

1. The need to draft the legislative proposal

Title of the annotation (ex ante)

Impact assessment report (annotation) on the draft legislative proposal ‘Amendments to the Waste Management Law’

1.1. Justification

On 30 January 2025, a memorandum of cooperation was signed at the Latvian Ministry of Climate and Energy between the Ministry of Climate and Energy, the Latvian Association of Waste Management Companies, and the Latvian Tobacco-Free Products Association, confirming the commitment to implement a deposit system for electronic smoking devices in order to improve waste management, reduce environmental pollution, and promote sustainable public attitudes. In order to achieve the objectives of the memorandum, it has been concluded that the establishment of a compulsory deposit system is necessary.

1.2. Objective

Description of the objective

To ensure the proper implementation of the signed memorandum by introducing the electronic smoking device deposit system, and to delegate to the Cabinet of Ministers the task of drawing up the relevant provisions for the introduction of the deposit system.

Entry into force

Any other conditions (specified in the legislation)

Justification

Legal provisions relating to the implementation of the electronic smoking device deposit system as of 1 February 2027 (transitional provision). Reason for the entry into force: it is necessary to allow time for electronic smoking device producers and traders to implement the new regulatory framework in their business operations and to conclude the relevant management agreements with the deposit system operator. Conversely, a situation may arise in which a manufacturer or trader of electronic smoking devices is forced to pay natural resources tax simply because there has not been sufficient time to introduce the relevant regulatory framework.

1.3. Current situation, problems and solutions

Current situation

According to data from the research centre SKDS for 2024, disposable e-cigarettes – i.e. devices with non-rechargeable batteries – are the most commonly used type of e-

cigarette among Latvian consumers – the majority of e-cigarette users in Latvia use disposable e-cigarettes (60 %).

According to a study carried out in 2024 by the Latvian Association of Waste Management Companies, entitled “Feasibility Study for the Establishment of an E-cigarette Deposit System”, approximately 15 million e-cigarettes were discarded in Latvia in 2023. According to information provided by the electronic smoking device sector, as reported by cigarette retailers, around 5 % of this volume – 0.75 million – is collected in cardboard boxes and sent for recycling. The remaining 14.25 million end up in household waste landfills.

Approximately 80 % of electronic smoking device products contain lithium-ion batteries, which are classified as hazardous waste, whilst 20 % are made from a mixture of plastic and metal. Although the sorting and processing of these materials is technically feasible, it requires a specialised approach and modern equipment.

The rise in electronic smoking device popularity over the past five years has significantly increased the amount of this type of waste. This product, which was originally developed as an alternative to traditional cigarettes, has gained popularity, particularly amongst young people and adults. In Latvia, as in other European Union countries, the market for e-cigarettes continues to grow, and consequently the environmental pollution they cause is also on the rise. The problem is particularly acute in Latvia, as there is currently a lack of specific infrastructure geared towards the collection and recycling of electronic smoking devices and batteries. The majority of electronic smoking device users are not informed about the correct handling of these products, whilst the collection of mixed waste at retail outlets and waste sorting centres is not a priority.

There is increasing discussion worldwide about the need for responsible management of used electronic smoking devices, including the establishment of deposit systems to ensure this process. In 2023, according to data from the company SIA Wingo Deposit, approximately 15 million electronic smoking devices were discarded in Latvia. ‘

Latvia has already successfully operated a deposit system for used beverage bottles and cans since February 2022, which shows that citizens are interested in using such systems that allow them to receive financial compensation for a product returned for recycling or reuse. It can therefore be assumed that, in order to receive compensation for the electronic smoking devices they have used, users would be keen to hand in the used electronic smoking devices to special collection points. Key factors in the implementation of the electronic smoking device deposit system include the amount of refundable deposit and the availability of deposit machines.

The introduction of electronic smoking devices and their battery collection system in Latvia is a crucial step not only towards promoting environmental sustainability, but also towards strengthening public responsibility with regard to waste management and recycling. Electronic smoking devices consist of a number of complex components,

including a plastic housing, metal elements and a lithium-ion battery. These devices are often thrown away with household waste, ignoring the importance of recycling them properly. Such irresponsible behaviour poses two significant threats — the risk of fire and chemical contamination, which can have undesirable consequences for the environment and human health.

