EUROPEAN
COMMISSION

Brussels, 30.11.2022
SWD(2022) 385 final

COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT

Accompanying the document

Proposal for a Regulation

of the European Parliament and the Council on packaging and packaging waste, amending Regulation (EU) 2019/1020, and repealing Directive 94/62/EC

{COM(2022) 677 final} - {SEC(2022) 425 final} - {SWD(2022) 384 final}

INTRODUCTION

Directive 94/62/EC on packaging and packaging waste (PPWD) aims to harmonise national measures, protect the environment, and ensure a good functioning of the internal market. It requires Member States to ensure that packaging placed on the EU market meets a number of Essential Requirements related to the manufacturing and labelling of packaging, and its reusable and recoverable nature (through material recycling, energy recovery or composting).

Packaging is a significant economic activity: Packaging manufacturing generated in the EU a turnover of EUR 355 billion in 2018 and the operators in its waste management EUR 15 billion. It also leads to significant environmental impacts, from over-exploitation of resources to pollution of ecosystems, and Green House Gas emissions equivalent to the total annual emissions of Hungary.

PROBLEM DEFINITION

The aim of this initiative is to tackle three groups of interlinked problems:

1. growing generation of packaging waste linked to an increase of single-use packaging, a high level of avoidable packaging, and a bigger share in plastics within the packaging mix.
2. barriers to packaging circularity, especially an increased use of packaging design features that inhibit recycling and confusing labelling of packaging for consumer sorting. Further, fragmented markets prevent cost-efficient waste management in an internal market.
3. downcycling and the low levels of uptake of recycled content in packaging, which limits the EU's ability to reduce the use of virgin materials in new packaging.

The drivers behind these problems include the regulatory failures of the PPWD due to a mixture of poor implementation and enforcement, not being up to date with the latest market developments and by not providing enough clarity to national authorities about an implementation, which is compliant with the Directive. Further, its revision of 2018 only focused on recycling targets, leaving aside the other challenges of the waste sector. Two specific acts, the Single-Use Plastic Directive (SUPD) from 2019 and the 2020 Own Resource Decision (ORD), which both have plastic packaging under their scope, are not expected to solve the problems mentioned above, not even just those linked to plastics. The regulatory failure is aggravated by market failures, such as environmental externalities, fragmented markets and poorly performing labelling.

As a result, packaging waste is increasing: Total packaging waste generated is forecasted to increase from 78 million tonnes in 2018 to 92 million tonnes in 2030, and 107 million tonnes in 2040. The consequences include increased use of non-renewable resources, inefficient waste management, negative climate impacts, littering, overuse of substances of concern in packaging, low quality recycling, and excessive landfill, incineration and export at end life.

WHY SHOULD THE EU ACT?

The regulatory failure of the PPWD cannot be remedied simply by better enforcement of the current rules. Moreover, the available data hint that, neither measures undertaken by the Member States based on the current PPWD, nor those based on the ORD or SUPD are sufficient to ensure that they meet all the specific targets for the recycling rates set out in the PPWD. The EU´s packaging market and waste management is in many respects one common large market, rather than 27 individual markets and is characterised by high levels of cross-border trade between Member States.

Setting common requirements at EU level, will ensure a harmonised and well-functioning internal market across all Member States and, therefore, a level playing field for packaging producers leading in the end to efficiency gains to the benefit of the EU citizen. As part of the new proposal there will be a switch from a Directive to a Regulation. This will simplify the existing rules, provide a clearer framework to manufacturers and reduce administrative

burden. At the same time the package proposed reflects subsidiarity principles as regards the necessity of EU action and an evident added value of that EU action.

OBJECTIVES

The general objective of the legislative proposal is to reduce negative environmental impacts of packaging and packaging waste and improve the functioning of the internal market, thus boosting efficiency gains in the sector. The aim is to create a resilient value chain, starting from the design of the packaging till its re-use or -integration in high quality products, thus creating innovative, "green" jobs in a low carbon packaging industry. The specific objectives to meet this general objective are to:

1. Reduce the generation of packaging waste
2. Promote a circular economy for packaging in a cost-efficient way
3. Promote the uptake of recycled content in packaging

WHAT ARE THE AVAILABLE POLICY OPTIONS?

After screening the potential measures, a set of diverse, complex and often interrelated measures were grouped into three policy options:

- Option 1 contains the measures related to the better standardisation and clearer Essential Requirements. These measures tend to be pre-requisites for measures in other groups.
- Option 2 sets mandatory targets for waste reduction, reuse and recycled content in plastic packaging, requirements to ensure full recyclability by 2030 and harmonised product rules.
- Option 3 contains higher mandatory targets and additional product requirements.

