# Annex 1. Impact analysis

# Amendment of the Law on Waste and Other Associated Acts

Contents

## 1. Introduction

This impact analysis presents the sections of the explanatory memorandum entitled 'Impacts of the Act' and 'Activities and expected costs and benefits of the state and local government related to the implementation of the Act'. The impact analysis provides an overview of the planned amendments to the Waste Act, the Packaging Act, and the Environmental Charges Act with a more significant impact. A comprehensive assessment of the administrative burden arising from the Draft Act will also be presented. The impact analysis has been prepared by the drafters of the bill and explanatory memorandum.

## 2. Impact of the amendments proposed in the draft on the administrative burden and public sector expenditure and revenue

### 2.1 Administrative burden on businesses

The new waste reporting system ensures that the data accurately reflects the quantities of waste generated and treated and that it is up to date and of high quality. This will give companies better opportunities for fair and transparent competition and enable companies and the state to take advantage of the added value that the data can provide.

Reporting once a year imposes a heavy temporary and seasonal burden on both the state and businesses. In the future, the burden of waybills and the related quarterly reporting will be more dispersed throughout the year, waste accounting will become a logical part of the business process, and there will be fewer errors, which are very time-consuming to identify and correct in the case of annual reports filed retroactively. For reporting purposes, the data are pre-filled from the waybills, which eliminates the double entry of data and the associated errors. The higher reporting frequency (quarterly) will not lead to an increase in the burden, as the waste accounting of a large number of businesses is already monthly or more frequent (see Table 3). The introduction of waybills will make it possible to abolish what are known as waste shipment reports (approx. 570 persons, 3,100 reports). Overall, the administrative burden will be reduced, as waste accounting will become an ongoing part of the company's business process.

The administrative burden for larger waste management companies (approx. 150 companies) will be significantly reduced due to the automation of data submission through the machine interface and the elimination of redundant processes.

Smaller waste management companies (approx. 800 companies) who do not have the capacity to submit data via the machine interface (waybills and quarterly reports) can continue to submit data free of charge via the self-service environment. In addition to the above, the administrative burden is particularly affected by whether to allow the use of data from the outgoing waybill for the submission of the quarterly report (actual data), or whether to first enter estimated data for the submission of the quarterly report, which then need to be amended on the basis of the withdrawal waybill (actual data). The technical solution allows for both. It has been decided at this stage that, in the case of municipal waste plants where only waste storage is carried out there and no additional waste treatment operations are carried out, the consolidated revenue bill is permitted to be drawn up on the basis of the subsequent outgoing waybill, which significantly reduces the administrative burden that would otherwise result from correcting the data in the reports. Overall, the administrative burden on smaller waste management companies remains the same and is spread out over the year.

Starting from October 2026, companies in whose installations waste is incinerated for energy purposes will have to declare a fee for energy recovery on a quarterly basis, similarly to the declaration of waste disposal. Waste incineration in Estonia is mainly carried out by one enterprise (Enefit Green AS). The declaration is based on the quantities of waste sent for energy recovery incineration. Payment takes place in the same way as for other taxes – at the Tax and Customs Board, through a company advance payment account. Therefore, there will be no significant increase in the administrative burden.

The changes will also affect packaging companies (approx. 65) that place sales packaging on the market but have not yet transferred their collection and recycling obligations to a recovery organisation.

The collection of packaging waste as part of organised waste transport significantly reduces the administrative burden on recovery organisations or recovery organisations. The responsibility for timely emptying of these containers and prevention of container littering falls to the council areas. Recovery organisations no longer have to organise the maintenance and emptying of the public container network, deal with overfilling problems, or communicate with citizens and local governments about problems with public containers.

### 2.2 Administrative burden for citizens

Waste collection will become easier and less time-consuming for people in the future. The administrative burden will be reduced, as the council area or the council area cooperation organisation will be the main contact person in relation to waste management. Whereas thus far the change of carriers has made it necessary to enter into new contracts with the changed carrier and many still have separate contracts for the use of packaging bag or container services, in the future it will be sufficient to enter into an agreement with the local government, which does not need to be changed due to the change of carriers.

Citizens who are exempt from periodically organised waste collection on their registered immovable property on an exceptional basis will no longer be obliged to submit a declaration to the council area annually by 20 January that the registered immovable property has not been inhabited or used during the course of the year. The general need to apply to the local government for less frequent waste transport on properties in densely populated areas where composting or regular disposal of bio-waste takes place will also disappear, as less frequent waste transport (once every 12 weeks) is permitted on all properties.

### 2.3 Public sector workload

**The workload of the council area**, in the absence of cooperation with other local governments in the field of waste management, may increase due to the fact that the local government must organise additional procurement procedures. Under the draft amendment, council areas will have to conclude at least four additional public contracts (for organising the management of bio-waste, mixed municipal waste and other waste) and for the transport of packaging waste. This concerns in particular the 49 local governments that have not yet joined the cooperation organisation. In order to alleviate the workload, procurement may be divided into parts, for which separate contracts are concluded. Some council areas have already concluded separate contracts for treatment services. Contracts for both transport and treatment services may be awarded for a maximum period of five years at the same time. However, the total number of public procurements and the resulting total workload may decrease due to the change in the size of the transport area (according to the draft amendment, up to 100,000 people instead of the current 30,000).

The workload of a council area may be temporarily increased by the need to amend existing legislation in order to implement the obligations and possibilities provided for in the draft act. Amendments to the waste management plan and to the waste management rules must be carried out in good time before the procurement of the treatment and transport services is organised so that the transport service can start at the end of the current procurement contract, if the current public contract is renewed. The local government must also regularly update the waste management plan in accordance with the Waste Act currently in force. The amendments to the legislation must be implemented by the end of 2030 at the latest, so the local government will be able to plan its work sufficiently in advance.

If the local government does not implement alternative organised waste transport, invoicing and customer communication will continue to be the responsibility of the carrier and no additional workload will be created for the local government.

Local governments that decide to implement alternative organised waste transport will also be subject to an invoicing obligation starting from the new organised waste transport procurement, which may increase the workload. This can be reduced by delegating invoicing and customer relations tasks to a waste transporter, a company established by a local government unit and under its direct control, a company, a non-profit association, or a foundation.

The carrying out of public procurement, preparation of waste management plans and legislation, billing, customer service management, information, advice, maintenance of a register of waste holders, as well as a number of other tasks, can be delegated to a cooperative organisation of the council areas. The enactment of legislation cannot be delegated. The costs of accounting and invoicing will not change, as the obligation that previously lay with the waste transporter will now be transferred to the council area, meaning that this is a redistribution of obligations. Based on international practice, it can be assumed that, when carrying out tasks through a cooperative organisation, the workload related to waste management in the council area will not increase, but rather will decrease.

The transition from collection at source to collection at designated locations will significantly reduce the number of public packaging containers, which have thus far created a considerable workload for local governments (surveillance cameras, complaints about overfilling, finding new locations, disputes with recovery organisations, etc.).

The abolition of the requirement of written confirmation by the person exempt from organised waste transport (confirmation of 20 January) planned in the draft act, and the removal of the obligation for waste holders who have failed to provide confirmation to connect to waste transport, will reduce the workload of the council area. Similarly, local governments do not have to process applications for less frequent waste collection.

Administrative supervision is likely to affect a small number of municipalities (less than 10) and the additional workload due to administrative supervision is limited and temporary, as it consists primarily of providing explanations to the Environment Agency.

The workload of the **Environment Agency** will increase somewhat in connection with the exercise of administrative supervision of council areas that are likely or uncertain to fail to meet the target for separate collection of municipal waste. The additional workload will depend on how successful local governments are in achieving the target.

In cooperation **with the Ministry of Climate,** the Environmental Board must prepare guidelines for council areas for the successful implementation of the amendments (e.g. procurement guidelines, guidelines for the implementation of alternative organised waste transport). As the Environmental Board is currently compiling waste management guidelines for local governments, this task will not increase the Agency's workload.

The workload of the Environmental Board and the **Environment Agency** may initially increase somewhat with the introduction of the new waste reporting system. In particular, the workload is expected to increase during the first year of operation of the new system, when the previous year's reports will be submitted and checked in parallel on the previous basis. In the future, the burden of checking waste reports will be reduced, and the transition to the new reporting system will also allow for more efficient supervision. Business analytics tools will be created to carry out automated checks and facilitate analyses, and a supervisory dashboard will also be created for enhancing supervision. Data will be used much more effectively than before to solve substantive problems.

The workload of the Environmental Board will increase slightly due to the addition of the new waste energy utilisation fee, but not significantly, as the number of companies paying the fee that are subject to tax audits is small (5 companies in 2023).

The new obligation extends to the Environmental Agency by virtue of the separate collection target applicable to local government units. On the basis of the data provided, the Environment Agency shall assess the extent to which the targets laid down in the Act have been met in each local government unit. When the new waste reporting system is launched from 2026, it will be possible to automatically create an assessment of compliance with the target, so there will be no significant additional burden on the Environmental Agency.

### 2.4 Public sector expenditure and revenue

The Waste Framework Directive sets targets for Member States for the recycling of municipal waste for 2020, 2025, 2030, and 2035. In 2023, the European Commission issued an early warning report for Estonia, according to which there is a risk that Estonia will not meet the target set for 2025. Failure to reach the target will be accompanied by infringement proceedings, which may result in the imposition of a financial penalty on the Estonian state. The amount of the fine is not known in advance, but if the Directive is not transposed in time, the Commission may immediately request that the Court of Justice impose a penalty payment and/or a lump sum. The lump sum may be imposed in any case where the directive was not transposed within the prescribed period. The penalty payment may only be imposed if the directive has still not been transposed by the time of the judgement. The Commission shall calculate the basic amount and the penalty payment using the following formulas[1]:
Basic amount = fixed amount of EUR 1,000 x severity coefficient (between 1 and 20) x factor n[2] (0.06 in the case of Estonia) x duration of infringement in days. The minimum basic amount for Estonia is EUR 168,000. The period for failure to fulfil obligations begins to run from the day following the expiry of the period for transposition of the directive concerned.

[1] The coefficients and minimum amounts are reviewed annually by the European Commission and are subject to change.
[2] Based on the GDP and population number in 2020 (year n-2) as of 7 September 2022, rounded to two decimal places.

Penalty payment (per day) = a fixed amount of EUR 3,000 x severity coefficient (between 1 and 20) x the coefficient for duration (between 1 and 3) x the factor n (0.06 for Estonia). The penalty payment is an amount calculated for each day of delay, starting from the day on which the Court of Justice of the European Union delivers its judgement in infringement proceedings and ending on the date on which the Member State puts an end to the infringement. The purpose of the penalty payment is to motivate the Member State concerned to end its breach of its obligations as soon as possible after the Court of Justice of the European Union has delivered its judgement. In[3] point 3.2.2 of the Communication, the Commission stated that, in actions for non-communication of transposition measures, the Commission systematically applies a severity coefficient of 10.

The probability of infringement proceedings being initiated is high, as environmental infringements are a priority for the Commission. The Early Warning Report has already shown that Estonia is under the scrutiny of the Commission. At the same time, Estonia can reduce the risk of non-compliance if the measures proposed in the draft amendment are fully implemented.

The implementation of the draft act will require the parties to invest in infrastructure for separate waste collection, waste recycling capacity, and data management. The implementation of the law will not generate revenue for local governments and public authorities. Part of the costs will be covered by European Union funds. The development of the circular economy is supported by funds collected from environmental charges under the environmental programme. Opportunities for large-scale investment stem from structural instruments. In the period 2021-2027, the Cohesion Fund will provide a total of EUR 111 million to various target groups for the development of the circular economy, of which EUR 34.7 million will be used to support the development of local government infrastructure[4], waste management companies will receive EUR 14 million to increase their waste recycling capacity[5], and packaging companies will receive EUR 10 million to implement eco-design for packaging (reducing packaging weight, switching to single materials, reuse)[6]. The granting of support is based on the principle that this is a one-off boost to achieve significant changes in Estonia and that its use must lead to a leap forward in development. In addition, the Ministry of Climate is applying for funding for the development of the circular economy from both the LIFE programme and the European Economic Area and Norway programme in order to enable local governments to transition to the circular economy.

Based on the responses to the questionnaire sent by the Ministry of Climate to the local governments in 2023 and 2024, it can be summarised that the total development costs for waste management that are missing for the development of waste management in all council areas are estimated at EUR 9-10 million per year. The Act creates the possibility for local governments to collect a fee from waste holders for the development of waste management. In

[3] Commission Notice on financial penalties in infringement proceedings 2023/C 2/01 EUR-Lex - 52023XC0104(01) - ET - EUR-Lex (europa.eu).

[4] For more information on the Cohesion Fund support "Conditions and procedure for granting support for infrastructure for separate collection of waste in the period 2021-2027", see the website of the Keskkonnainvesteeringute Keskus SA [Environmental Investment Centre Foundation]: https://kik.ee/et/toetatavad-tegevused/jaatmete-liigiti-kogumise-taristu-arendamine.

[5] For more information on the Cohesion Fund support "Conditions and procedure for granting support for increasing the recycling capacity of waste in the period 2021-2027", see the website of the Keskkonnainvesteeringute Keskus SA: https://kik.ee/et/toetatavad-tegevused/jaatmete-ringlussevott-ja-ettevalmistamine.

[6] For more details on the Cohesion Fund support "Terms and Conditions for Support for the Prevention and Reduction of Waste Generation and Packaging and for Promotion of Reuse for the period 2021-2027", see the Keskkonnainvesteeringute Keskus SA support measure website: https://kik.ee/et/toetatavad-tegevused/jaatmetekke-ja-pakendi-vahendamine.

this case, the council area does not have to incur any additional expenditure from its own budget.

In the event of non-compliance with the separate collection target for local authorities, the Environmental Board is entitled, in the context of administrative supervision, to issue an order to council areas and, in the event of non-compliance, to impose periodic penalty payments of up to EUR 9600 from 2031 onwards. As of 2023, there is an increased risk of failing to meet the target for up to 10 council areas. Assuming that the penalty payment will be applied to council areas in the same amount in 2031, it would bring approximately EUR 100,000 per year to the state treasury.

Upon implementation of the Act, the new waste reporting information system PISTRIK will be introduced, which will be a subsystem of the Environmental Decisions Information System (KOTKAS). A framework contract for software development in the amount of up to EUR 1 million has been concluded for the development of PISTRIK in 2024-2028. Until the end of 2025, the planned development of PISTRIK is EUR 330-400,000 and the total budget in 2025 is EUR 518,400. The total estimated cost of developing the new waste reporting service, including PISTRIK, for 2022-2025 is up to EUR 1.2 million.

The implementation of PISTRIK will take place from 2026. Likely costs to the state budget will arise in the future in connection with further development of the system (e.g. national register of waste holders, artificial intelligence solutions, etc.) and maintenance.