The main issues related to electronic smoking device waste are the following:

- 1) the risk of self-ignition, which causes fires at landfill sites and waste sorting centres;
- 2) chemical pollution caused by the release of toxic substances in the form of aerosols from electronic smoking device sludge, and environmental pollution caused by lithium-ion batteries, including the release of lithium-containing electrolyte from the batteries;
- 3) risk of explosion if electronic smoking device batteries are exposed to high temperatures or are overcharged.

According to industry estimates, if a well-designed and widely accessible deposit system were to be introduced, it would be possible to achieve a very high collection rate – provisionally over 90 % of the volume of electronic smoking devices placed on the market. This assessment is based both on international experience of deposit systems for beverage packaging and on consumers’ motivation to reclaim the deposit amount, provided that the amount is sufficiently substantial.

Although a 90 % collection rate is an ambitious and optimistic target, it may be achievable if a number of preconditions are met:

- accessible and convenient infrastructure throughout the country (machines);
- clear communication to the public about how the system works, whilst ensuring that information events do not include any advertising elements promoting specific electronic smoking devices or their brands;
- a common approach for all market participants, excluding the possibility of circumventing the system;
- a sufficiently high deposit fee, which encourages people to return the device.

At the same time, it should be noted that the remaining 10 % may come from a variety of circumstances: some appliances will be discarded as unsorted waste, some may get into illegal waste circulation or be lost.

Given the development of European Union (hereinafter ‘EU’) regulations governing the management of electronic smoking devices, the management of these devices is currently left to the discretion of the EU Member States. At the same time, Regulation (EU) 2023/1542 of the European Parliament and of the Council of 12 June 2023 concerning batteries and waste batteries, amending Directive 2008/98/EC and Regulation (EU) 2019/1020 and repealing Directive 2006/66/EC (‘Batteries Regulation’) is currently in force, which, although not directly setting out the

requirements for electronic smoking devices, states in recital 11 of its preamble that the Regulation is to apply to all categories of batteries, regardless of whether the battery is incorporated into appliances or is otherwise added to products. On the basis of the Batteries Regulation, Germany now plans to introduce a ban on the placing on the market of disposable electronic smoking devices[1].

In addition, in the EU, electronic smoking devices are governed by Directive 2014/40/EU of the European Parliament and of the Council of 3 April 2014 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco and related products and repealing Directive 2001/37/EC ('Tobacco Products Directive'). At the same time, some EU member states (France[2], Belgium[3]) have imposed a ban on the sale of disposable plastic products in order to minimize the negative impact on public health as well as the negative impact on the environment. The aforementioned ban on disposable electronic smoking devices is in line with the framework set out in the Tobacco Products Directive and has been agreed with the European Commission. At the same time, there are currently several other countries working on improving their regulations in order to ban the sale of disposable plastic items within their national territories – Spain, Lithuania, Poland, Slovakia, Bulgaria and others.

At the same time, it should be noted that the current EU Regulation (adopted in 2014) is outdated and the European Commission has launched a review, the results of which will be published in the second half of 2026. Unless the policies introduced by EU Member States are taken into account, there is a possibility that a ban on disposable plastic items will be made a mandatory requirement across the whole of the EU. Such a prohibition would take the form of an EU-wide regulatory act (a delegated act or a new directive) and would apply to all EU Member States. Accordingly, as Latvia is currently establishing a deposit system for electronic smoking devices, it must be borne in mind that this EU regulatory framework could be implemented as binding requirement for all EU Member States; that is, a decision will be taken to ban the free sale of disposable electronic smoking devices, and consequently, Latvia will have to assess the continued operation of the electronic smoking device deposit system, including by making the necessary amendments to legislation.

In line with the view expressed above, under the current regulatory framework at both EU and Latvian level, the electronic smoking device deposit system addresses the issue of the separate management of electronic smoking device waste and the transfer of its components for recycling, and would reduce the overall environmental risks associated with the management of electronic smoking device waste alongside other types of waste (risk of ignition and the release of chemical substances into the surrounding environment).

