

TERU Focus Report – Competitive Waste Markets and the Circular Economy

The Importance of Free and Fair Competition

June 15, 2015 - Michael Theroux

Introduction

In May 2015, the European Union (EU) launched a broad public consultation addressing the Circular Economy (see our [Focus Report](#)). This week, the EU released a follow-up [consultation](#) with a more narrow focus, specifically on the functioning of the region's waste markets and how this impacts the larger Circular Economy question. It is helpful for outsiders to understand the European perspective; for this, Teru Talk is publishing another opinion piece, word-for-word, with the express permission of the organization.

In the fourth in his series of articles on the Circular Economy, David Palmer-Jones, President of the European Federation of Waste Management and Environmental Services (FEAD), and CEO of SUEZ UK, explains the importance of free and fair competition for achieving economic and environmental goals.

Free and Fair Competition is Essential for the Circular Economy

FEAD, June 2015 - David Palmer-Jones

Achieving a circular economy and a more resource efficient society will require major changes in the use of resources, backed up by new European policy measures. This will involve introducing market based conditions along the whole value chain to incentivise all actors to take their responsibilities. Open markets and fair competition stimulate customised services and solutions, and open up possibilities for innovation and investment. They also help small companies to enter the market.

Waste legislation must be developed in this direction and adapted to a circular economy, not only from an environmental point of view but also from an economic point of view. By ensuring open markets and fair competition, jobs and growth will be created.

Private sector waste and resource management companies play a key role in a circular economy by delivering high quality services and by helping their customers to turn waste into resources, so reducing both costs and environmental impact. The waste and resource management companies provide services to the households and businesses which generate waste and also act as raw material and energy suppliers to industry. For the private sector to deliver these services and make the necessary long term investments for a circular economy, they need legal certainty and fair competition rules ensuring that the household waste market is opened up for increased competition.

But across the EU the principle of fair and open markets is not consistently applied. In some Member States municipalities claim that both waste from households and similar waste from the commercial and industrial sectors should come within their exclusive rights. In-house services in the municipalities are increasing, which can result in them awarding contracts for household waste management to themselves without tendering, giving rise to inefficient "municipal monopolies". In some cases municipalities are also selling waste management services on the commercial waste market, taking unfair competitive advantage of concessions such as lower-rated VAT, only afforded to public bodies.

The mixing of household waste management services and commercial activities by municipalities risks giving rise to illegal state aid and cross-subsidisation, as householders are put at risk of paying for the collection and treatment of commercial waste. Many Member States do not have sufficient controls in place to prevent this from happening.

In addition, decisions on waste management are often taken by local public authorities with no or little coordination with private actors. This can lead to sub-optimal practices, for example municipalities investing in waste treatment which is at a lower level in the waste hierarchy, and sometimes creating local over-capacity, so affecting the possibility of reaching EU recycling targets.

FEAD has observed a clear trend towards increasing public sector activity in the recycling market in several Member States. This goes against ample evidence which shows that competition through private sector involvement delivers better outcomes for the environment and for taxpayers. Municipal involvement without recourse to competitive tendering can mean an inefficient use of resources and unnecessarily high costs for residents. Municipal undertakings have fewer incentives than private providers to operate efficiently since any losses can be covered via tax receipts or charges, whereas private undertakings must acquire expensive capital or even leave the market.

Against this background, FEAD makes the following recommendations:

- Household waste management markets should be opened up to competition from private entities. Competition in waste markets should be the norm.
- The legal responsibility of municipalities should be limited to the collection arrangements for household waste only, by recourse to mandatory open tender to provide the best value-for-money service to the taxpayer and the most efficient use of taxpayer funds.
- In line with European Commission recommendations, Member States should not attach specific public service obligations to waste management services that are already provided or can be provided by undertakings operating under normal market conditions.
- There should be equal market conditions and clear regulations for municipalities operating both on the household and commercial waste markets. The competitive advantages enjoyed by municipal undertakings should be removed (such as lower VAT rates and the possibility of “cross-subsidisation”).

A crucial element in delivering a circular economy is to create open markets and fair competition for waste and resource management services. Fair competition will deliver a circular economy much more effectively and efficiently. The benefits are clear; more choice for customers, lower costs for households, higher recycling rates, more innovative recycling solutions and the potential for higher growth and more jobs.

Link to original report -

<http://www.fead.be/uploads/FEAD%20Opinion%20piece%20on%20competition.pdf>

About FEAD

The European Federation of Waste Management and Environmental Services ([FEAD](#)) represents the European waste management industry. FEAD's members are national waste management associations covering 18 EU Member States, Serbia and Norway. They have an approximate 60% share in the household waste market and handle more than 75% of industrial and commercial waste in Europe. Their combined annual turnover is approximately € 75 billion. FEAD represents about 3000 companies with activities in all forms of waste management. These companies employ over 320000 people who operate around 2400 recycling and sorting centres, 1100 composting sites, 260 waste-to-energy plants and 900 controlled landfills.

Parting Shots

In FEAD's learned opinion, "waste" is clearly to be considered first as an openly traded resource. For this to occur, agencies should pretty much step out of the way, restricting their purview to environmental quality while ensuring free trade. Doing so would cut the regulatory structure out of the Business of Business, and allow a free market economy to dictate just when and by what means something thrown away by one entity could be cleanly converted back to valued goods, by another.

FEAD's approach mimics Governor Brown's mandate to California's waste management agency, to pursue a "feedstock driven, technology neutral" pathway to optimal resource recovery. If a company can stay within the standards of good business and environmental quality protection, they get to compete evenly for that waste-sourced resource . In this open and competitive environment, the marketplace will sort out what is functional. When cleanly operating companies can secure sufficient waste as feedstock, have their technologic platform well defined and advanced, and can rack up the right product value through off-take agreements, funding will flow and the expensive societal onus of "waste management" can truly become the functional economic driver of "waste-to-product".

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