It is not possible to predict the increase of relevant revenues and costs connected with updating the liability provisions and penalty rates for infringements of the waste transport waybills. The introduction of the possibility to impose higher fines will not necessarily lead to higher administrative penalties; furthermore, a higher rate may provide an incentive for persons to commit fewer administrative offences.

With the increase in the rate of the pollution charge for the disposal of non-hazardous waste and the tax on the incineration of waste for energy purposes, the total public revenue accruing to the State budget is approximately EUR 21 million per year, including EUR 11 million for the energy recovery fee and EUR 10 million for the pollution charge for waste disposal, i.e. the landfill fee. This revenue will continue to decrease in the coming years as more and more non-hazardous waste is being recycled and less incinerated and landfilled. Assuming that the volume of municipal waste sent to landfill will decrease to 1 per cent of waste generated, based on the Finnish and Swedish models, the revenue from municipal waste landfill fees will remain below half a million euros. The revenue from the incineration fee in 2026 can be estimated at 5.5 million (approximately 4 million will be collected in 2026; the fourth quarter fee will be collected in January 2027) and from 2030 onwards at EUR 9 million, provided that the incineration fee does not increase during this period.

Some of the costs are due to the introduction of the new fee (declaration form) in KOTKAS. The new declaration form is similar in nature to the waste disposal declaration, and therefore the development costs of KOTKAS can be covered by the daily development budget.

The expansion of industrial sectors specialising in the recovery of waste streams will bring additional revenue to the state, helping to strengthen the tax revenue base of the Estonian economy. As different types of waste have different economic potential and recovery rates, a generalised estimate of tax revenue and economic turnover is presented here.

In the case of 110,000 tonnes of waste recycled, which is necessary to reach the 55% target, additional revenue and social tax receipts are estimated to be in the range of EUR 3-4 million in total. The increase in business turnover from recycling of waste is estimated to be between EUR 20 million and EUR 62 million. Considering that 110,000 tonnes of waste must be recycled in order to achieve the target, this means the creation of an estimated 165-330 new direct jobs in the field of waste management and recycling. This growth in employment will support the local economy and help increase employment in the circular economy.

These amounts are expected to increase by about half by 2035 when recycling targets will be higher and the sector will expand. The increase in the level of recycling of resources and the resulting investments have a potential long-term positive impact. The monetization of new waste streams creates added value in the Estonian economy, increases employment, and increases tax revenues and the economic turnover of companies.

# 3. Impact of the amendments to the Waste Act

## 3.1 Proposed amendment: introduction of administrative supervision requirements

The following provisions concerning the establishment of requirements for administrative supervision are laid down in the draft act: Section 1(1)(3), Section 1(7), Chapter 11 and Section 136[25] of the Waste Act.

The establishment of administrative supervision requirements was not shown to entail any economic or social impact or impact on the fields of education, culture and sport, information technology and the information society, national defence and external relations, or internal security. Administrative supervision has a positive impact on the environment and regional development. The Environment Administration may need some additional resources from the state budget, including additional workplaces. For local authorities that fail to meet the separate collection target for municipal waste, administrative supervision may require operational changes.

### Area of impact: environmental impact

Administrative supervision has an indirect impact on the natural environment and the circular economy. The objective of administrative supervision is to ensure proper and effective waste management in council areas. In this case, the proportion of separately collected waste for which landfilling or incineration for energy recovery purposes is prohibited will increase. The number of landfill fires that pose a threat to the environment will also decrease, as the volume of landfilling will be close to zero by 2035. The recycling of separately collected waste will increase and the increased circularity of secondary raw materials will make it possible to reduce the use of primary raw materials. As a result of better waste management arrangements, illegal waste management – littering and waste incineration in domestic environments – is expected to decrease.

### Area of impact: impact on public administration

One of the objectives of administrative supervision is to ensure that the recycling targets for municipal waste set out in the Waste Framework Directive are achieved. This is a preventive action. The European Commission has issued a preliminary warning to Estonia for 2023, stating that there is a risk that Estonia will not meet the targets set in the Waste Framework Directive for the preparation of municipal waste for reuse and recycling. Failure to meet the target will result in infringement proceedings being initiated against Estonia, which may lead to what is known as a waste penalty. There is a high likelihood that infringement proceedings will be initiated. Estonia is not expected to meet the 2025 target for recycling municipal waste, as the impact of the current waste reform will be felt later.

### Impact target group: Environmental Board

Administrative supervision is carried out by the Environmental Board, which uses resources from the state budget to carry out the task. As the Environmental Supervision Act currently grants the agency the right to exercise administrative supervision over local governments, this is not a fundamental change, but it may nevertheless lead to changes in the agency's work organisation. In 2023, the Act amending the General Part of the Environmental Code Act and other acts repealed the sections of the Waste Act which required all local governments to send to the Environmental Board for approval the local governments' waste management rules, waste management plan, and procurement documents for organised waste transport. As a result of the change, the resources freed up at the Environmental Board were reallocated. The Agency will continue to provide advice to municipalities; in addition to day-to-day advice, the Agency will prepare essential guidance materials[7]. Since 2022, the agency has organised monthly training sessions for local government environmental specialists (KO(h)Vihommikuid[8]) via the internet, monitoring is carried out as needed (e.g. network of public packaging containers, organisation of separate waste collection in local governments), an overview of waste collection options in local governments is compiled once a year, and infographics[9] based on the analysis are made available to the public.

The introduction of administrative supervision provisions in the Waste Act specifies the content of administrative supervision. The Environment Administration will continue its advisory activities and focus on municipalities where it is unlikely that the separate collection target for municipal waste will be met. The Agency is already in the process of developing a more efficient supervision risk assessment model for inspection sampling. Local governments that are likely to achieve the target or have been assessed by the Environmental Agency will not be subject to administrative supervision. For those local governments that the Environmental Agency has determined have failed to achieve the target, the agency will issue a precept and may impose a penalty payment.

The increased burden related to administrative supervision and consultation activities will occur after the entry into force of the Act. Assuming that the Act enters into force in 2025 and that local governments have to achieve the target for the first time in 2027, the Environmental Board will be able to start monitoring the achievement thereof in 2028, when the achievement or non-achievement of the target is determined for the first time. As a result, more resources will be needed from 2028 onwards. According to the agency's estimate, the personnel costs necessary to perform the task amount to one to two full-time equivalents (FTEs). The actual workload depends on the number of local governments that do not meet the target. In addition, it may be necessary to increase the competence of the local government in the field of waste management (training of staff, involvement of experts).

As a result of the ongoing waste data digitisation project, a slight reduction in the current workload of the Environmental Board can be expected. The transition to near real-time data is planned for the waste data set. During the development of the data project, automatic dashboards will be created for monitoring. In addition, data sets will become more public,

[7] Waste management guidelines for local authorities are available here: https://keskkonnaamet.ee/keskkonnakasutus-kiirgus/jaatmed/omavalitsuste-jaatmehooldus
[8] Recordings of the Environmental Board's Ko(h)Vihommikud are available online: https://keskkonnaamet.ee/taotlused-aruanded/juhendid-abimaterjalid/kohalikule-omavalitsusele
[9] The Environmental Board's press releases and infographics are available here: https://keskkonnaamet.ee/uudised/jaatmete-liigiti-kogumise-voimalused-omavalitsustes-margatavalt-paranenud

which is why the transparency of the sector as well as the number of monitoring procedures could be reduced. The changes will help the Environmental Board to manage its processes better and in a more risk-based manner, freeing up resources to focus on priority and more effective activities. It is estimated that the transition to real-time data could generate at least 1 FTE of additional resources for the system. Additional resources could become available in the period 2027-2028. In 2025, the Ministry of Climate is submitting a full application to receive support from the LIFE programme for the CircEST project, which includes plans to further empower the competence of the Environmental Board. Understandably, the support and supervision of local governments requires additional resources, which is why they must be applied for annually from the state budget on an as-needed basis.

There is no obligation to provide data to the Environment Agency in connection with the task.

### Impact target group: local government

The purpose of administrative supervision is to provide support to local governments, i.e. to advise and guide local governments in the implementation of the activities provided for in the Waste Act, which ensure the achievement of the target for separate collection of municipal waste. Administrative supervision only affects those local governments where it is likely that the target will not be achieved or where it has been determined that the target will not be achieved. There are presumably fewer than ten such council areas.

Administrative supervision may lead to changes in the organisation of work (e.g. the assignment of new tasks to an employee) and to a small and short-term increase in the workload for a local government that has not reached the target for separate collection of municipal waste in connection with the submission of information and explanations to the Environmental Board. The exact impact will depend on the specific council area and the reasons why the target has not been reached.

As a result of administrative supervision, cooperation between local governments in the organisation of waste management may increase, as cooperation makes it possible to reduce the costs and workload associated with waste management and increase competence. *Estonia currently has one major local government cooperation organisation (the Estonian Waste Management Centre, hereinafter referred to as EJHK*), which includes 27 local governments. EJHK advises local governments on waste management issues, conducts procurements, etc., drawing on its experience with not just one but many local governments. Central procurement, the conclusion of agreements with the parties, etc. allows for a reduction in working time and ensuing labour cost compared to the situation where all waste management tasks are performed by each council area separately.

Administrative supervision leads to an improvement in the quality of the waste management service in the council area and the confidence of residents in waste management in general. For example, in order to reach the target, the local government can improve the quality and accessibility of the service of the waste disposal facility and make data related to waste management available on its website in order to motivate residents.

As a result of administrative supervision, council areas may incur a financial obligation in the form of a periodic penalty payment (EUR 9,600) in the unlikely event that the requirements imposed in the course of administrative supervision are not met within the time limit. According to the draft, the obligation to pay the penalty will arise from 2031, i.e. after the end of the transition period. The Environmental Board may impose a penalty payment repeatedly within the same year. The economic effect of a repeated penalty payment depends on the size of the repeated penalty payment imposed and the procedures for its imposition. According to the draft, the penalty payment may not be covered by the waste collection service fee collected from residents, so the council area must pay the penalty payment from its own budget. The local government must take into account that in a situation where a precept is not complied with, a penalty payment must be paid and other necessary activities will not be performed. As a result of administrative supervision, the council area may need to incur waste management-related expenses that have not been incurred before (e.g. notification, establishment of a new public collection point, extension of the opening hours of the waste station, etc.). These costs can generally be included in the costs necessary for the organisation and development of waste management. In order to avoid a situation where local governments, which are already struggling to make ends meet, have to increase their waste management costs and, in extreme cases, pay penalties, it is advisable to take advantage of the guidance and financial support offered by the state and consider joining a cooperation organisation.

### Area of impact: economic impact

#### Impact target group: waste holder

As a result of administrative supervision, it may become evident that a council area that does not meet the separate collection target for municipal waste must incur additional expenditure for labour, services, and waste infrastructure. In order to cover the costs, it may be necessary, for example, to establish a payment rate (percentage) to be paid by neighbouring council areas to cover higher waste management costs. However, this impact is not expected to be significant. Even now, the costs associated with organised waste collection can vary greatly between neighbouring council areas (e.g. in Alutaguse district municipality, the service fee for emptying a 240-litre mixed waste container is EUR 6.59, but in Jõhvi district municipality it is EUR 3.07 and in Kohtla-Järve city only EUR 1.45). If Jõhvi rural municipality council or Kohtla-Järve city council decided to establish a fee for covering the costs of waste management to the maximum extent possible (equal to the costs of organised waste transport), the total fee for the household would still be lower than in the municipality of Alutaguse.

The council area will be able to reduce the increase in costs for residents somewhat if support is requested from the corresponding Cohesion Fund measure for investments in waste infrastructure. Cooperation with other council areas is also desirable in order to increase competence and thereby accelerate the reaching of the target.

The payment of a penalty payment (EUR 9,600) imposed on the local authority in the course of administrative supervision and its impact on the taxpayer can be avoided by the local authority by complying with the precept within the prescribed term.

### Area of impact: regional development

Administrative supervision is carried out in council areas which, given the level of separate collection of municipal waste, are at a lower level, and as a result of administrative supervision, improvement and harmonisation of the level of waste management by council areas can be expected.

There are no regional disparities in the level of waste management services, but rather disparities between specific council areas. The waste management service level indicator[10], developed under the leadership of the Ministry of Finance, assesses the level of waste

[10] The indicator is available at the website https://www.minuomavalitsus.ee/valdkond/jaatmemajandus#teenustase

management on a scale of 0-9, where 9 is the best possible level. According to the indicator, in 2023, the level of waste management was low (level 1-2) in seven municipalities (Kohtla-Järve City, Kose District Municipality, Lääne-Nigula District Municipality, Narva-Jõesuu City, Rõuge District Municipality, Räpina District Municipality, and Viru-Nigula District Municipality). In most of these council areas, the level of waste management has also been low in the previous 3-4 years. This is therefore a systemic problem, and administrative supervision is necessary to resolve it.

## 3.2 Proposed amendment: setting targets for local authorities for the separate collection of municipal waste

The draft provisions concerning the separate collection target for municipal waste are: Sections 12(4), $31(1^1)$, $42(1^1)$ and (3)(3), $66^1$, $119^7$, $119^8$ and $136^3$ of the Waste Act. Annex 2 to the draft contains a draft implementing act concerning the target figure.

No social impact or impact on education, culture, sports, information technology, the information society, national defence, foreign relations, or internal security was identified in relation to the provisions concerning the setting of targets. Setting a target for council areas will have a positive impact on the Estonian recycling industry, the circular economy, and regional development. For some local authorities, setting targets entails additional workload and expenses.

### Area of impact: economic impact

#### Impact target group: waste management businesses

The target for council areas of separate collection of municipal waste significantly increases the amount of separately collected municipal waste – over the next 10 years, the aim is to double the amount of separately collected waste. For the waste management sector, this will mean the gradual addition of about 160,000 tonnes of separately collected municipal waste to the waste management market, for which treatment services will be procured from businesses by the municipalities and packaging recovery organisations. The relevant procurements will be carried out over the next five years as the council areas' current organised waste transport procurement contracts expire. Therefore, separate collection will also increase gradually, not immediately after the implementation of the provisions set out in the draft amendment. In addition, it should be taken into account that changing the behaviour of waste holders will also take some time. At least 60,000 tonnes of bio-waste, 40,000 tonnes of paper and cardboard, and 40,000 tonnes of glass, plastic and metal packaging shall be separately collected. The need for additional treatment capacity will motivate companies to invest in treatment facilities.