[1] *GERMANY Germany to ban disposables - Tobacco Journal International*

[2] *Notification Detail | TRIS - European Commission*

[3] *Notification Detail | TRIS - European Commission*

Description of the problem

The increase in electronic smoking device consumption increases the amount of electrical and electronic waste. Disposal of electronic smoking devices together with other electrical and electronic device waste poses a hazard (risk of ignition, chemical contamination).

Description of the solution

The introduction of a deposit system for electronic smoking devices in Latvia, whose batteries are not rechargeable, would resolve the issue of the inappropriate management of electronic smoking devices after they have reached the end of their useful life. The electronic smoking device deposit system provides for the separate collection of electronic smoking devices, ensuring the separate management of its components; that is, the separate management of plastic casings, metal components, lithium-ion batteries and residual liquid from refill containers.

The aim of the draft law is to introduce a mandatory common deposit system for electronic smoking devices in order to:

1. prevent electronic smoking device ignition and ensure they are managed safely. In accordance with the guidelines drawn up in 2024 by the Latvian Association of Waste Management Companies, “Fire Safety in the Waste Management Sector” (<https://ej.uz/1wuq>) and a 2021 study by the independent environmental consultancy Eunomia Research & Consulting (<https://ej.uz/3de6>) have found that lithium-ion batteries account for 48 % of fires in the waste management sector;
2. ensure the conservation of natural resources by channelling plastic casings, metal components and lithium-ion batteries from the electronic smoking devices programme into recycling as secondary raw materials;
3. promote and support residents' involvement in the management of electronic smoking device funds by providing an economic incentive to increase the share of electronic smoking device funds used.

The regulatory framework contained in the draft law establishes the basic principles regarding the introduction and operation of the deposit system. It is envisaged that the country will operate a single electronic smoking device deposit system, which will be implemented by the operator of the deposit system. The Latvian State Environmental Service is expected to determine the framework of the competition for deposit system operators. The deposit system operator will organise the reception of the deposited electronic smoking devices from the consumers and its management, ensuring the processing and recovery of the deposited electronic smoking devices.

According to the definition of ‘electronic smoking device’ in Article 1(7)(a) and (b) of the Law on the Handling of Tobacco Products, Tobacco Substitute Products, Herbal Products for Smoking, Electronic Smoking Devices and Their Liquids, the deposit system is intended to apply to (1) electronic cigarettes which are a product or a

component of that product, including a cartridge, a tank and the device without a cartridge or tank, that can be used to inhale nicotine-containing vapour through the mouth, and which may be single-use or refillable using a refill bottle and tank, or rechargeable with single-use cartridges; 2) an electronic device that is a product or part of a product, including a cartridge, a tank, and a device without a cartridge or tank, that can be used to inhale nicotine-free vapour through the mouthpiece, and which may be for single use or refillable with a container filled with a nicotine-free liquid and a reservoir, or rechargeable with single-use cartridges.

The deposit system is intended to cover electronic smoking devices classified under the following TARIC codes: 2404120090 – disposable nicotine vaporisation devices, 8543400000 – electronic devices; 2404 19 90 – electronic device containing a nicotine-free liquid.

The draft law provides for the following:

- 1) definitions of terms such as ‘deposit electronic smoking devices’, ‘deposit system’ and so on, so that it is unambiguous and absolutely clear what is meant by these terms;
- 2) that the deposit system is uniform throughout the country and that its application is ensured by the operator;
- 3) that the deposit system operator is a commercial entity that ensures the implementation of the deposit system to electronic smoking devices and manages it;
- 4) that the manufacturer of electronic smoking devices who uses the electronic smoking device deposit system and markets the product in Latvia, and a seller or distributor that imports and is the first to sell or distribute electronic smoking devices in Latvia (hereinafter referred to as the seller) are required to enter into an agreement with the deposit system operator regarding participation in the national unified deposit system;
- 5) when purchasing a deposit-bearing electronic smoking device, the purchaser is required to pay a deposit fee, while the deposit operator ensures the acceptance of the electronic smoking device deposit and the refund of the deposit fee in non-cash form (the deposit fee is refunded to the end user’s bank account);
- 6) the deposit system operator is required to place the deposit system identification mark on the packaging of the deposit-bearing device, or a specific indication, and to place a machine-readable identifier on the deposit-bearing electronic smoking device itself to ensure proper identification of the returnable device and reimbursement of the deposit fee to the end-user.

