Union) and national level (e.g. the US and Canada where EPRs are implemented at the State/Provincial level), versus the adaptation to specific contexts. Several speakers highlighted the timeliness of the event, given that there are EPR reform or development efforts in nearly all regions, including the US, New Zealand, Japan, the EU, India, China, Egypt, and Malaysia.

The second plenary session focused on experiences with EPR in OECD countries, including presentations from Japan, France and the US. These provided insights into how countries have taken diverse approaches to implementing EPR, including: the number of different product groups that are targeted by EPR; whether schemes are governed at the national or sub-national level; whether they are designed to have one or many Producer Responsibility Organisations (PROs); how “design for environment” incentives have been incorporated; and what proportion of total waste management costs the schemes are designed to pass on to consumers. Different metrics for measuring success were also discussed, including pros and cons of using overall recycling rate as a metric and challenges surrounding measuring cost-effectiveness.

In the third plenary session, discussion turned to experiences with EPR in developing countries. Presentations provided insights from EPR experiences in three regions: East Asia (China), Africa (Kenya) and South America (Colombia). Discussion covered issues such as: adapting policy design to fit local political and social circumstances; how to build on and integrate the informal waste sector; how to ensure enforcement against non-compliance and unsafe practices; how to deal with waste leakage through illegal export and import of second hand products; and how to ensure that EPR schemes offer financial incentives that are commensurate with what informal or illegal waste collection and treatment can offer. Countries are confronted with many issues and are eager to understand in more detail what others have learned.

On the second day, the fourth plenary session began to look at options for policy guidance for EPR. Many aspects of the 2001 OECD Guidance are still relevant, despite the many changes that occurred in the policy environment since then (e.g. more globalised value chains, increasing value of materials and waste, new technology for recycling and internet sales). Nevertheless, the first day of the Forum showed that with almost 15 years of additional experience, there is an opportunity to go beyond the 2001 Guidance and to provide more detailed and practical guidance in some areas, as well as providing more analysis and data to back-up the guidance based on real experience.

As well as options for updating the OECD guidance, the plenary session included discussion of guiding principles emerging from a European Union study on experience with EPR schemes across EU member states, and views from other stakeholders including electronics producers, recyclers and local municipalities. The discussion drilled further into issues raised on the first day, including: choice of policy instrument; whether and how to set performance targets; how to design policy for optimal degree of competition in different markets (product markets, PROs and waste treatment operators); the difficulty of finding the right balance between the need for confidentiality of business information and that for transparency that allows effective monitoring and enforcement; how to ensure clear roles and ownership along the waste chain; and how to provide guidance for design for environment incentives.

Some of the principles for guidance included those already featured in the 2001 Guidance, such as the need to pick policy instruments on a case-by-case basis for different product types, the need to define clear roles and responsibilities and the need to consult widely with stakeholders early in the policy design process. Other guidance areas were those that were covered to some extent in 2001 but which can be further enhanced based on recent experience. These include guidance on managing competition at different levels, how to set performance targets and metrics and how best to achieve influence over design for environment. Some new guidance areas discussed, that were not covered in the 2001 Guidance, included how to best integrate the informal sector, how to manage increasing value of waste streams and how to deal with free-riding in new market situations, such as online sales.

Breakout sessions: drilling into the issues

Much of the second day was dedicated to discussion in four breakout groups. Each group was tasked with addressing the same four issues, albeit in different order: governance, economic aspects, issues concerning the start-up phase of EPR, and new and emerging issues facing EPR schemes. Each group had a facilitator with extensive experience in EPR policy and a separate rapporteur charged with providing an oral report to the closing plenary. Forum participants were divided equally among the groups, with a balance of stakeholders in each group. Nevertheless discussions between the groups varied.