The separate collection target for council areas, the tripling of the landfill fee, and the introduction of an incineration fee combined will lead to a gradual reduction in the amount of mixed municipal waste up to 25 % in 2035, which is expected to be diverted from landfill to incineration. A decrease in the total generation of mixed municipal waste will affect the providers of mixed municipal waste (5 landfills) the most. According to forecasts, the amount of municipal waste sent to landfill will decrease by approximately 60,000 tonnes, i.e. to almost zero. Today's landfills for non-hazardous waste will have an incentive to expand their offering of services (waste pre-treatment, recycling, etc.). If the landfilling of waste in existing landfills (landfill areas) is significantly reduced, it may be appropriate to close some landfills. The owner of a closed landfill must implement an aftercare plan in accordance with the conditions set out in the environmental permit and bear the corresponding expenses. Under Section 66(5) of the current Waste Act, the waste transport service fee must be sufficient to cover, inter alia, the aftercare costs of the waste management facility. Pursuant to Section 34[1] of the Waste Act, the fee charged by the operator of a landfill for the deposit must also cover the estimated costs of aftercare of the landfill. Therefore, the reduction in landfilling will not entail additional costs for the landfill operator.

According to forecasts, the volume of municipal waste from Estonia incinerated at the Iru waste incineration plant will decrease by approximately 70,000 tonnes over the next 10 years. The planned service life of Estonia's only municipal waste incineration plant will expire in 2030, which means that the plant will in any case require technical upgrades in the coming years in order to continue operating. In doing so, the business can take into account the expected reduction in the quantity of mixed municipal waste as well as the change in composition. In addition to mixed municipal waste, sorting residues and waste fuel are also incinerated at the plant; with some adjustments, biomass can also be used as an input for the production of thermal energy. The company can also consider importing incineration waste from, for example, Latvia, where there are no such incineration plants.

Waste management companies can specialise in the treatment of specific types of waste when there is an increase in specific waste streams. The amendment as a whole will contribute to the development of the recycling industry in Estonia. Increased waste streams will improve the competitive position both domestically and internationally. It is expected that more waste operators and upcyclers of secondary raw materials will emerge on the market. Increased competition will drive the adoption of innovative treatment and recycling solutions.

### Impact target group: waste holder

The separate collection target for municipal waste set for council areas directly affects people in homes, institutions, businesses, and public spaces who have to collect their generated waste separately. Council areas will be more motivated to create convenient opportunities for the transfer of sorted waste. The most important tool for this is organised waste collection, whereby sorted waste is collected directly from the place of origin. The draft also sets out a condition for the pricing of waste services, according to which the transfer of separately collected waste must be made possible in a more cost-effective manner than the transfer of non-separately collected waste. The economic impact on a person depends directly on the separate collection of waste in a household, business, establishment, or housing association. If this is done with reasonable care, it is possible to keep your waste bill low (estimated at EUR 3-5 per household per month). If waste is not collected separately, the waste costs are expected to be several times higher.

The separate collection of waste may require the introduction or rental of additional collection facilities (containers, deep bins, collection bags). A new container can represent a considerable cost for a private home, as can deep storage containers for an apartment association. To mitigate this cost, the Ministry of Climate has proposed a support measure for local governments for the infrastructure for separate waste collection[11].

Considering that local governments have concluded public contracts for waste transport organised for three to five years and several amendments proposed in the draft amendment (e.g. collection of packaging waste from the place of production) can be implemented only

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[11] For more information on the Cohesion Fund support "Conditions and procedure for granting support for increasing the recycling capacity of waste in the period 2021-2027", see the website of the Keskkonnainvesteeringute Keskus SA: [https://kik.ee/et/toetatavad-tegevused/jaatmete-ringlussevott-ja-ettevalmistamine](https://kik.ee/et/toetatavad-tegevused/jaatmete-ringlussevott-ja-ettevalmistamine).

upon concluding a new public contract, their impact on residents will also be mostly felt only at that time. The amendments are therefore expected to affect the majority of the population from 2026-2027 onwards (see Table 1).

### Area of impact: environmental impact

The proposed amendment has a direct impact on the circular economy. Separate collection of waste is a prerequisite for the cost-effective recycling of waste. The higher the level of separate collection of waste, the greater the chance that the material contained in the waste will be reused as raw material. The availability of secondary raw materials makes it possible to produce circular products and to meet the requirements for the content of secondary raw materials in products (e.g. packaging). The use of secondary raw materials reduces the demand for primary raw materials. The implementation of the target will also lead to a reduction in environmental pollution (less waste disposal, better opportunities for the proper treatment and transport of waste).

### Area of impact: state governance

Setting targets for local authorities for the separate collection of municipal waste ensures that sufficient quantities of separately collected waste are available for recycling in Estonia, if recycling capacity is available, or for export to other countries for recycling. Increased recycling is necessary to reach the recycling target for municipal waste under the Waste Framework Directive and the recycling targets for packaging waste at the national level. Therefore, setting a target directly contributes to higher recycling rates and reduces the risk of failing to meet the target.

According to the amendments, the level of separate collection of municipal waste in local governments will be determined by the Environmental Agency. The Agency will receive the relevant data via digital waste shipment waybills and the analysis of the data will take place automatically. Therefore, there will be no significant additional burden on the Environmental Agency in relation to the target number of local governments.

#### Impact target group: local government

The organisation of separate collection of municipal waste has been the responsibility of local government to date, so this is not a new obligation. What is new, however, is the setting of a specific performance indicator, the achievement of which will become mandatory for council areas. On average, about 38% of municipal waste is collected separately in Estonia. In order to achieve the target of 67% by 2027, it will therefore be necessary to almost double separate collection in most council areas. The council area will need to pay more attention to waste management than before. This includes the need to update the Waste Management Plan and the Waste Management Rules. Achieving the target requires thorough consideration by the local governments of municipal waste management – where and what kind of municipal waste is generated, how to organise its effective separate collection, what costs are involved, whether it is necessary to collect fees from waste holders to cover waste management costs, how to raise residents' awareness of separate collection, and how to organise supervision. The tasks necessary to achieve the target may be carried out in cooperation with other council areas. When implementing this form of cooperation, the workload of individual council areas may even decrease compared to the current situation. If cooperation is not deemed expedient, the council area may need to create a separate specialist position. In addition to a specialist in the field of waste, the presence of a specialist in the field of supervision in the council area is likely to be necessary. [12]According to the public salary data for 2024, the basic salary of a municipal supervision specialist and an environmental specialist was approximately EUR 2,000 per month. Based on this, the employer's cost per specialist is approximately EUR 32,000 per year.

One of the most effective tools for achieving this target is organised waste collection. Today, mixed waste and bio-waste (unless composted on site) are already collected on a mandatory basis as part of organised waste collection. Collecting packaging waste at the point of origin significantly increases the separate collection of municipal waste, as it makes the separate collection of packaging waste more convenient for people. Council areas are bound by existing organised waste transport procurement contracts, and early termination of these contracts is possible by mutual agreement between the parties. The table Table 1. shows the expiry dates of current organised waste transport procurement contracts. Considering the time it will take for the law to come into force and the procurement contracts that will be concluded until then, the biggest change in public procurement will probably take place from 2026 onwards.

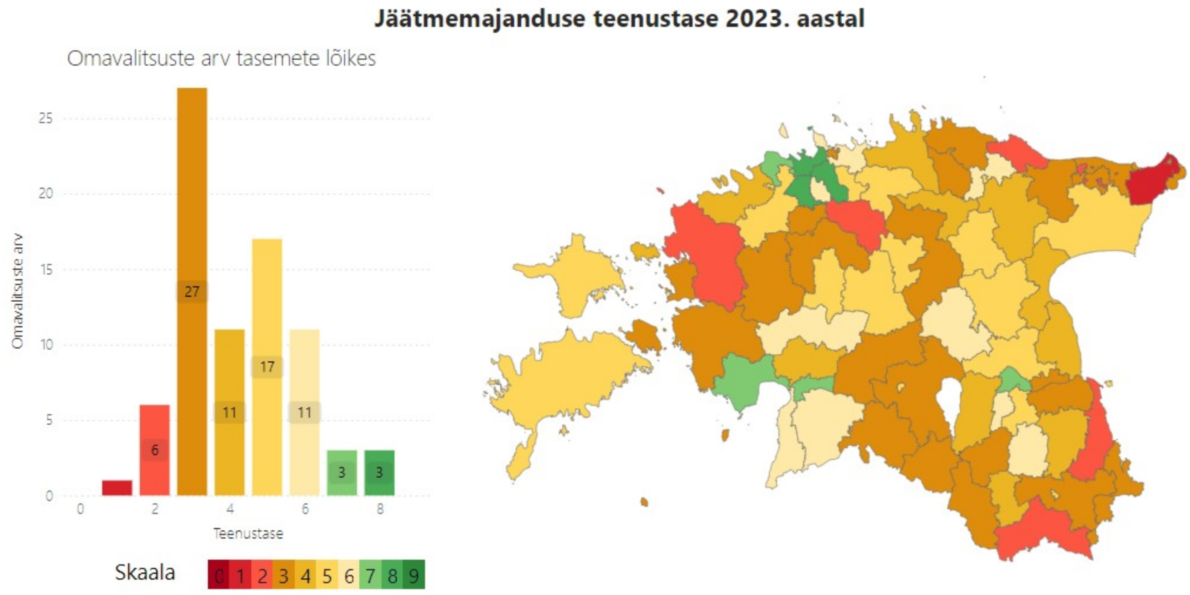
*Table 1. Year of expiry of the contract period for valid and announced public procurement contracts for organised waste transport in 93 transport regions, based on an analysis by the Ministry of Climate (as of spring 2025). Approximately half of the procurement contracts provide for the possibility of extending the term of the contract by 1 to 2 years.*

| Year of expiry of the organised waste transport procurement contract | Number of transport areas |
|---|---|
| **2025** | 20 |
| **2026** | 32 |
| **2027** | 18 |
| **2028** | 14 |
| **2029** | 7 |
| **2030** | 2 |

As assessed by experts, companies often also transfer their production waste as mixed municipal waste within the framework of organised waste transport. This increases the amount of mixed waste collected, which means that the council area has to work harder to achieve its target for separate collection. Therefore, it is reasonable for council areas to check that manufacturing companies located in their territory transfer production waste properly by taking it to a waste management site themselves or by ordering a separate transport service for production waste.

Achieving the target may prove more difficult in council areas where the level of waste management services is below average (see Figure Figure 1). In 2023, the level of waste management was very good (level 7-8) in six council areas, average or above average (level 4-6) in 39 council areas, slightly below average in 27 council areas, and the lowest level (1-2) was identified in seven council areas. It can be expected that there will be systemic deficiencies in the management of waste in the council areas with the lowest service levels, and that more impactful changes will be required to achieve the target. In the 27 council areas where the level of service is below average, setting a target, together with state support and advice, can provide sufficient impetus for progress in waste management. For the rest of the council areas, it will probably be easier to achieve the target.

[12] Salary data for civil servants at the Ministry of Finance website: https://www.fin.ee/riigihaldus-ja-avalik-teenistus-kinnisvara/avalik-teenistus/personali-ja-palgastatistika#ametnike-palgaandmed.




| | |
|---|---|
| Jäätmemajanduse teenustase 2023. aastal | Service level for waste management in 2023 |
| Omavalitsuste arv tasemete lõikes | Number of council areas by level |
| Omavalitsuste arv | Number of council areas |
| Teenustase | Service level |
| Skaala | Scale |

*Figure 1. Level of waste management services in Estonia across council areas in 2023, as assessed by the Minuomavalitsus.ee indicator.*

In order to reach the target, council areas may consider it necessary to cooperate with each other, as the task requires appropriate competences and organisational activities. It is probably easier to achieve the target through cooperation (shared specialists, joint procurement, guidance materials, waste plans, regulations, etc.), but cooperation is not a prerequisite for achieving the target.

The results of a survey conducted in 2023 and 2024 showed that municipalities spend on average EUR 15 per resident per year on waste management, totalling around EUR 20.5 million per year. Achieving the target will likely require local governments to incur additional expenditure for establishing infrastructure for separate waste collection (including household containers, local government waste stations, and public collection points). To cover these additional costs, the draft provides for the possibility of implementing an alternative organised waste transport service. This means that it is also possible for a local authority to include in the waste transport service charge a fee for covering the costs of waste management, which is based on the “polluter pays” principle. From 2025 to 2029, council areas will be able to apply for support from measures financed by the Cohesion Fund for the acquisition of waste sorting infrastructure through the Environmental Investment Centre Foundation [Keskkonnainvesteeringute Keskus SA][13].

In planning to achieve the target, the council area is supported by both the Ministry of Climate and the Environmental Board, which are working together to prepare the necessary guidelines, organise information days, share best practices, etc. The local government waste

[13] For more information on the Cohesion Fund support "Conditions and procedure for granting support for infrastructure for separate collection of waste in the period 2021-2027", see the website of the Keskkonnainvesteeringute Keskus SA [Environmental Investment Centre Foundation]: https://kik.ee/et/toetatavad-tegevused/jaatmete-liigiti-kogumise-taristu-arendamine.

infrastructure model developed by the Environment Agency is designed as a tool for council areas to use in planning how to achieve their targets in their specific council areas. The model is under development, but is already available to all council areas.

Major changes (revision of regulation and organisation, deployment of additional infrastructure) will need to be made by council areas when the regulation enters into force, and it will be necessary for them to monitor and evaluate the effectiveness of the implemented changes in the future and, through their regulations and organisational activities, to ensure that an adequate level of separate waste collection can be achieved. If the analysis shows that current activities are not sufficient, changes in waste management must be made as soon as possible.

### Area of impact: regional development

The proposed amendment will affect all local governments, as the same target will be set for all local governments. However, the achievement of the target requires a different effort from the council areas, as the starting position is different. This is shown by the indicator on minuomavalitsus.ee, according to which the level of waste management in some council areas has been lower over the years, and these local governments will probably have to make greater changes to achieve the target. This may mean improving the service provided by the waste station (accepting more types of waste, more convenient opening hours, expanding the waste station or building a new one), changing the collection of packaging waste (if packaging waste is not collected at the point of origin, then expanding the network of collection points). It is also important that the requirements set out in the local government's waste management rules are effectively enforced (e.g. by merging waste holders with organised waste transport) and that contracts concluded with waste transporters and waste treatment providers are respected.

Local authorities with a lower level of waste management can apply for support for the construction of the necessary infrastructure (e.g. a waste plant). At the same time, local governments with lower revenues also have a smaller share of self-financing.

However, setting a target value aims to harmonise the level of waste management across local governments. It can be assumed that after the end of the transition period (expected in 2031), the level of waste management service will be higher and more uniform across local governments.

## 3.3 Proposed amendment: joint collection of paper and cardboard waste

The draft provisions concerning the combined collection of paper waste and cardboard waste are: Sections 31($3^1$), $136^{23}$ of the Waste Act, Section 15(4) of the Packaging Act.

No social impact or impact on education, culture, sport, information technology, information society, national defence, external relations, internal security, or regional development was identified in relation to the transition to the combined collection of paper and cardboard waste. The combined collection of paper and cardboard waste has a positive impact on the circular economy and the environment.