The draft law provides for an obligation on the operator to ensure that electronic smoking devices are accepted at the deposit return point. The deposit return point may be a another point of sale. The seller informs customers about the option to return the deposit electronic smoking device by providing information on the address and

business hours of the nearest electronic smoking device return point.

In addition, it is envisaged that electronic smoking device return points will also be able to accept electronic smoking devices that do not bear an identifier, provided that the device meets the definition of electronic smoking device set out in the draft law; namely, electronic smoking devices whose battery is not rechargeable but which does not bear a specific identifier.

The draft law provides for the delegation of powers to the Cabinet of Ministers to issue regulations on:

- 1) the conditions and procedures for ensuring the continuity of the deposit system's operation, the use of infrastructure and the selection of the deposit system's electronic smoking device operator, as well as the procedures for terminating and cancelling the contract for the provision of the deposit system's operation;
- 2) electronic smoking device deposit recording and registration procedure;
- 3) the procedure by which the operator of the electronic smoking device deposit system submits a report on the implementation of the deposit system to the Latvian State Environmental Service, as well as the form and content of the report;
- 4) the rules under which the electronic smoking device deposit system operator must ensure that the return point meets minimum requirements regarding territorial coverage;
- 5) a sample of the special instructions to be placed on the packaging of the deposit-bearing electronic smoking device, the terms of use for those instructions, and the terms of use for the deposit-bearing device's identifier;
- 6) the deposit fee for each deposit electronic smoking device unit;
- 7) the percentage rates and time limits for the receipt, collection and processing of the deposit electronic smoking devices;
- 8) the methodology for determining the actual management costs of the electronic smoking device deposit and the documents to be submitted to substantiate these costs;
- 9) the procedure for mutual settlements between the operator of the deposit system for electronic smoking devices and the operator of a municipal waste landfill or a regional waste management centre, if the latter provides municipal waste disposal services, the actual management costs, within the framework of the deposit system for electronic smoking devices, for electronic smoking devices that do not bear an identifier.

According to the definition included in the draft law, the deposit fee is not equivalent to the value of the packaging of electronic smoking devices, but is defined as the amount of money that the end-user pays at the time of purchasing an electronic smoking device subject to a deposit, as a security deposit for its return, and which is refunded to the user upon return of the electronic smoking device. As mentioned above, the deposit fee falls outside the scope of the Value Added Tax Act; consequently, it is not, from the outset, it is not included in the taxable value of the goods.

Have alternative solutions been explored?

Yes. Currently, there is a voluntary collection system for electronic smoking devices in Latvia, organized by retail outlets that have, on their own initiative, set up separate (cardboard) waste bins designated for these devices. The Latvian Ministry of Climate and Energy notes that the collection of electronic smoking devices is an environmentally friendly initiative, but it has several significant shortcomings: namely, it does not address the risks of electronic smoking devices self-igniting in waste containers or the potential leakage of chemicals. In addition, it has been noted that collected end-of-life electronic smoking devices are transported to electrical and electronic waste collection sites and managed together with all other waste in this category, thereby increasing the risk of self-ignition during the recycling process. As the electronic smoking devices collection scheme is a voluntary initiative by retailers, the Latvian Ministry of Climate and Energy has no information on the number of electronic smoking device waste bins installed, the coverage of these collection points across Latvia, or the quantity of end-of-life electronic smoking devices collected. In line with the above, the Ministry of Climate and Energy considers that this voluntary initiative cannot meet all the safety requirements and environmental criteria set for the electronic smoking device deposit system.

Has the proportionality of the requirements and the costs and benefits been assessed?

Yes. The deposit system for electronic smoking devices will ensure that the devices are managed in accordance with the relevant regulations governing waste management, thereby preventing environmental pollution, significantly reducing the risk of electronic smoking devices self-igniting, and minimizing environmental damage.