One group focused on governance and particularly the role of government (at either national or sub-national level) to ensure successful EPR. This included a detailed discussion on the objectives of government engagement (including cost transfer from local governments to the private sector, ensuring safe waste treatment and encouraging design for environment) and the role of government including to set standards, provide effective enforcement and to set a level playing field for competition. The question of whether governments also have a role to play in the day-to-day operations of Producer Responsibility Organisations (PROs) was much debated but inconclusive. Further discussion covered operational aspects, including whether governments should outsource certain functions, whether they should have a financial or operational stake in one or more PROs, what resources need to be put in place for effective government oversight and how it should be financed.

Another group aimed to provide direct recommendations for further work by the OECD, focusing particularly on economic and emerging issues. Regarding economic issues, the group called on OECD to clarify principles for what should be covered by EPR legislation (including social and development aspects) as well as developing guidance on competition (including requiring mandatory public tendering). On the informal waste sector, the group

recommended clarifying different roles (including distinguishing illegal activities from other informal actors) and stressed the importance of capacity building, labour standards and integrating rather than isolating informal actors in developing countries. On leakage and exports, the group called on the OECD to highlight best practice in reducing waste leakage and to clarify how re-use of products in other countries might count towards EPR obligations of producers in an exporting country, including clarifying double-payment of fees in cases where products are exported. On rising value of waste, the group cautioned against phasing out EPR schemes other than in exceptional circumstances when scheme costs outweigh benefits, and noted that in some cases voluntary schemes are likely to work better, albeit with an increased risk of illegal dumping.

A third group covered a wide range of issues including the role of government, principles for transparency, competition, design for environment (DfE) incentives, orphan products and measurement of cost effectiveness. On the role of government, the group discussed in particular the extent to which government should take an active role in setting or reviewing fees imposed by PROs, concluding that the best role is to set detailed guidance ex ante but not to intervene later. On transparency, the group stressed the importance of understanding the optimal level of transparency to be imposed on PROs and producers, noting that good transparency helps to rate the effectiveness of schemes overall. On design for environment incentives, the group requested more guidance on the use of differentiated versus non-differentiated fees, and noted lack of consensus on whether EPR should aim for full Design for Environment as one of its key objectives, or whether the objective should be limited to setting “Design for Recycling” incentives. On full cost recovery, there were different interpretations within the group leading to a discussion on the costs that may be covered within the scheme such as littering costs. On cost effectiveness, the group suggested a need for a clear methodology for assessing cost effectiveness, noting big differences between product categories and policy types.

The final group focused particularly on new and emerging issues affecting EPR, including controlling export markets, internet sales, rising value of waste, the informal sector and overcoming barriers to design for environment. On exports, the group noted that for some product groups cross-border trade may be necessary to achieve resource efficiency as not all materials can be fully recycled locally. Also incentives for export differ depending on whether there is insufficient domestic capacity for certain types of recycling or whether exports are driven by economic incentives. Internet sales were noted as not yet being a major issue (5% or less in most markets) but that tracking of the trend is important. Increasing value of waste can lead to increased “cherry picking” which raises costs for producers (and therefore consumers) when they are left to treat the costly waste fractions only; effective enforcement is therefore critical. The group noted the importance of international cooperation on enforcement, particularly concerning export of non-compliant waste streams.

Conclusions of the first two days

The second day concluded with closing remarks from the co-chairs. It was noted that the first two days of the Forum had greatly benefited from a remarkable level of engagement and interaction with participants representing very different stakeholder groups. The meeting emphasised the continued relevance of the 2001 Guidance, but also identified a few broad areas where there was general consensus among participants about the need for updated guidance and how it should be approached. These included the approach to managing impacts