### Area of impact: economic impact

#### Target group: waste management companies and recovery organisations

Paper and cardboard waste has a positive value, i.e. similar to metal waste, waste paper and cardboard are also purchased by waste management companies. Council areas have thus far been able to reduce the costs associated with the treatment of other types of waste by taking advantage of the value of separately collected paper and cardboard waste, as the organised waste transport contract has transferred the collected waste to a single waste treatment operator (usually the waste transporter itself), who has been able to decide on the further treatment of the collected waste, which has enabled cross-subsidisation of costs (e.g. reducing the cost of treating bio-waste by offsetting it against the positive value of waste paper).

Since the management of collected paper and cardboard will henceforth be organised by the recovery organisations (3 non-deposit packaging waste recovery organisations), they will also receive the revenue related to waste paper as a material, which will cover the costs related to its collection and treatment. This has been taken into account in the allocation of the costs of collection of packaging at source between recovery organisations and waste holders, as further explained in Section 4.1.

Recovery organisations have invested over the years in the purchase of public containers for paper and cardboard packaging. According to the draft amendment, the collection of paper and cardboard will be merged with organised waste transport. Not all public paper and cardboard packaging containers currently in use (e.g., "bell-shaped" containers) may be suitable for organised waste collection, as they cannot be emptied by conventional waste collection vehicles. According to the draft, the local government will conclude a separate procurement contract with the packaging waste transporter, which means that the packaging waste transporter can use the special equipment necessary for providing the service and does not have to take into account the transport of other types of waste. The change will be implemented gradually when awarding new contracts for organised waste transport, with a major change likely to take place in 2026-2027, but in some cases not until 2030. During the transition period, recovery organisations will be able to lease or sell some of the containers or relocate them, and some of the containers will probably be depreciated during this period.

The collection of paper and cardboard as part of organised waste collection significantly reduces the administrative burden on recovery organisations. The responsibility for timely emptying of these containers and prevention of container littering falls to the council areas. Recovery organisations will no longer need to communicate with citizens and council areas about the problems of individual public tanks.

### Area of impact: environmental impact

Material-based collection of paper and cardboard has a positive impact on increasing the material flow and recycling. Paper and cardboard are collected separately from other waste everywhere (in organised waste collection, at waste stations, and at public collection points). Since paper and cardboard are a material sensitive to soiling and damming, material-based collection will improve the recyclability of this waste stream. The use of secondary raw materials reduces the demand for primary raw materials.

### Area of impact: state governance

#### Impact target group: local government

To date, the collection of paper and cardboard waste (waste paper) has been the responsibility of local governments. As of September 2024, waste paper collection is organised in 73 council areas as part of waste transport. Waste paper collection takes place outside of organised waste collection on small islands (Kihnu, Ruhnu, and Vormsi district municipalities) and in Haljala and Vinni district municipalities. In the district municipality of Hiiumaa, the collection of waste paper has been combined with the shipment of waste since the new procurement contract, which will apply from 2025.

In some cases, the collection of waste paper is also organised with public waste paper containers provided by the local government, which are not intended for the collection of paper and cardboard packaging (e.g. Saaremaa district municipality). Organising the treatment of waste paper has also been the responsibility of the council area and, in general, the waste transporter has been able to decide on treatment. As waste paper has a positive value (approx. EUR 30/tonne), in some cases local authorities have been able to reduce the cost of handling other types of waste by collecting waste paper (e.g. Tallinn). According to the proposed amendment, waste paper will henceforth be collected together with paper and cardboard packaging in the same container, and the entire waste stream will be managed by a recovery organisation. This does not mean that waste paper will lose its value as a material for the council area. The positive value of waste paper has been taken into account when determining the price paid by the waste holder for the collection of packaging waste at the point of origin (EUR 0.50 per emptying).

As a result of the amendment, a separate container for paper and cardboard packaging and a container for waste paper will not be required in the future, but one container will be sufficient. However, this does not necessarily reduce the number of containers required, as this is a large waste stream and a separate paper and cardboard container is required for all housing associations located in densely populated areas.

Council areas must implement the change starting from the next organised waste collection tender. This will eliminate the need to communicate with recovery organisations about issues such as overflowing public paper and cardboard containers, their contents, etc., as this will henceforth be the responsibility of the council area itself. This does not generally mean an additional workload for the council area, as the discharge frequency etc. is determined in the procurement for organised waste transport.

### 3.4 Proposed amendment: waste collection service fee and service pricing

The waste transport service fee concerns in particular Sections 42(3) 7) and Sections $66^1$ to $66^8$ of the amended Waste Act. Section 31(8) of the draft Waste Act deals with the terms and conditions for the pricing of the service.

The regulation of the financing of waste management did not identify any social impact or impact on education, culture and sports, information technology and information society, national defence and external relations, internal security. The solution will have a positive impact on competition and transparency in the waste shipment market, but will entail an additional workload for local authorities, which can be reduced by delegating the collection of the waste shipment fee. The solution may affect the size of the waste bill of waste holders, but it is generally possible for a person to reduce it by separately collecting waste and reducing waste generation. As a result of the amendment, separate collection of waste will increase, which will support the transition to a circular economy.

The proposed amendment can be implemented from the entry into force of the new organised waste transport procurement contract in the council area. New agreements will be concluded gradually and presumably predominantly in the years 2026 to 2027.

### Area of impact: economic impact

#### Impact target group: waste holder

According to the proposed amendment, local governments will have the right to include in the waste collection service fee a fee paid by the waste holder to cover waste management costs. According to the Waste Act, a waste holder is a waste producer or other person or state or local government agency in possession of waste. For the purposes of organised waste transport, a housing association is also deemed to be a waste holder or, in the absence thereof, the owner of the immovable on which a summer cottage, dwelling, or business premises are located.

According to the draft, the service must be priced in such a way that the cost of transferring sorted waste is lower than the cost of transferring unsorted or incorrectly sorted waste. The fee paid to cover the costs of waste management shall be proportionate to the fee for the transport and management of waste (except packaging waste) in the case of a waste holder who has joined the organised waste transport. It is also not permissible to charge an unreasonably high fee to the waste holder. To this end, the draft provides that the amount of the fee to be paid to cover the costs of waste management may amount to a maximum of 50 % of the costs related to organised waste transport by a given waste holder. By doing so, the waste holder will be able to significantly reduce both the cost of organised waste transport (depending on the quantity of waste and separate collection) and the fee to be paid to cover the costs of waste management (a fixed percentage of the cost of organised waste transport) through their own diligent behaviour.

The cost of organised waste transport will increase for those waste holders (private individuals or companies) who transfer most of their waste as mixed municipal waste, i.e. do not collect the waste separately. On the one hand, there is an increase in the cost of managing mixed municipal waste (incineration and landfilling of mixed municipal waste is accompanied by an incineration fee of EUR 60 per tonne and a pollution tax, respectively). On the other hand, the higher the organised waste collection service fee, the higher the fee paid to cover waste management costs, if the local government applies it. Such price increases motivate people to sort their waste, but in some cases may also motivate them to dispose of waste illegally in order to avoid the price increase. In order to avoid this, it is important that the transfer of waste for proper management is as accessible as possible to the waste holder together with the corresponding instructions. In addition, it is important to increase the effectiveness of supervision in order to prevent possible infringements. Another influencing factor is the increase in penalties that came into force in 2025 (the fine unit increased from EUR 4 to EUR 8).

If a company also disposes of production waste (which is not permitted) as part of organised waste collection together with household waste, this will affect the amount of the fee payable to cover its waste management costs. However, if an enterprise transfers only municipal waste, the impact of the application of the fee on enterprises will be similar to the impact on natural persons and housing associations.

Separate collection of waste is generally easier to ensure in private homes where waste is delivered by a single household. In housing associations, institutions and companies, responsibility is divided between many households or employees, and achieving correct separate collection is a more time-consuming process. Therefore, in order to motivate the waste holder, the draft amendment provides that the expense rows of separately collected waste and mixed municipal waste shall be set out separately in the invoice submitted for waste management.

According to the draft act, a municipal council may also collect fees to cover waste management costs from waste holders exempt from organised waste transport. The amount of the fee collected from them may not be higher than the lowest fee paid by the waste holder from organised waste transport in the previous year to cover the costs of waste management, which shall be a minimum of EUR 1. Therefore, these waste holders pay a fixed fee.

The draft amendment creates the possibility for a person to have one contact person with whom to communicate on waste management issues. Until now, there have generally been two or three contact persons, which has caused confusion among people as to who is responsible for which service. For example, in case of problems, there may be a need to communicate with the environmental specialist of the council area, the customer service of the waste transporter and the recovery organisation that organises the removal of packaging waste. It also happens that people are referred from one person to another or to a third person.

With the development of information systems, it would be more convenient for many people if problems or changes could be reported and responded to via a self-service environment. Such an information system could be managed by the local authority (cooperation organisation) and both the waste holder and the waste transporter would be users of the system. The information system, linked to the register of waste holders, would also enable the organisation of settlement via the information system. At the time of drafting the draft amendment, at least two private companies are developing information systems suitable for local governments. The introduction of information systems does not require additional legislative amendments.

### Impact target group: organised waste transport operator

The draft act introduces an additional possibility that, starting with a new organised waste transport procurement, waste transport will be organised in such a way that the only customer of the waste transport operator is the local government. The obligation to settle accounts with waste holders then lies with the council area unit. Upon entry into force of the amendment, the waste transporter shall submit one invoice per month to the local government, which shall pay the transporter for its services. The total number of providers of organised waste transport services is five as of 2024.

In the case of all contracts for the organised transport of waste concluded in accordance with the current procedure, the obligation to invoicing lies with the waste transport operator, since the Waste Act does not allow for a different arrangement of invoicing. The waste transport operator shall issue an invoice for the service fee for organised waste transport to the waste holder registered in the organised waste transport based on the quantity, type and frequency of waste delivered and the use of additional services. The price list of organised waste transport service fees is formed as a result of the organised waste transport procurement on the basis of the terms and conditions set by the contracting authority and the prices offered by the tenderer. In doing so, the tenderer must take into account that it is also responsible for paying the subsequent handler of the waste, so the price list includes the costs of transport services, invoicing and treatment. Waste transporters generally have the right to cross-subsidise actual costs in order to ensure pricing that meets the requirements of the contracting authority and to be successful in the tender, taking into account the criteria assessed by the contracting authority. This has led to a situation where the contracting authority is often unaware of the actual cost of the service and the extent of the additional services. In price lists, the services assessed in the procurement remain rather low, but the cost of non-assessed services may be disproportionately high.

The proposed amendment will, upon implementation, provide greater clarity to the public regarding the formation of organised waste transport costs. The waste carrier will no longer be able to cross-subsidise the costs of transport, treatment, and additional services. So far, when making the offer, the waste carrier has also had to predict changes in people's sorting habits, as in general the local governments have set the condition in the procurement that the service fee for mixed municipal waste would be several times higher than the service fee for separately collected waste, despite the fact that the transport cost does not depend so much on the type of waste as on the distance and frequency of transport. For example, the service charge for separately collected waste is often close to zero. In this case, it is cost-effective for the carrier to empty the containers for mixed municipal waste and not the containers for separately collected waste. The purpose of a private waste carrier is to make a profit, so under the current conditions it is necessary for the carrier to offer higher-priced services in order to cover the provision of services at a price close to zero. If the tenderer is able to cross-subsidise costs outside the procurement, they will have an advantage when submitting their tender.

When organising the public procurement of organised waste transport, the council area does not have a full overview of the volume of the service (additional services) and the last service provider has an advantage in making the offer. If the billing is done through the council area, the council area will have all the data about the service. This will make it possible to provide all tenderers with high-quality data on the actual volume of the service, and all competing companies will be able to bid on an equal footing. When procuring new conditions for the first time, local governments may not yet have actual data on the volume of the procurement, as they will only arise during the implementation of the first contract. Therefore, it is advisable to request the necessary information from the current waste transporter well in advance of the expiry of the procurement contract (including how much all additional services listed in the price list are provided).

As a result of the proposed amendment, waste transporters will be able to base their bids on actual transport costs and will be paid for their services on the basis of transport services (according to mileage and number of collections) or additional services provided.

The current arrangement requires the waste transporter to have the capacity to perform calculations (appropriate software, employees, working hours). As the invoicing obligation is an additional and substantial task alongside the main activity (waste transport), it can be assumed that this is one of the obstacles to the improvement of the competitive situation of organised waste transport. In addition to waste transport and logistics capabilities, companies interested in providing new waste transport services should also have a customer relationship management (CRM) system and billing capabilities. The imposition of settlement obligations on the council area will therefore stimulate the market for waste transport services and allow existing waste transporters to focus more on the transport of waste, which is the essence of the service.

The change in billing will reduce the risk for waste transporters in providing the service, as they no longer have to deal with the problem of debtors (estimated at 5% of waste holders). The local government will pay the carrier for the service.

However, the council area may also procure billing and customer service services together with the organised waste transport service. In this case, the waste transporter who has concluded the procurement contract will continue to be obliged to issue invoices to waste holders for the organised waste transport service and to receive payment for this service from the council area. In this case, too, the waste holder will pay the amount indicated on the invoice to the local government.

### Area of impact: environmental impact

The proposed amendment will have a positive impact on the circular economy, as the pricing of waste collection services will motivate people to sort their waste. The fee will be lower for separate waste collection and vice versa. As a result of the amendment, it is expected that the separate collection of waste will increase, as well as the recycling of the separately collected waste.

### Area of impact: state governance

#### Impact target group: local government

The results of a survey conducted in 2023 and 2024 showed that local governments spend an average of EUR 35 per household (2.35 people) per year on organising waste management, totalling approximately EUR 20.5 million per year. Council areas have pointed out on various occasions thus far that they do not have a source of funding to better organise waste management. The state has also had very limited opportunities to distribute support through the Environmental Investment Centre Foundation. As the draft act imposes additional obligations on council areas, a source of funding will also be created to enable them to fulfil these obligations. The local government has the right to implement alternative organised waste transport and to collect a fee to cover waste management costs as part of the waste transport service fee. It is possible for a local government to cover additional local government waste management development costs and necessary investments with this fee. The solution supports the financial autonomy of the local governments. The local government retains the right to decide whether or not to apply the fee.

If the local government does not implement alternative organised waste collection, it must cover the costs related to waste management from its own budget. More capable local governments that are successful in organising waste management may be able to achieve the target without collecting fees from waste holders to cover waste management costs. However, if the local governments budget is already tight and costly changes need to be made in waste management, collecting the fee may prove expedient. It is likely that some local governments will adopt a wait-and-see approach to observe the impact of collecting fees from waste holders on local governments and their residents, and will implement alternative organised waste transport a few years later.