1.4. Evaluations/studies justifying the need for it

Title

PRELIMINARY STUDY ON THE DEVELOPMENT OF AN E-CIGARETTE DEPOSIT SYSTEM

Description

A survey conducted in 2024 by the LATVIAN ASSOCIATION OF WASTE MANAGEMENT COMPANIES on the challenges and opportunities related to the management of electronic smoking devices and how to improve it in Latvia. The main conclusions are as follows:

1. the results of the pilot project indicate that the development of a collection system for electronic smoking devices and batteries is technologically and economically feasible. The required number of facilities and technical specifications are clearly defined, and the system can be rolled out nationwide with the appropriate investment;

2. public involvement is essential for the system to function effectively. The results of the information and awareness-raising campaign showed that residents are willing to get involved, provided that an accessible and straightforward waste collection infrastructure is in place;
3. the financing model is based on producer responsibility, deposit fees. This model ensures the financial sustainability of the system, while at the same time motivating producers to improve the recyclability of products;
4. the environmental and economic benefits are substantial. The system not only prevents pollution, but also promotes the reuse of resources, creating economic opportunities for both local businesses and international partners;
5. risks are identified and can be managed effectively through well-designed strategies, such as public information, the development of technological solutions and logistics optimisation.

1.5. Ex-post evaluation

Is it going to be done?

No

1.6. Other information

In the Ministry's view, carrying out an ex-post evaluation would not be commensurate with the Ministry's resources. At the same time, the Ministry emphasises that legislative acts not require an ex-post evaluation of every legislative act. Overall, the draft law aims to improve the existing system and streamline existing processes.

2. Community groups affected by the draft legislation, its impact on economic development, and the administrative burden

Does the draft affect this area?

Yes

2.1. Community groups that are affected by, or could be affected by, the legal framework

Natural persons

The buyers and consumers of electronic smoking devices

Description of the impact

Within the framework of the electronic smoking device deposit system, a natural person shall be obliged to pay a part of the deposit amounting to EUR 1 per device. Once the electronic smoking device has been used up, a natural person returning a used device to a deposit collection system machine will receive, in non-cash form, a refund of the deposit paid at the time of purchase (EUR 1).

Legal persons

Producers, traders and the operator of the electronic smoking device deposit system

Description of the impact

New requirements have been set for manufacturers and distributors of electronic smoking devices, as well as for the operator of the electronic smoking devices deposit system, regarding the operation of the system and the submission of reports.

2.2. The impact of the legal framework on the national economy

Does the draft affect this area?

No

2.3. Assessment of the administrative costs for legal persons

Does the draft affect this area?

No

2.4. Assessment of the administrative burden on natural persons

Does the draft affect this area?

No

2.5. Assessment of compliance costs

Does the draft affect this area?

Yes

Community group	Is it affected?	Cost per unit: EUR	Number of units	Compliance costs: EUR	Explanation of calculations
Natural persons		Total (natural persons)		0,00	
Buyers and consumers of electronic	No				
Legal persons		Total (legal persons)		0,00	
Waste management commercial entities	No				
Manufacturers of electric and electronic devices	No				
Manufacturers of batteries	No				

Producer responsibility organisations	No				
Producers, traders and the operator of the electronic smoking device deposit system	Yes	The significance of the value:			Compliance costs are expected to arise from the introduction of a new electronic smoking device deposit system, although it is not possible to quantify these in monetary
Total				0,00	

3. Impact of the draft legislative act on the State and local government budgets

Does the draft affect this area?

No

Other information

The provisions laid down in the draft law do not have an impact on State budget expenditure. The Latvian State Environmental Service will carry out the functions set out in the draft law within the limits of its existing budgetary resources.

4. Impact of the draft legislative act on the current legal framework system

Does the draft affect this area?

No.

4.1. Related draft legislative acts

4.2. Other information

As this legislative act provides for the establishment of a new deposit system and the drafting and implementation of an entirely new regulatory framework, it does not currently have any impact on existing legislation. At the same time, it should be noted that, in conjunction with the draft law "Amendments to the Waste Management Law" (25-TA-267), a draft law titled "Amendments to the Natural Resources Tax Law" (25-TA-745) has been drafted. We note that the two draft laws are interrelated, as the amendments provide for the introduction of a new deposit system for electronic smoking devices. The "Amendments to the Natural Resources Tax Law" establish a new deposit system for users of electronic smoking devices, a new object of the

natural resources tax, a tax rate, the conditions under which a taxpayer becomes liable to pay tax on a deposit facility, as well as the conditions under which a taxpayer is eligible for a tax exemption. As it is envisaged that all producers and distributors of deposit-bearing electronic smoking devices will participate in the deposit system, it is assumed that, in such cases, all taxpayers will be granted a tax exemption, since the producer or distributor of deposit-bearing electronic smoking devices will be participating in the deposit system.