THE PREFERRED POLICY PACKAGE

Based on the assessment of the measures combined in the options, the overall preferred option is Option 2, in form of a Regulation. It contains the measures in Option 1 that are supportive or even pre-requisites to facilitate delivery on the mandatory targets and stricter requirements in a balanced approach, thus fostering achievement of the objectives and cost efficiency.

The core measures in the intervention area `prevention and reuse` are:

1. a reduction target of packaging waste per capita of 19% for 2030 compared to the baseline, equivalent to a 5% reduction from the 2018 values,
2. EU wide mandatory reuse or refill targets for packaging, where reuse is most effective and
3. the phase out of unnecessary or avoidable packaging.

An important issue is the complementarity and coherence of the measures. Setting mandatory reduction targets of packaging waste per capita at Member State level is a chapeau measure in the intervention area of prevention and reuse, to which several measures contribute: whereas the EU harmonised measures are modelled to contribute to almost 60% of the necessary waste reduction, the Member States must ensure the remainder with national, internal market conform actions.

The crucial measure on recyclability is the establishment of design for recycling criteria, complemented by a recyclability assessment procedure.

As regards compostability, four plastics packaging types were selected out of a bigger group of packaging eligible for composting and will have to be compostable. All other plastic packaging has to be chemically or mechanically recyclable, in order to allow their recycling.

Another pilar of the package are ambitious targets for recycled content in plastic packaging. Out of the various enabling measures, the most important ones are the set-up of mandatory Deposit Return Systems (DRS) for certain packaging types, including minimum requirements for all DRS, and harmonised labelling of products and waste receptacles to facilitate consumers´ sorting.

The analysis concluded that measures in Option 1 alone are not sufficient to reduce packaging generation i.e., packaging waste would increase by another 17% till 2030. Moreover, the recycling rates would not increase, neither would high quality recycling and resource efficiency be enhanced. Finally, the GHG emissions would still increase compared to 2018. On the other side, the full set of measures in Option 3, alternative or additional to those in Option 2, are much more difficult to implement, could risk economic viability, and would cause significantly higher administrative burden. In reverse, the additional environmental benefits are less significant.

However, a diligent case by case evaluation of the core measures was undertaken in order to detect elements outside measures in Option 2 to better respect the subsidiarity principle, as appropriate, and to take into account pertinent stakeholder positions and improve feasibility. Therefore, the preferred policy package is rather ´Option 2^{+}´ than the pure Option 2.

IMPACTS OF THE PREFERRED POLICY PACKAGE

The modelling of the preferred option suggests for 2030 a reduction of waste generation by 18 million t compared to the baseline, and 3.1 million t compared to the 2018. The reduction in GHG is around 23 million tonnes CO_2e (42% of the total annual emissions of Hungary) and monetised environmental externalities are reduced by EUR 6.4 billion, relative to the baseline projections for 2030.

Reduced waste management costs of EUR 4.2 billion, additional costs of reuse schemes and DRS of EUR 4.6 billion and reduced sales and consumption of packaging of EUR 51.7 billion result in overall economic savings of EUR 47.2 billion. In reverse, this option results in additional annual administrative costs of EUR 1.3 billion, mainly for certification of the packaging recyclability and of the recycled content in plastic packaging. The complex impacts on employment are estimated to result in a slight net increase of "green" jobs.

Only the measures on recycled content fostering resource efficiency reduce fossil fuel requirements of the EU by 3.1 million t per year (almost 1/4 of the fossil fuel needed currently for plastic packaging production). The overall decrease in fossil fuel needs of Option 2+ is difficult to quantify but the fact that the GHG savings of the recycled content measure represent 22% of the total GHG savings indicates an order of magnitude of 12-15 million t fossil fuel savings. Further, the measures to improve recyclability increase the overall packaging recycling rate from 66.5% in 2018 to 73% in 2030, whereas landfill is decreased from 18.7% to 9.6%. This push for circularity results in significantly reduced needs of virgin raw materials such as wood, glass and aluminium.

The preferred option package foresees specific treatment of SME`s and micro-enterprises to ensure that the impacts on them are proportionate. Requirements would apply in a non-discriminatory manner to EU and non-EU companies. The measures are not more trade restrictive than necessary to fulfil their environmental objectives.

Overall, moving towards a more circular economy within packaging would deliver benefits such as empowering consumers, reducing negative impacts on the environment and human health, reducing the EU`s import dependency for raw materials and fossil fuel, stimulating innovation and boosting economic growth, and finally reducing unnecessary household expenditures.