It is estimated that in order to better organise waste management, local governments will need to incur additional expenses at an average of EUR 6 per household per year and investments in infrastructure (waste stations, recycling houses, etc.) at an average of EUR 9 per household per year. The support for the infrastructure for the separate collection of municipal waste directed to local governments in the years 2025 to 2029, amounting to EUR 34.7 million, has been deducted from the cost[14]of investments. In the case of investments, it has also been taken into account that the cost will be spread over several years (in the sample calculations, over three years). On the basis of the model calculations, it can be concluded that the municipalities need an additional EUR 5.2 million per year for investments in waste

[14] For more information on the Cohesion Fund support "Conditions and procedure for granting support for infrastructure for separate collection of waste in the period 2021-2027", see the website of the Keskkonnainvesteeringute Keskus SA [Environmental Investment Centre Foundation]: https://kik.ee/et/toetatavad-tegevused/jaatmete-liigiti-kogumise-taristu-arendamine.

management infrastructure and EUR 3.5 million per year to cover the development and fixed costs of waste management. The amount of the fee to be imposed in practice on waste holders will depend on the developments and investments that have already been made in the municipality in the past, the additional costs the municipality considers necessary, and the extent to which these costs will be decided to be covered by the fee to be collected from waste holders.

According to the proposed amendment, the council area council will set the amount of the service fee for alternative organised waste transport and the procedure for its payment, which is a new task for the council area. The procedure shall be established before a new procurement procedure for organised waste transport is carried out. The introduction of the regime requires preliminary work from the council area (the waste management plan process) to assess how the council area achieves its set target for separate collection of municipal waste. As a result of the analysis carried out in the preparation of the waste management plan, it must be clear whether or not it is necessary to collect a fee to cover the waste management costs in order to achieve the target, and the council can then establish the corresponding procedure.

The local government shall determine the conditions related to the waste collection service fee in accordance with the relevant procedure, including whether and how much to collect in fees from waste holders exempt from organised waste collection.

The price list of the waste transport service fee shall be established by the district municipality or city government on the basis of a council regulation. The draft amendment provides for a condition according to which the fee related to the transfer of separately collected waste must be lower than upon the transfer of mixed municipal waste.

Upon implementation of the proposed amendment, settlement will be organised as of the new organised procurement for waste transport, but no later than by 31 December 2030, in such a way that an invoice will be paid to the local authority for the organised waste transport and the remaining waste management service. The Waste Act currently in force does not allow collection of the service fee for waste transport organised by the local authority, so the performance of the task will result in an additional workload for the local authority if the local authority does not sub-delegate the performance of the task.

According to the draft amendment, a local government may delegate the collection of remuneration to another person (e.g. a local government association or joint agency) or to a legal person founded by the local government and directly controlled by the local government through the form of cooperation of the local government specified in Section 62 of the Local Government Organisation Act. For example, invoicing may be delegated by a contract under public law to an existing company engaged in the provision of district heating or water and sewerage services that already handles the invoicing for the respective service.

Alternatively, the task of invoicing may also be assigned to the waste transport operator carrying out the organised waste transport on the basis of a contract under public law (a public contract for organised waste transport). In this case, the waste transporter can be the author and submitter of the invoice, but the payer of the invoice must transfer the amount indicated in the invoice to the local government. The municipality, in turn, undertakes to pay the waste transport operator for both the waste transport and the invoicing service on the basis of the organised waste transport contract.

In the discussions that followed the development intention, a number of more capable LGs have stated that they are in a position to settle the waste transport service fee. Based on its previous experience[15], the Tallinn Strategy Centre has estimated that the total cost of setting up waste collection service fees, IT solutions (including a waste holder register, customer service, billing), paper and digital invoicing, debt collection, call centre, customer service and administration could amount to up to EUR 0.30 per resident per month in Tallinn. In the case of the City of Tallinn, the number of customer service staff required would be in the range of 10.

If the council area implements alternative organised waste transport, it will be obliged to prepare an annual overview of the collection and use of the fee and to publish the data on the collection and use of the waste transport service fee on the website of the local government. This will make the data comparable across local governments. This will make it possible to compare the costs of maintenance of the waste station across the local governments, the labour costs per inhabitant associated with waste management, etc., which will ensure transparency in the use of the waste transport service fee. However, it must be taken into account that local governments are different and the current level of waste management also differs, so local governments will need to incur different expenses in order to achieve the target, which is why the amount of the waste transport service fee is likely to differ from one local government to another. The level of the waste management service does not depend solely on the profitability of the local government. For example, in the district municipalities of Kose and Kuusalu in Harju County, the level of waste management services is very low according to the indicator developed by the Ministry of Finance (minuomavalitsus.ee), even though these are profitable council areas. On the other hand, in low-income council areas such as Antsla, Peipsiääre, Põlva, Jõgeva and Mustvee, the level of waste management services is average, and in Tapa district municipality even above average.

A local government shall ensure the separation of waste management expenses from other expenses by keeping separate accounting of the income, expenses, and assets of waste management. The fees to be collected from waste holders to cover the costs of waste management shall be justified, proportionate to the nature and quality of the service, and cost-effective. The audit committee of the local government council has the right to verify compliance with these principles. This fee is largely a matter for debate within the local government community itself. If necessary, the waste transport service fee can be contested with the Chancellor of Justice. If the waste management cost bearer finds that the fee is not fair, proportionate, and lawful (does not correspond to the actual waste management costs, is unreasonably high, the fee determination procedure has not been transparent, the requirements of the law have not been followed, the procedure is in violation of the law, the local government has exceeded its powers, etc.), it is possible to lodge a complaint directly with the administrative court or to contact the Chancellor of Justice, who supervises the compliance of local government legislation with the constitution and laws. Upon discovering a violation, the Chancellor of Justice shall make a proposal to the local government to remedy the violation. If the Chancellor of Justice does not agree with the violation, the Chancellor of Justice has the right to apply to the Supreme Court for annulment of the contested local government legislation.

According to the draft amendment, it is permitted to include in the costs of waste management all activities that are necessary for achieving the waste recovery targets. Where the better organisation of waste management requires the involvement of additional staff (waste

[15] The City of Tallinn implemented the provision of Section 66(1) of the Waste Act, which has now been repealed[1], through the Tallinn Waste Centre. This provision enabled the collection of organised waste transport service fees by local government units instead of waste transporters.

specialist, monitoring specialist, customer service provider), the implementation of new IT solutions, etc., these costs can be covered by a fee collected from the waste holders.

The obligation to pay the alternative organised waste transport service fee may only arise after the entry into force of the new organised waste transport procurement contract. Given the expected date of entry into force of the draft act in 2025, and the expiry of existing procurement contracts indicated in Table Table 1., it can be concluded that council areas that wish to set fees to cover the costs of waste management will predominantly do so in 2026 and 2027.

#### Impact target group: the state and the state budget

Changing the financing of waste management by local governments and moving away from the current polluter-pays principle could reduce the burden on the state budget. At present, some of the costs of waste management are borne through the state budget (the EIC Environment Programme grants from the Circular Economy sub-programme, for example, for carrying out hazardous waste collection rounds and Eternit collection rounds).[16] The amendment to the financing of waste management also aims to reduce the risk that the state would have to pay a waste penalty in the event of non-compliance with the municipal waste recycling target. The measures proposed by the draft amendment are in accordance with the proposals made in the European Commission's Early Warning Report and the World Bank's analysis for fulfilling the obligation to achieve the target.

### Area of impact: regional development

According to the draft, the implementation of alternative organised waste transport is voluntary for council areas. In council areas where organised waste collection is not mandatory, the possibility of collecting waste collection service fees will also be created, but considering the specific nature of these council areas, the conditions for applying the fees will be somewhat different.

It is likely that not all council areas will immediately implement alternative organised waste collection at the first opportunity, but will wait to see the initial experiences of other council areas. This may lead to some regional differences. The fee may, in particular, not be applied by less capable council areas. In council areas where it is possible to involve more employees in the transition process (larger local governments), where preparations for the change are made early (e.g. Tartu County and Lääne-Viru County local governments) or where there is previous relevant experience (Tallinn), the implementation of such a fundamental change is expected to be smoother. To assist council areas, the Ministry of Climate plans to compile guidelines for alternative organised waste transport and organise information days.

### 3.5 Proposed amendment: organised waste management

The following provisions on organised waste management are laid down in the draft Act: Section 1(5), Section 70($1^1$)-($1^4$), and Subsection 2 of the Waste Act.

The organised waste management regulation did not identify any social impact, impact on education, culture and sports, information technology and information society, national

[16]Regulation No 10 of the Minister for the Environment of 31 January 2020 on the procedure and conditions for granting support from the environmental programme. Official Journal: https://www.riigiteataja.ee/akt/106032024008?leiaKehtiv.

defence and external relations, internal security. The solution has a positive impact on competition and is expected to trigger investments in new recycling facilities.

The proposed amendment will have to be implemented by the council area as of the new organised procurement of waste transport, which, taking into account the existing procurement contracts, will mostly take place between 2026 and 2027.

### Area of impact: economic impact

#### Impact target group: waste transporters and waste managers

One of the most important changes in the waste reform is the requirement for the municipality to award a separate procurement contract for the collected waste management service. This amendment removes the decision-making power of the waste transport operator over the subsequent treatment of the waste, as the waste transport operator has to transport the waste from the waste holder to a specific treatment facility specified in the tender.

Until now, the waste transport operator has been able to charge a service fee for the transport service depending on the type of waste. Since the service fee for the transport of several separately collected wastes does not cover the actual transport cost, this cost has been included in the service fee for mixed municipal waste and additional services. This pricing model is not sustainable if more and more waste is being sorted and collected separately. Thus, as a result of the amendment, the economic risk for the waste transport operator will be reduced and there will be an opportunity to receive the same fee for the waste transport service regardless of the type of waste being transported.

The separation of procurement of transport and treatment services creates an opportunity to stimulate competition in the transport and treatment market. In this case, the waste carrier can focus on transporting the waste from the customer to the facility specified in the tender. Smaller waste transport service providers have an even better opportunity to enter the market if billing, customer service and logistics, which have thus far acted as market barriers, are separated from the transport service. A municipality retains the right to determine and, in its waste management rules, stipulate in which ancillary services directly related to the transport of waste it outsources to the waste transport operator as part of its procurement for organised waste transport.

The amendment will also have a positive effect on competition in the further management of waste, as the operator will no longer have to deal with transport services, invoicing, customer service and logistics in order to take possession of the waste, but will be able to focus on providing the best possible management solution.

According to the draft amendment, public contracts for waste management services will be awarded for up to five years. It is also permitted, for example, to conclude one-year contracts, which allows local authorities to keep pace with changes in the waste management market (new waste management facilities). It is not appropriate to conclude handling contracts longer than five years, as it is likely that bidders will start to include additional depreciation costs in the treatment cost.

### Area of impact: environmental impact

Since, according to the draft amendment, the treatment service will be procured separately at least for bio-waste and mixed municipal waste, it will be possible to improve and motivate the creation of bio-waste recycling capacity. In the case of mixed municipal waste, the advantage is given to the cheaper treatment service that is not subject to the deposit fee. As an alternative to incineration, it is possible to transfer mixed municipal waste to a sorting plant where the recyclable fraction is extracted from the mixed municipal waste and the sorting residue is transferred, for example, to incineration and is subject to a lower incineration fee.

### Area of impact: state governance

#### Impact target group: local government

Most council areas have thus far conducted single-stage organised waste transport and management procurements, i.e. organised waste transport procurements have also covered further waste management and no separate management procurements have been conducted. In the majority of cases, there is no final determination of the place of further treatment of waste that is not covered by the procurement for organised waste transport. Instead, a list of possible facilities is provided, but the carrier is allowed to transport waste elsewhere. Specific requirements are often set for the location of the facility – a waste management site that is technologically suitable, complies with health and environmental requirements, is located close to the place of waste generation, and has the necessary environmental permit. Some council areas have introduced requirements for management performance instead of designating a facility (e.g. at least 70 % of kitchen and canteen waste must be recycled as material, for mixed municipal waste the best possible treatment solution must be implemented). Thus, the final decision on the management of waste remains with the waste transporter. Based on the information provided by the council areas in a verbal declaration, it is difficult to verify how the waste treatment operation was actually organised by the waste transport operator.

Under the draft amendment, local governments will have to enter into public contracts for the management of biowaste, mixed municipal waste and other waste. Contracts may be awarded for a maximum period of five years at the same time. This will lead to an increase in the workload for the local government, but the additional workload can be avoided by performing the task in cooperation with other local governments.

The procurement of waste management services does not entail significant costs for local governments, as the costs associated with waste management are borne by the waste holder.

### 3.6 Proposed amendment: waste transport waybills and waste reporting

The following provisions on waybills are laid down in the draft Act: Section 85(1) and $(1^1)$, Section $94^1$(8)(1), Section $98^{11}$(2)(4), Section $98^{15}$(2)(2), Section 116(2), Section 117(1), Section $117(1^1)$, Section 117(2-5), Section $117^1$, Section $117^2$ of the Waste Act.

### Area of impact: economic impact

#### Impact target group: persons engaged in waste transport as an economic or professional activity (586 persons)

Amendment affecting: the introduction of consignment notes for the transfer and receipt of non-hazardous waste and the transfer of waybill data to the state via a machine interface.

Pursuant to Section 29(3) of the Road Transport Act, when transporting goods for reward, including the transport of waste, the driver must carry a document in a form which permits written reproduction, certifying the conclusion of a transport contract and drawn up by the shipper or forwarder of the shipment. On 20 August 2020, the European Union's Electronic

Freight Transport Information (eFTI) Regulation came into force, obliging EU Member States to accept freight transport information submitted to them in electronic form from the date of entry into force of the Regulation in 2025. Meetings with two of Estonia's largest waste treatment plants (Ragn-Sells AS and AS Eesti Keskkonnateenused) have revealed that both already use digital transport documents to automate their internal business processes and partly require them also for transports ordered from the service provider. Therefore, it can be assumed that the changes proposed in the draft will have little impact on larger waste management companies.

The introduction of digital waybills will reduce the administrative burden for companies that have thus far produced a large number of paper transport documents. Companies will also have the opportunity to automate internal business processes (invoicing, waste accounting, etc.) through digitalisation. This will allow companies to save resources that would otherwise be spent on manually compiling invoices based on transport documents or preparing annual waste reports and entering them into the information system, as waste transporters will no longer be required to submit annual waste reports.

Major data providers wishing to introduce a machine interface to provide data to the state will incur costs to do so, but they are nonetheless interested in the machine interface. According to a study carried out in autumn 2024, it is estimated that 60 % of the consignment note data would be collected via a machine interface (see Table 2).

*Table 2. Estimation of the total volume of data received through the machine interface.*

| **Data volume** | **Waybill** | **Report** | **Report (Excel)** |
|---|---|---|---|
| > 200 rows | 38 % | 38 % | 19% |
| 41-200 rows | 11% | 8% | 6% |
| 1-40 rows | 11% | 12% | 5% |
| **TOTAL** | **60%** | **58%** | **30%** |

For smaller waste transport operators, the expected impact will be low. The preparation of letters of introduction via the self-service environment provided by the state is free of charge. The cost of preparing waybills in the service provider's system (e.g. Waybiller) is approximately EUR 20 per month per vehicle, which cannot be considered excessive.