The provisions contained in all legislative acts shall only come into force once all draft legislative acts have been approved by the Saeima.

5. Compatibility of the draft legislative act with the international commitments of the Republic of Latvia

Does the draft affect this area?

Yes

5.1. Obligations to the European Union

Is it relevant?

No

5.2. Other international commitments

Is it relevant?

No

5.3. Other information

Description -

5.4. Compatibility of the draft legislative act with EU law

6. Institutions involved in the development of the draft and the public participation process

Public participation does not apply to this draft legislative act

No

6.1. Institutions involved in the development of the draft

State and local government institutions

Latvian Ministry of Climate and Energy, Latvian State Environmental Service

Non-governmental organisations

Yes

Other

No

6.2. Forms of organisation of community participation

Type

Public consultation

Link to the results of the community participation

25-TA-1179:

https://vktap.mk.gov.lv/public_participations/public_discussions/f8f24c07-f786-4449-a864-7c143ac12531

25-TA - 1312: https://tapportals.mk.gov.lv/legal_acts/446bc963-ccd9-48e0-a209-fdd938d1a7ef

25-TA- 267: https://tapportals.mk.gov.lv/public_participation/c630debd-237e-416f-b297-87bdee6477bcinats has been subjected to public consultation.

6.3. Results of community participation

The comments received on 25-TA-267 are attached to the annex to the explanatory memorandum.

6.4. Other information

Other information

7. Implementation of the draft legislation and its impact on bodies

Does the draft affect this area?

Yes

7.1. Institutions involved in the execution of the draft

Institutions

Latvian Ministry of Climate and Enterprise

Latvian State Environmental Service

Latvian Circular Economy Association

7.2. Monetary evaluation of administrative costs

Does the draft affect this area?

No

7.3. Monetary evaluation of compliance costs

Does the draft affect this area?

No

7.4. Impact of the draft's implementation on administrative functions and institutional structures

Impact	Yes/No	Explanation
1. A new institution will be created	No	-
2. An institution will be liquidated	No	-
3. The current institution will be reorganised	No	-
4. Functions and tasks of the institution will be changed (extended or narrowed)	Yes	The State Environment Service will have additional oversight and control over the new electronic smoking device deposit system.
5. Measures will be taken to streamline the institution's internal processes	No	-
6. Digitalisation of the internal institution processes will be carried out	No	-
7. The internal processes of the institution will be optimised	No	-
8. Other information	No	-

7.5. Other information

Other information

8. Horizontal impacts

8.1. Impact of the legal framework of the draft

8.1.1. On the development of public services

Does the draft affect this area?

No

8.1.2. On the development of national and local government information

and communication technologies

Does the draft affect this area?

No

8.1.3. On the implementation of information society policy

Does the draft affect this area?

No

8.1.4. On the representatives of the National Development Plan

Does the draft affect this area?

No

8.1.5. On the development of territories

Does the draft affect this area?

No

8.1.6. On the environment

Does the draft affect this area?

Yes

Description

The electronic smoking device deposit system will ensure the environmentally sound management of electronic smoking devices and the recycling and recovery of their components. The potential environmental pollution that may result from lithium-ion batteries, plastic and metal components, and residual e-liquid in the refill tanks of electronic cigarettes, will be assessed.

8.1.7. On climate neutrality

Does the draft affect this area?

No

8.1.8. On the social situation of citizens

Does the draft affect this area?

No

8.1.9. On equal opportunities and rights of persons with disabilities

Does the draft affect this area?

No

8.1.10. On gender equality

Does the draft affect this area?

No

8.1.11. On health

Does the draft affect this area?

No

8.1.12. On human rights, democratic values and social development

civil

Does the draft affect this area?

No

8.1.13. On data protection

Does the draft affect this area?

No

8.1.14. On the diaspora

Does the draft affect this area?

No

8.1.15. On regulation of professions

Does the draft affect this area?

No

8.1.16. On the best interests of children

Does the draft affect this area?

No

8.2. Other information

Other information