of EPR on competition, as well as how to aim to integrate the informal waste sector within EPRs. Experience has shown that impacts of EPR on competition should be assessed at three levels: impacts and distortion of markets for products themselves; effects of competition between Producer Responsibility Organisations; and impacts on the downstream waste collection, sorting and treatment sectors. There may be trade-offs between high levels of competition and incentives to invest in new technology and facilities that also need to be taken into account. Regulatory vigilance is therefore required to regularly assess competition at these levels, recognising that the most effective level of competition may evolve over time as EPR markets evolve. On the issue of the informal waste sector, there was broad consensus that the realities of informal waste collection and treatment in developing countries must be considered in EPR design in those countries. EPR schemes should seek to provide incentives to informal actors that on average exceed the return those actors can get on local materials markets. EPR schemes can build on existing informal networks, in particular in waste collection. However, binding and enforceable regulation remains critical as a means to eliminate harmful dumping and treatment practices and to ensure that even the least valuable waste streams are captured by the programmes.

In contrast, issues where there was less consensus included how best to provide incentives for design for environment through EPRs and what role EPR should play when certain waste streams begin to provide positive value. Design for Environment has often been considered as difficult to achieve through EPR but views differed on this and how to implement effective DfE incentives. Some of the key questions that were discussed were: Can DfE incentives be designed that influence product design in sectors with global producers selling products into multiple international markets? Should DfE incentives focus on recyclability or could they be broader (such as focusing on waste minimisation, or even on energy efficiency, water efficiency etc)? On waste with positive value, there were diverging views about whether waste streams with average positive value should continue to be covered by EPR or not. In principle, assuming that waste treatment standards are properly enforced, the market could take care of these waste fractions without imposing EPR. However, there is a risk of fragmenting the waste stream, leading to smaller volumes and parallel waste collection infrastructure, resulting in a loss of network externalities and economies of scale. There is also a risk of market disruptions, when secondary material prices fluctuate significantly. As a result, EPR policy may be necessary, even in this case. The total cost of waste treatment needs to be assessed and compared and the answer to this question is likely to differ from one product group to the other.

Focus on Asia: day 3 presentations and panel discussion

The third day was aimed at a broader Japanese audience, in addition to the participants of the first two days. The Japanese policy context for EPRs was introduced by the Parliamentary Vice-Minister of the Environment Tomoko Ukishima. OECD Director of Environment Simon Upton provided participants with a concise overview and conclusions from the discussions over the first two days. Three detailed case studies were then presented (covering Japan, Europe and China), followed by a panel discussion involving Japanese and international experts.

Speakers highlighted the importance of regular dialogue between government and stakeholders, the need for the government to provide a strong organising role but not to over-intervene in operational aspects of EPRs, and the need to ensure sufficient levels of competition at different levels of the waste management chain. Differences between OECD

and non-OECD countries were also noted. In OECD countries, where waste management systems are already well developed, the primary focus of EPR schemes is to reduce social costs and improve efficiency of waste management and recycling. On the other hand, in many non-OECD countries, there is a need for simultaneous creation of a well-enforced waste-management sector along with the establishment of EPR schemes.

The Japanese panellists highlighted the need for further efforts to encourage better outcomes on the first two of the 3Rs (i.e. reduce and reuse) in addition to the promotion of recycling. They also highlighted the need to enhance awareness among end-users to further improve primary sorting. In this context, the need for all stakeholders to strengthen efforts aiming at the provision and sharing of information was highlighted. The panel also recommended further promotion and incentivising of DfE at the level of producers, as well as sensitising civil society to the advantages of DfE products. In addition there were comments touching on the developing country context specifically in Asia, where basic infrastructure for general waste management must be developed, the collection rate must be improved, and where there is a need for EPR models that allow inclusion of the informal sector in the most effective way.

In his concluding remarks the facilitator, Mr. Tomohiro Tasaki, noted that EPR has generally helped to strengthen sustainable materials management policies and the existence of nearly 400 such schemes in the world testifies to the significance and usefulness of EPRs. However, he also pointed out that EPR should not be considered independently of other waste management issues, that there should be no “one-size-fits all” approach, that integrating the informal sector is a complex issue that involves many different policy priorities, and that EPR provides opportunities for socio-technological leap-frogging in developing countries.