The greatest impact will be on companies that do not currently use digital transport documents but will have to start using them in the future and also wish to transfer data from their business software via a machine interface. The exact size of the investment is difficult to estimate and depends primarily on how digital the company's data management already is. The development of a machine interface alone may be in the order of EUR 15,000. The cost of implementing business software across all business services and processes, taking into account the specific characteristics of the company and including the necessary machine interfaces, can amount to several hundred thousand euros. In this case, it is also possible to discuss increasing the general competitiveness of the company by means of digitalisation, and not providing data to the state in a narrow manner.

In order to reduce the financial burden on companies, the Ministry of Climate has developed a support measure for increasing waste recycling capacity[17]. The support measure will support,

[17] For more information on the Cohesion Fund support "Conditions and procedure for granting support for increasing the recycling capacity of waste in the period 2021-2027", see the website of the

among other things, digital solutions for the generation, management, use, and provision to the state of waste data, as well as the acquisition of equipment necessary to generate waste data. The support measure will enable companies to implement the necessary investments at a lower cost.

### Target group of impacts: persons acting as resellers (133 persons)

Affecting change: obligation to provide data on waste activities (resale) in the same way as other waste operators.

Although there is currently no obligation on dealers to submit a waste report, dealers, as holders of an environmental permit, are required under Section 116(2) of the Waste Act to keep a continuous record of the waste associated with their activities and, in accordance with Section $2^1$(2) of the Waste Act, to be prepared to submit a waste report at the request of the Environmental Board.

The obligation to provide data entails some additional burden, but this is not relevant because the resale is by nature only a change of person based on existing pre-filled information (e.g. waybill).

### Impact target group: persons subject to the obligation to submit a waste report (942 persons holding an integrated environmental permit for waste, an environmental permit for waste, or the registration of a waste management operator for the collection, recovery, or disposal of waste)

Affecting amendment: quarterly waste reporting in the new waste information system, automatic pre-filling of the waste report on the basis of movement notes and transmission of the waste report to the state via the machine interface.

In the new waste reporting system, the more frequent reporting compared to today's 1 x a year is rather less burdensome, since the waste report is pre-filled based on the information in the waybills. This is not comparable to the current situation, where businesses for the same transport may have different content data, the verification and correction of which represent a major administrative burden for both businesses and the state.

In a waste management company, waste accounting and financial reporting (e.g. issuing invoices) are interrelated, and it is reasonable for the company to organise them at the same frequency (e.g. once a month or once a quarter) and to submit data accordingly. Retrospective (e.g. once a year) data retrieval and verification is generally more burdensome than regular waste accounting. This view is also supported by a survey conducted in autumn 2024, according to which at least 68% of waste reporters keep monthly records and only 32% submit waste reports once a year. Companies with larger data volumes have daily or weekly record keeping (see Table 3).

*Table 3. Frequency of record-keeping for waste.*

| Data volume | Daily (rolling) | Weekly | Monthly | Annually | No separate records required | Other |
|---|---|---|---|---|---|---|
| > 200 rows | 52% | 10% | 19% | 13% | 0% | 6% |

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| | | | | | | |
|---|---|---|---|---|---|---|
| 41-200 rows | 38% | 11% | 27% | 22% | 0% | 2% |
| 1-40 rows | 15% | 6% | 25% | 41% | 5% | 8% |

The transition to the new reporting system will also improve data quality, as duplicate data submissions will be eliminated and data will be submitted for shorter periods, reducing the large number of errors that occur when data is entered manually and thus the need for time-consuming corrections to reports at a later date. Companies will also have the opportunity to automate internal business processes (invoicing, accounting, waste accounting, etc.) through digitalisation and the possibility to combine financial accounting with waste accounting.

Larger data providers and providers of waste accounting business software who wish to introduce a machine interface will incur the cost of developing their own software and interfacing with the state system. The exact size of the investment is difficult to estimate. The development of a machine interface alone may be in the order of EUR 15,000. The cost of developing waste accounting in business software can run into the hundreds of thousands of euros. The more users the software has, the lower the cost per user, as it is shared between the users of the software.

All companies will have the opportunity to submit data through the self-service environment provided by the state, which is free of charge. Integrating business software with the state system is not an obligation but an opportunity, and despite the associated costs, companies are interested in machine interfaces. According to a survey carried out in autumn 2024, an estimated 58% of the waste report data would start coming from the machine interface and 30% would like to use data uploading from Excel (Table 2). Thus, only 12% of manual waste reporters would submit their reports in self-service, which shows the great interest of companies in automated convenience solutions.

In order to promote the adoption of machine interfaces and reduce the financial burden on companies involved, the Ministry of Climate has developed a support measure to increase waste recycling capacity[18]. The support measure will support, among other things, digital solutions for the generation, management, use, and provision to the state of waste data, as well as the acquisition of equipment necessary to generate waste data. The support measure will enable companies to implement the necessary investments at a lower cost.

The introduction of digital waste transport documents will make it possible to exempt waste transporters from reporting obligations. The introduction of transport documents will also make it possible to avoid duplication of the waste delivery/receipt operation in the waste reports. While at present the delivery receipt of waste has to be recorded in the reports of both parties, the integrated digitalisation solution will allow such operations to be recorded only once, i.e. as one data record.

As a result of the comprehensive solution for digitalisation, businesses will be released from the current obligation to submit a waste report to the state by 31 January of each year. Instead, data will be submitted to the state on an ongoing basis: in the case of waste transport, in near real time, and in the case of waste treatment sites, at least once a quarter.

### Area of impact: the impact on the living and natural environment.

The impact on the living and natural environment is positive, as the use of digital waybills enables early detection of problems affecting the living and natural environment (e.g. exceeding stock levels and accumulation of waste, transfer of waste to persons without a permit, non-compliant waste management, etc.).

### Impact target group: the public

The impact on the public is positive. The transition to the new waste reporting system will enable the collection of up-to-date and more transparent data, which in turn will help to increase confidence in the waste management system and thereby boost people's motivation to sort their waste.

### Area of impact: state governance

The impact on government agencies and local authorities will be positive, as the change will help to ensure up-to-date and more reliable data for decision-making, including planning of treatment facilities. With the introduction of the new reporting system, the workload of the Environmental Board (customer support and supervision) and the Environmental Agency (customer support, data verification where necessary, compilation of national summaries and overviews) may initially increase somewhat (especially in the first year of using the new system, i.e. in 2026, when the reports for the previous year will be submitted and checked in parallel on the previous basis), but in the future, the workload will decrease compared to the current situation, as business analytics tools will be created that enable automatic checks and analyses. In addition, the digitalisation of data will make it possible to increase the efficiency of supervision (a supervisory dashboard will be created). Data will be used much more effectively than before to solve substantive problems.

The modification of existing IT systems and the creation of a new Waste Information System for the Environmental Decisions Information System will require an investment and fixed costs for maintaining and further development of the system. As a result of the public procurement "Experimental development, further development and maintenance of the new waste information system PISTRIK 2024-2028", a framework agreement with a maximum cost of up to EUR 1,000,000 (excluding VAT) has been concluded. Activities prior to the framework agreement shall be financed from the state budget. The framework agreement will be financed from the state budget, the European Union Cohesion Fund and the planned LIFE CircEST project. The estimated cost until 2028 is EUR 1.5-2 million (excluding VAT), depending on the specific business needs that will be decided upon.
The creation of PISTRIK makes it possible to close the current waste report submission module of the hazardous waste consignment notes database of the OJS and the Environmental Decisions Information System.

### Significance of impact

The changes have an impact, as they require deliberate adaptation from the target groups, and the impact will be felt continuously. The impact on medium-sized enterprises is moderate, but in order to reduce the impact, the Ministry of Climate is developing a measure to increase waste recycling capacity, as part of which, among other things, it is planned to support digital solutions related to the creation, management, use, and submission of waste data to the state, as well as the acquisition of equipment necessary for the creation of waste data. At the same time, the changes will make it possible to reduce the administrative and workload of companies, the Environmental Board, and the Environmental Agency in the long term, save costs, and comply with legal requirements more effectively. The changes will also create better opportunities for fair and transparent competition and the creation of new business models in the waste management sector.

## 4. Impact of the amendments to the Environmental Charges Act

The proposed amendments to the Environmental Charges Act will have no significant impact on national security and foreign relations, and no demographic impact.

The change will have a social and economic impact.

### 4.1 Proposed amendment: Increase in the pollution charge for the disposal of non-hazardous waste

#### Area of impact: impact on businesses and the economy

Affected target group: operating companies for landfills for non-hazardous waste

The increase in the pollution charge for the disposal of non-hazardous waste, i.e. the landfill fee, will affect the landfill operators operating in Estonia. There are currently five operators of municipal waste landfills in Estonia: AMESTOP OÜ, EKOVIR OÜ, PAIKRE OÜ, Tallinna Jäätmete Taaskasutuskeskus AS, Väätsa Prügila AS. Based on the annual accounts for the financial year 2023, 4 of these achieved some profits.

The increase in pollution charges will reduce their profits if the increase in pollution charges is not passed on to landfill reception fees (today, pollution charges account for 23.6-29.8% of the reception fee for landfilled municipal waste). If landfill reception fees increase and, as a result, less waste is deposited in landfills (it is more economically viable to recycle waste), the turnover of these companies will decrease, and so will their profits.

If the waste disposal fee rises to EUR 90 per tonne of waste, landfill acceptance fees are likely to remain in the range of EUR 140-187 per tonne for ordinary waste and EUR 185-360 per tonne for mixed waste.

Four companies earning business profit will be able to defer the increase in admission fees at the expense of the profit margin and gradually bring the increase in the deposit fee to the level of the admission fee. However, in light of inflation and increasing wage pressures, the increase in the fee would at some point reach the reception fee. In the case of profit-making companies, the increase in the deposit fee would amount to an average of 105% of the profit earned. By raising the landfill fee for ordinary waste to EUR 90/tonne and based on the waste volumes declared in 2023 and the net profit for 2023, all companies would incur losses. In this case, the companies should also transfer the increase in the deposit fee more strongly to the reception fee.

Operators of landfills for non-hazardous waste must already today be aware of the restrictions laid down in the Waste Act and must also organise their activities accordingly in the coming years:

1) from 1 January 2030, it will be prohibited to deposit waste suitable for recycling or other reuse, in particular municipal waste, in landfills, except for waste whose disposal in landfills provides the best environmental outcome pursuant to Section $22^1$ (1) of the Waste Act.

2) from 1 January 2035, the quantity of municipal waste deposited in landfills may not exceed 10 % by weight of the total amount of municipal waste generated in the same year.

The increase in pollution charge rates will not affect the procedure for declaring environmental charges. Businesses shall continue to declare the standard environmental contribution.

#### Affected target group: waste transporters

Estonia has approx. 560 registered carriers who are entitled to transport either household waste, metal waste or other non-hazardous waste.

An increase in the landfill fee for non-hazardous waste means an increase in the price for a waste carrier if the waste shipped is sent to landfills for landfilling.
If the transport of municipal waste is carried out on the basis of a public contract for the organised transport of waste, the option for the waste carrier to request an increase in the service fee from the contracting authority for the transport of waste depends on the terms and conditions of the procurement for the organised transport of waste.

### 4.2 Proposed amendment: introduction of a fee for the incineration of ordinary waste, except wood waste, for energy purposes

#### Area of impact: economic impact

#### Affected target group: Companies incinerating waste for energy recovery purposes

In 2023, municipal waste (including wood waste) was incinerated for energy recovery at 45 different sites (plants), of which **five** also incinerated non-wood-based municipal waste (mixed municipal waste, refuse-derived fuel, etc.). The largest amount of non-hazardous waste is incinerated (99 % of non-hazardous waste incinerated, excluding wood waste) at the Enefit Green AS Iru power plant (Iru waste incineration plant) and can therefore be said to have a monopoly position on the market.

In the period 2019-2024, the waste acceptance fee at the Iru waste incineration plant has increased, on average, by 3.8% per year. It is currently estimated at EUR 63.5 + km and the highest tariff is EUR 70/t. The prices of incineration fees have thus far been linked to the acceptance fee for the disposal of municipal waste through the common market and developed through procurement procedures.

If the entire energy recovery fee is passed on to the reception fee, the future reception fee will be between EUR 110 and EUR 130 per tonne, which is approximately 1.7 to 1.9 times the price increase. If the entire waste energy utilisation fee is directed to the reception fee, this will not directly affect the company's operating profit. However, given that the increase in the gate price will lead to a decrease in the amount of waste to be incinerated (the objective sought by this draft amendment), the company is likely to lose turnover and also profits.

Waste disposal and incineration for energy use compete for the same volumes in the same market and are similar in nature, which justifies their similar taxation. Although incineration for energy use is higher up in the waste hierarchy, the primary objective is still to recycle waste material. In order to avoid a situation where the incineration of waste is more advantageous than its recycling, it is necessary to tax the transfer of waste to incineration.
In order to prevent imported waste from gaining a market advantage, no lower payment rates will be established for it; instead, the same payment rates will apply to it as to waste generated on the Estonian market.

These companies must declare their waste energy use fees once a quarter in the KOTKAS environmental decision information system, similar to the declaration of waste disposal. The declaration is based on the quantities of waste sent for energy recovery incineration. Since companies must have a constant overview of the incoming and outgoing waste and the waste to be treated, and declarations must be submitted quarterly (i.e. 4 times a year), it is not very burdensome for companies to declare this fee.
Payment is made in the same way as for other taxes – through a company prepayment account with the Tax and Customs Board.

Target group affected: waste management operators directing waste to incineration (approx. 10)

The introduction of an energy use charge for ordinary waste (including mixed waste) will also mean an increase in service charges for companies that send waste there.

The waste acceptance fee for the Iru waste incineration plant in 2024 will be EUR 63.5-70 + VAT per tonne and will be determined during the procurement process, i.e. only companies that have concluded the relevant agreements with Enefit Green AS will be able to deliver waste there. There will be approx. 10 such companies in 2024 (larger waste management companies).

If the fee for all energy use of waste is passed on to the acceptance fee, the acceptance fee shall range from EUR 123.5 to EUR 130 per tonne, which is approximately 1.85 to 1.95 times the price increase.

If the transport of (mixed municipal) waste is carried out on the basis of an organised waste transport contract, the possibility for the waste transport operator to apply to the contracting authority for an increase in the waste transport service fee depends on the municipal waste management rules or the conditions of the organised waste transport procurement. Often, it is possible to change the service fee on an exceptional basis if the change in the service fee is due to a change in any state tax or fee that could not have been anticipated by the waste transport operator at the time of submitting the offer.

### Combined effect of the proposed changes

Target group: waste operators involved in the recycling of non-hazardous waste (approx. 160 companies, including approx. 25 companies involved in the recycling of paper, plastic or glass waste).

Due to the increase in the pollution charge for the disposal of non-hazardous waste and the increase in the cost of incineration for energy use, the cost of recycling this waste will also increase to some extent, as the costs of treatment of waste residues will increase.

For example, if 35 % of the separately collected waste contains materials that are not suitable for recycling, then the cost price of the recycling activities is EUR 100/tonne, and the cost of incineration of the sorting waste is EUR 50/tonne plus a recycling cost of EUR 117.5/tonne.
With stricter recycling targets for waste, including packaging waste, packaging companies must increasingly recycle waste, which should also reduce the amount of residual waste. The amount of residues also decreases as local sorting progresses. If 20% of separately collected waste contains non-recyclable materials, the cost of recycling is *approximately* EUR 110/tonne.
The price of incineration must be more expensive than recycling, so that operators have an incentive to recycle more materials, which, among other things, increases the interest of recovery organisations in handling sales packaging.

It should also be stressed here that it is prohibited to incinerate separately collected waste for preparation for re-use and recycling in accordance with Section $28^1$(2) of the Waste Act, with the exception of waste resulting from the treatment of separately collected waste for which incineration is the best solution for the environment in accordance with the waste hierarchy.

### Target group: waste holders (individuals and companies)

As this will lead to a general increase in the waste management cost, the increase in the deposit fee or the waste incineration fee will also lead to a price for the service provided by waste holders (households) – the waste transport operator will pass on this cost to the waste holder under the *polluter-pays* principle in the case of mixed municipal waste that is landfilled or incinerated for energy recovery. It is therefore a social impact. However, the increase in the service price would not be decisive, as the price increase would be spread across the waste management chain and households would be able to reduce the cost of household waste disposal by sorting their waste. Raising the landfill fee for ordinary waste to EUR 90/tonne would mean an increase of approximately EUR 13 per household per year. If mixed municipal waste is incinerated for energy purposes, the fee would be EUR 60/t and the increase for the household would be somewhat smaller.

*Risk of undesirable effects*
For residents, the increase in waste management costs is accompanied by a certain risk of an increase in illegal activities (burning in bonfires, dumping in forests, etc.), especially in the case of waste that is not covered by organised waste collection (bulky waste, construction waste, etc.). Although the price of the service is one of the main motivating factors, the Environmental Board does not anticipate a large-scale increase in illegal waste management by companies. According to the Environmental Board, awareness, transparency of the waste management system, and supervision help prevent such problems.

Final consumers are also other businesses whose activities generate non-hazardous waste that has hitherto been deposited or incinerated.

*Risk of undesirable effects*
There is a risk of certain undesirable effects, but this depends on the sector and the activities of the particular company. The increase in waste management costs affects the company's economic situation and long-term strategies. The pressure to adopt environmentally friendly solutions and the need to adapt business models to reduce environmental impacts will increase, or the company's costs for waste management will increase.

*Risk of undesirable effects*
Incineration for the purpose of disposal of non-hazardous waste and energy recovery creates an economic incentive to use other fuels for energy production in Estonia and directs local waste instead of energy recovery, either for export to Finnish energy recovery installations or for disposal. Today, the waste incineration fee of EUR 60 per tonne is higher than the cost of transporting waste from Estonia to Finland.

This risk remains, but it should also be noted that the new Regulation 2024/1157 on transboundary shipments of waste will enter into force from 21 May 2026, and in connection with this, additional requirements will apply to transboundary shipments of waste, including mixed waste. From 21 May 2026, a transport permit will be required for the transport of mixed waste for recycling, including refuse-derived fuel produced from mixed waste with code 19 12 10. Under the new Regulation, the transport of mixed municipal waste for the purpose of disposal is prohibited. The new regulation stipulates that the transport of mixed waste must comply with the waste hierarchy and the principles of proximity and self-sufficiency. The transport of mixed municipal waste from the source to the best treatment site shall take into account the principles of proximity and material efficiency and the need to reduce the environmental footprint of the waste. In addition, the state has the right to limit incoming waste shipments intended for recovery operations other than recycling and preparation for reuse in order to protect its waste management network. When issuing a transport permit, consideration must be given to the implementation of the provisions of Directive 2008/98/EC, which aims to increase the separate collection of waste and reduce the generation of mixed waste. In line with the waste hierarchy and the principles of proximity and self-sufficiency, Member States should ensure that mixed municipal waste is prevented as a first priority and collected and sorted as a second priority in order to separate different fractions for reuse. In order to obtain a shipment authorisation, it is necessary to obtain the consent of the country of destination and the country of dispatch. If Estonia has the best possible technology, then mixed waste must be recycled in the country of origin.

A transport permit means that if Estonia wants to send waste fuel from mixed municipal waste to Finland, then the Finnish competent authority and the Estonian competent authority must authorise this. If the state has an incineration plant and itself needs waste bin fuel, the shipment authorisation can be refused.

### Impact on a state and local government organisation

*Description of impact*

The amendment to the Act will not have a significant impact on the organisation of the state and local governments, as only the rates of fees will change, and the procedure for payment and administration thereof will remain the same.

The workload of the Environmental Board will increase slightly due to the addition of the new waste energy utilisation fee, but not significantly, as the number of companies paying the fee that are subject to tax audits is small (5 companies in 2023).

The increase in the pollution *charge for the disposal of waste by about* 3 times makes it necessary to carry out more detailed tax control (environmental charges are carried out by the Environmental Board), as there is a risk that companies will develop increasingly complex schemes to evade taxes.

Some of the costs are due to the introduction of the new fee (declaration form) in KOTKAS. The new declaration form is similar in nature to the waste disposal declaration, and therefore the development costs of KOTKAS can be covered by the daily development budget.

Increased workload for supervision and thus also increased expenses, as there is a slight risk of an increase in illegal activities (burning of ordinary waste in household stoves and bonfires, and what is known as forest dumping).

In order to effectively reduce illegal waste management, monitoring needs to focus on frequent and targeted inspections, planning based on risk analysis, cooperation between different authorities and the implementation of sanctions. In addition, preventive actions, including awareness raising and promoting the right waste management approaches, are important.

The Environmental Board may see an increase in the number of notifications (complaints) and consequently in the number of infringement proceedings (increase in time resources, cost of departure, etc.).

### Impact on the state budget

#### Impact target group: the state

In the event of an increase in the pollution fee for the landfilling of waste, more money would accrue to the state budget. The average amount of non-hazardous waste deposited in 2020-2023, except for oil shale bottom ash and slag and oil shale mining waste (including tailings), would yield EUR 90/t *ca* EUR 15.2 million per year when the pollution charge rate is increased, an increase of *ca* EUR 10 million compared to 2023. However, it has to be taken into account that the deposit of waste will decrease in the future and therefore the receipts to the state budget will also decrease, probably remaining at *the level of approx.* 12 million per year, i.e. the state budget would receive *an additional approx.* EUR 8 million each year compared to 2023.

Taking into account the quantities of waste incinerated for energy use in 2020-2023, the state budget would receive an additional EUR *14.5-15* million per year, but considering that the incineration of waste for energy use will decrease, the fees payable will also decrease. According to the first forecasts, in 2026 and 2027, the state budget will receive *a fee of approximately* EUR 5.5 million for energy use of waste and gradually decrease, remaining at *the level of approximately* EUR 10 million per year in 2030.

These changes will not directly result in any costs or revenues for local governments. Due to the increase in reception fees, the costs of the waste management service for local authorities (final consumer) may increase (detailed above).

### Impact on the living and natural environment

The disposal of waste in landfills must be gradually reduced in order to avoid harmful effects on human health and the environment and to ensure the gradual recovery of economically valuable waste materials and efficient reuse of economically valuable waste materials through proper waste management and in accordance with the waste hierarchy. Since landfilling is a significant source of GHG emissions and a steady increase in its volume causes disturbances to the living environment, it is important to reduce landfilling. It must be ensured that waste is recycled or otherwise recovered and that landfilling of waste suitable for recycling or other recovery is reduced.

## 5. Impact of the amendments to the Packaging Act

The proposed amendments to the Packaging Act will have no significant impact on national security and external relations, nor will they have any social, including demographic, impact.

### 5.1 Proposed amendment: clarification of the requirements for the collection of packaging waste through organised waste transport and separate collection at source

The responsibilities of local government units and recycling organisations in the collection of packaging and packaging waste, the organisation of recycling, and the distribution of costs are governed by the following draft provisions: Sections 15, $15^1$, and $15^2$.

### Area of impact: economic impact

The collection of packaging waste through waste transport organised by local governments increases the responsibility of local government units. Local government units will henceforth be responsible for the separate collection of packaging waste generated within their territory and, where necessary, for providing appropriate packaging containers. Thus far, the owners or tenants of packaging containers in the public collection network have been recovery organisations (MTÜ Eesti Taaskasutusorganisatsioon: 2,722 collection points; Eesti Tootjavastutusorganisatsioon OÜ: 2,673 public containers; Eesti Pakendiringluse OÜ: 360 public packaging containers), so local government units have the option of purchasing or renting containers that have already been used by recycling organisations. As the changes involve a shift from public collection networks to waste collection at source, local authority units would have the option, upon reaching agreement, to place some of the containers used by recycling organisations next to residential buildings. As local authorities have the option of implementing alternative organised waste collection, the costs associated with containers can be covered by the fees paid by waste holders to cover waste management costs. This includes support measures being developed by the Ministry of Climate, which are directly intended to support the waste-related infrastructure of the local government[18].

#### Impact target group: waste holder

A problem associated with the requirements of the current law is that packaging waste containers are located far from homes for waste holders and are inconvenient to use or overfilled. Separate collection of packaging waste (including other waste) is handled differently in different regions, making it difficult for waste holders to understand how waste should be properly collected separately. The purpose of the amendment to the Act is to harmonise the requirements for separate collection of packaging waste in such a way that as many waste holders as possible would be able to separately collect packaging waste at home and the requirements would be similar all over Estonia. Currently, in some areas a yellow bag service is in place and in some other areas packaging waste collection is organised by the local government and, to a large extent, through a public collection network, which means that the costs associated with packaging waste collection are very different. The amendment of the Act entails an obligation for the waste holder to pay EUR 0.50 for each packaging waste container emptied. In densely populated areas, packaging waste must be collected in at least two containers (paper and cardboard packaging waste together with waste paper, and beverage cartons together with plastic and metal packaging waste). For example, if paper and cardboard packaging waste is collected once a month together with waste paper, and beverage cartons together with plastic and metal packaging waste four times a month, then the number of collections per month for one housing association is five, which means that the housing association **has to pay EUR 2.50 per month for packaging waste** (this amount is divided between all apartments in the housing association). The same calculation logic applies to private houses, although the number of emptying times may be less frequent. The precise conditions for discharge procedures shall be laid down by the local authority unit in the public procurement of waste transport. When drafting the waste reform bill, the following factors were taken into account when determining the costs incurred by waste holders: the current service fees of recycling organisations, the quantities of packaging waste placed on the market by their customers, data from a survey of Estonian households on types of dwellings, and planned changes in the collection of packaging waste by type at the point of generation. This included taking into account that 70% of waste holders are located in densely populated areas.

[18] For more information on the Cohesion Fund support "Conditions and procedure for granting support for infrastructure for separate collection of waste in the period 2021-2027", see the website of the Keskkonnainvesteeringute Keskus SA [Environmental Investment Centre Foundation]: https://kik.ee/et/toetatavad-tegevused/jaatmete-liigiti-kogumise-taristu-arendamine.

The principles are also based on the requirement under the Waste Framework Directive that a recovery organisation must itself bear at least 80 % of the costs associated with the transport, collection and management of packaging waste. Thus, it has been found that if the waste holder pays EUR 0.50 for the emptying procedure of the packaging waste container, the proportion of 80/20 is met. In this respect, it is important to understand that the Waste Framework Directive does not allow costs incurred by producers/packaging companies before 2018 to be passed on to waste holders (the responsibility to bear the cost of managing packaging waste lies with the producers).  Consequently, the waste holder can contribute partially to the transport costs when bearing the expenses. The costs incurred by waste holders are the costs associated with the purchase or rental of containers at the place of collection (this cost may also be borne by the local government, which can include it in the waste transport service fee or apply for a waste infrastructure grant from the Cohesion Fund for this purpose) and the cost of emptying packaging waste containers (transport costs). Approx. 70 % of the population lives in apartment blocks. Initially, it may be difficult for housing associations to fulfil this new additional obligation, but based on examples provided by the Estonian Union of Apartment Associations (e.g. in Saaremaa and Tartu), people will get used to it and adapt within a couple of years, resistance will decrease,and separate collection will improve. The housing association may have a problem in that there is no land available for placing containers, but in such a case, appropriate agreements must be reached with the local government. Reaching agreements will be facilitated by the obligation proposed for local governments in the amendment to this Act regarding the target rate for separate collection. In order to achieve the target for separate collection, local governments are motivated to create opportunities for separate collection in apartment associations. There is also the issue of joint and several accountability, where the majority collect waste correctly, but some residents do not. The good ones also cover the costs of those who litter. Residents are motivated by the bills they receive for their apartments, which show the total waste management bill for the housing association and the services broken down by category (see the sample waste management bill in Table 3 of the explanatory memorandum).

In the case of larger cooperatives, it is more likely that the above incentive package may not work because the individual member’s contribution to the reduction of the costs of the housing association is small and the distribution of costs between a large number of apartments is economically not noticeable to the individual member. In addition, the behaviour of individual litterers may offset these efforts and the individual member will not perceive the results of their effort. In addition, cooperatives may not be able to further detail already detailed invoices and costs will be passed on to members in a simplified way. The impact of the detailed figures referred to may in many cases also remain marginal in large cooperatives for the reason that the financial literacy of individuals may be rather low in some cases. In order to prevent potential risks, the local authority must state in the terms and conditions of the already organised waste transport contract that the carrier is also obliged to carry out a visual inspection of the waste contained in the packaging container. This ensures that it is established at the source that the separate collection requirements have been breached and that it is also possible to apply a more expensive price for such waste. The state plans to compile new collection guidelines, which will make it possible to extract the necessary information at various levels (including guidelines for housing associations). Cooperation will also be possible in the future with the Estonian Union of Cooperative Housing Associations (EKYL), which will provide guidance on how the Housing Association’s board of directors should deal with offenders. In larger apartment buildings, changing behaviour may take longer, as responsibility and costs are shared. The management board of the housing association plays a major role in guiding people. The corresponding notification must also be consistent by the local government.

### Impact target group: local government unit

Public packaging containers cause littering around them due to overflowing, which is generally paid for by the local government from its own budget. The removal or significant reduction of public containers and their replacement with collection at source will significantly reduce the need for such expenditure. Often, covering such costs has also caused disputes between recovery organisations and local governments, which in turn has created an additional workload for local governments. Extending collection at source will also significantly reduce this impact.

The widespread use of public collection containers poses a problem in that they are used to dispose of waste other than packaging waste, which hinders the safe recycling of packaging waste. Local governments have highlighted as a problem the fact that finding public collection sites in public spaces is very difficult, which is why finding the collection sites needed to meet the existing requirements in certain areas is a problematic and time-consuming process.

The changes may result in new costs for local government units associated with the installation of packaging containers, but these costs can be covered by waste collection service fees. It will also be possible for waste holders to purchase or lease containers themselves, as has been the case for other types of waste covered by organised waste transport. The costs incurred by the local government unit are general waste management costs, including expenses related to information and supervision. It is possible for a local government unit to cooperate with recovery organisations by using the containers previously used in the public container park (rental or purchase of containers). At the national level, the Keskkonnainvesteeringute Keskus SA [Environmental Investment Centre Foundation] is planning to open application rounds, according to which local government units can apply for support for infrastructure related to separate collection of waste in the total amount of approximately EUR 35 million[19]. Local governments can also apply for support for infrastructure for separate collection by private individuals. In this case, it is possible for the local government to have the costs borne by the waste holder up to the amount of their own contribution, and the other part of the cost of the infrastructure will be covered by the subsidy.

In the future, the local authority will have better control over the collection of packaging waste, including the ability to change the transport conditions (frequency optimisation) and thereby collect a larger amount of packaging waste separately. The transport of mixed packaging waste is already covered by waste transport organised by the local government in 57 local governments, and in 10 of these the collection of packaging from the place of origin has been made mandatory.

### Impact on recycling organisations (including packaging companies)

To date, three recovery organisations have been responsible for installing public collection containers and collecting packaging waste together: MTÜ Eesti Taaskasutusorganisatsioon, Toojavastutusorganisatsioon OÜ and Eesti Pakendiringlus OÜ. To date, recovery organisations have met the recycling targets set in the Act for packaging waste but at the expense of transport and group packaging. In other words, the current situation means that, although producers have met their obligation for the recovery and recycling of packaging waste within the scope of the targets, the amount of packaging waste released into municipal

[19] For more information on the Cohesion Fund support "Conditions and procedure for granting support for infrastructure for separate collection of waste in the period 2021-2027", see the website of the Keskkonnainvesteeringute Keskus SA [Environmental Investment Centre Foundation]: https://kik.ee/et/toetatavad-tegevused/jaatmete-liigiti-kogumise-taristu-arendamine.

waste (approx. 1/3) is still one of the main obstacles to achieving recycling of municipal waste. With the amendment, it is anticipated that a larger mass of packaging waste will be received by collecting it from the source, which means that recovery organisations will also have to bear higher costs for the recovery, including recycling, of packaging waste in the future.

According to the World Bank's analysis, Estonia should develop separate collection of packaging waste in order to achieve the recycling targets set for 2025 and 2030. Over the last 10 years, the amount of packaging waste among mixed municipal waste has not decreased. Thus, if the existing system continues, there is a high risk that recovery organisations will not be able to meet the new targets, in particular the recycling targets for plastic packaging waste (50% and 55% respectively; currently the obligation to meet 45%). Although the recycling rate for packaging waste in Estonia is 74%, there are problems with achieving the targets for plastic packaging waste, of which only 44% is recycled (according to 2022 data). Therefore, in order to reach the targets for plastic packaging waste in 2025 and 2030, existing practices need to be changed. In order for plastic packaging waste to be recycled to a greater extent, separate collection, which is a prerequisite for this, needs to be improved, allowing for the availability of cleaner and better quality material for recycling. Therefore, the amendment also provides an opportunity for recovery organisations to achieve the recycling targets for packaging waste.

With the proposed amendment, recovery organisations will no longer organise the collection of non-refundable sales packaging generated in households through public collection systems; instead, this responsibility will be transferred to local government units. Taking into account the 80/20 ratio, the mandatory costs of a recovery organisation are those related to the transport, storage, and handling of packaging and packaging waste. Up to 20% of certain costs may be borne by the waste holder through a charge of EUR 0.50 for the emptying procedure, which helps to alleviate the additional transport costs for recovery organisations. The responsibility for collecting transport and group packaging (including non-reusable sales packaging) continues to lie with recycling organisations, and collection is to be carried out at least via waste collection stations. No additional economic impacts are expected in relation to transport and group packaging, as packaging waste is already collected through waste stations and recovery organisations can use the containers currently in use in the public collection network to collect these types of packaging. Transport and group packaging is also already collected at source (at companies) and the waste collected in this way can also be transferred in the future by continuing the existing practice.

The containers in the public collection network that have been in use up to now can be brought to the use of the local government once these agreements have been reached. It is important that these containers can be emptied with a waste transport truck organised by the local government, so the suitability must be assessed when preparing the public procurement for waste transport organised by the local government. The disappearance of public packaging points will take place within approximately 5 years; until then, recovery organisations have to keep them in use according to the region (until the new procurement by the local government). Some public packaging point containers are subject to depreciation over time and must be decommissioned. Recovery organisations can, where appropriate, use the remaining containers when collecting group and transport packaging that is not included in the waste transport organised by the local authority. It is also possible to sell the containers (also outside Estonia) or, upon agreement, lease them to local governments.

### Impact on public authorities (Environmental Board, Environment Agency, Ministry of Finance)

The Environmental Board has had to supervise both recovery organisations and local governments with regard to the regulation currently in force. Recovery organisations and local government units often do not reach consensus, which means that the legal requirements for the collection of packaging waste and the requirements of the public collection system may not be fully met (the number of containers is not sufficient, no consensus can be found on the location, littering costs are problematic, etc.). As local government units are to set a target for separate waste collection, the Environmental Board no longer needs to assess the coverage of the collection network, and each local government unit can design a collection system according to the specific characteristics of its area. In the future, the Environment Agency will assess whether or not the local government unit has achieved the legally prescribed separate collection targets. The proposed amendment is not expected to have any economic impact on the Environmental Board and the Environment Agency.

The proposed amendment increases the possibility of achieving the recycling targets in Estonia, as the collection of packaging waste at source will result in larger quantities of clean packaging materials. The cleaner the packaging waste collected, the greater the chance of it being recycled. Increased recycling of plastic packaging will also reduce costs to the state budget, as Estonia currently has to pay the EU 80 euro cents for every kilogram of plastic packaging that is not recycled, which amounts to approximately EUR 16-20 million per year. Therefore, the introduction of separate collection at the point of generation of packaging waste also has the potential to reduce state budget expenditure.

## Area of impact: environmental impact

A study of mixed municipal waste conducted by SEI Tallinn in 2020[20] shows that approximately 32% of mixed municipal waste consists of packaging waste, the majority of which is plastic packaging waste (approximately 55% of packaging waste in mixed municipal waste). The study also reveals that the proportion of waste unsuitable for public packaging containers was relatively high in the mixed packaging waste studied (28% on average). According to the study, littering in packaging containers indicates that people's awareness and behavioural habits remain low. According to the results of the study, particularly drastic littering of packaging containers takes place in typical rural areas (in such areas, the share of other waste in packaging containers is at times as high as 41 %). According to data from the Environment Agency from 2022, approximately 43,000 tonnes of packaging waste will be mixed municipal waste, with an additional 42,000 tonnes of paper and cardboard packaging waste. The collection of packaging waste through organised waste transport ensures that an ever-increasing amount of sorted packaging material is collected in cleaner condition, which in turn makes it possible to recycle larger amounts of material. This will reduce the use of primary raw materials and increase the possibility of keeping different materials in circulation instead of incinerating and storing waste. The production of each type of packaging has its own environmental impact: the environmental impact of mining to obtain raw materials for glass packaging, the environmental impact of cutting down forests to produce wood and paper packaging (changes in the preservation of natural diversity, but also in CO2 sequestration), the impact of oil production associated with the production of plastic packaging, the impact of mining associated with the production of metal packaging, and so on. Therefore, it is important that once packaging has been put into use, it should be reused whenever possible or recycled as a material for as long as possible.

[20] Segaolmejäätmete, eraldi kogutud paberi- ja pakendijäätmete ning elektroonikaromu koostise ja koguste uuring (2020).pdf.

The organisation of the collection of packaging waste through the local government unit and the specification of the requirements for the separate collection of packaging waste will ensure that more and more waste holders will have the opportunity to hand over packaging waste at their homes and, through a more convenient solution, less packaging will reach mixed municipal waste.

In the case of the public packaging waste collection network, overfilling of packaging containers and littering around containers are common. As a result, large amounts of litter end up in the environment, posing a threat to both terrestrial and marine life. The transition from collection at source to collection at point of disposal reduces anonymity in the transfer of packaging waste, as packaging containers are visible to waste holders. In addition, it is possible to use waste containers that are locked or equipped with cameras.

### Area of impact: Labour market and environment

The changes may lead to a transformation of the labour market. Given the reduction in the workload of recovery organisations in organising the collection of packaging waste, it may be that the same number of employees will no longer be needed (currently, according to the website, there are about 15 employees in three recovery organisations in total). The change may also lead to an increase in the workload of local governments if a local government unit decides to manage all customer service related to organised waste transport services independently. It is possible to outsource the service for the management of customer service related to organised waste transport, as well as to cooperate with other local governments and organise the management through waste management centres.

### Area of impact: for equal opportunities

The implementation of the obligation to separately collect packaging waste will be more accessible to more social groups. Installation of packaging containers at homes allows the separate collection of packaging waste for those who have difficulty moving (pensioners, persons with reduced mobility), but also for those who do not use cars as a means of transport. The amendment will create a more level playing field for the separate collection of packaging waste, allowing different groups of society to contribute to the environment and the circular economy.

## 5.2 Proposed amendment: obligation of the packaging company to transfer the responsibility for the management of waste from sales packaging to a recovery organisation

The packaging company is obliged to conclude a written agreement with a recovery organisation in accordance with the following provisions of the draft: Packaging Act Section $12^1$ paragraphs $2^1$ and $2^2$.

### Area of impact: economic impact

With the amendment, all packaging companies that place single-use sales packaging on the market will have to join a recovery organisation. The amendment is necessary because packaging waste generated by households is mainly single-use sales packaging, and all packaging companies who use such packaging to package their goods or place goods in pre-packaging on the Estonian market should contribute to financing the collection and handling of such packaging on the basis of a uniform set of rules, and therefore compliance with the extended producer responsibility requirements for such packaging should be enforced through recovery organisations. It is difficult to fulfil the obligation to take back sales packaging without being a customer of a recycling organisation. It is therefore important that all packaging companies contribute to the take-back of sales packaging on the basis of uniform rules and, through a recovery organisation, to the recycling of packaging waste. As this will increase the number of contributors to the producer responsibility system, the financial burden on companies already contributing to the system may be reduced, because the increased number of members may also increase the revenue base of the recovery organisation by the same amount. A more equal producer responsibility system is also created by the statutory condition that the recovery organisation must indicate on its website a strategy for the involvement of other packaging operators in the recovery organisation and an overview of the new packaging operators involved in the previous calendar year by 31 July of each year. On 1 May 2023, an amendment to the Packaging Act came into force, which removed the exemption for packaging companies placing on the market goods in plastic packaging weighing less than 100 kilograms per year and packaging made of other materials with a mass of less than 200 kilograms per year from the obligation to take back, collect, and recycle the packaging they placed on the market. As a result, new packaging companies have entered the market that also have obligations arising from producer responsibility. Feedback from market participants has shown that during the first years of operation of a recovery organisation, the recovery organisation actively involved new packaging companies, but this is no longer the case in recent years. The aim of the amendment is to ensure the participation of as many packaging companies as possible in the fulfilment of the principle of extended producer responsibility and thereby to avoid an unequal situation for packaging companies that have already joined the producer responsibility scheme.

### Area of influence: on the state budget

The amendment is expected to lead to some increase in the recycling of packaging waste, as more and more economic operators will contribute to organising the take-back of packaging waste through the recovery organisation. The more plastic packaging waste is recycled, the lower the plastic packaging fee paid by the Estonian state to the EU (approx. 16-20 million per year). According to data received from the Ministry of Finance, it appears that the specific proportion of packaging companies that have not yet joined the recovery organisation are those that have not achieved their packaging waste recycling targets and have paid the corresponding excise duty in this regard. Those who have joined recovery organisations have achieved recycling targets for all packaging waste (Package Register data for 2022). The revenue from excise duty paid on packaging waste recycled below the target is close to zero, as the targets have been met. The only ones who pay are those who put small quantities on the market and those who are caught breaking the rules. As smaller companies will also transfer their obligations regarding sales packaging to recovery organisations in the future, it can be expected that excise duty receipts will also decrease by this amount, as recovery organisations will be able to ensure recycling. However, the change does not have a significant impact on the revenue accruing to the state budget.

In so far as the other amendments proposed by the draft act change the principles of separate collection of packaging waste (the collection of packaging waste is organised by local government units, but the costs must be borne by recovery organisations), it is essential that all packaging operators placing single sales packaging on the market contribute to the costs.

#### Impact target group: recovery organisations and packaging companies

More businesses will join the recovery organisation, contributing to the fulfilment of the obligations laid down in the producer responsibility. The revenue base of the recovery organisation will increase and they will be able to contribute more to the functioning of the system.

Most packaging companies comply with the requirements through recovery organisations, i.e. this change is not expected to have a very significant impact on the workload of the recovery organisation or on a large number of packaging companies. Those who are only now transferring their obligations to recycling organisations may face some cost increases if they have not yet implemented packaging waste take-back schemes, including sending packaging for recovery or reuse. Companies that have already joined recycling organisations will share the obligations under producer responsibility more fairly in the future – the share of what are referred to as *freeriders* who have not contributed to recycling thus far will decrease and raise the price of plastic packaging's own resource. Based on data from the 2022 Packaging Register, 64 companies submitted an independent packaging report for sales packaging placed on the market (they placed a total of 439 tonnes of sales packaging on the market). Based on the 2023 Annual Activity Reports, 4,545 packaging undertakings submitted reports to the three recovery organisations. Therefore, it can be said that the amendment will affect a small number of packaging companies that have not yet transferred their packaging obligations to recovery organisations.

### Area of impact: environmental impact

The environmental impact is indirect, as the main impact is the change in the system for separate collection of packaging waste (described in more detail in the environmental impact of amendment 3.1). This amendment will lead to a situation where the parties to the producer responsibility scheme will contribute more equally to the functioning of the system.

#### Impact target group: State institutions

It can be assumed that the amendment will not have a significant impact on state institutions. Packaging companies that have fulfilled their obligations independently to date have also submitted data to the packaging register, and in future, the recovery organisation will submit data to the register on their behalf. Therefore, the burden on the packaging register will remain the same with this amendment. The data controller of the packaging register is the Ministry of Climate. The authorised processors are the Environment Agency and the Information Technology Centre of the Ministry of the Environment. The proposed amendment is not expected to have a significant impact on the state budget in terms of reducing the costs of plastic packaging.