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SUMMARIES OF RELOOP SUBMISSIONS TO THE INC PROCESS

Crafting a Blueprint for Financing an International Legally Binding Instrument on Plastic Pollution

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Crafting a Blueprint for Financing an International Legally Binding Instrument on Plastic Pollution

In the wake of the United Nations Environment Assembly's Resolution on 2 March 2022, an Intergovernmental Negotiating Committee (INC) was set up to shape an international legally binding instrument (referred to in this paper as “the instrument”), aimed at addressing plastic pollution, including in the marine environment. After two meetings held in Punta del Este and Paris, the INC released a **Zero Draft** of the instrument in September 2023, partially based on an earlier Options Paper by the INC secretariat.

This paper, prepared by Dr Dominic Hogg, sets out Reloop's views and recommendations on ensuring that the instrument's implementation can be financed in the light of that Zero Draft.

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Delineating Funding Sources

INC divided its responsibilities among contact groups, with one focusing on “Objectives and Substantive Obligations” and the other on “Means of Implementation and Implementation Measures”, including financing. It also suggested a need for diverse funding sources to combat plastic pollution, especially to support implementation of the instrument by less developed countries. Yet the Zero Draft made minimal headway on the matter of matching up types of revenue to the measures they should support.

Furthermore, the split in the Zero Draft – between control measures in Part II, and financing in Part III – risks overlooking the dual role to be played by some instruments that might be considered as both control measures and finance instruments, not least of which are extended producer responsibility (EPR) ([see EPR paper](#)) and a global plastic pollution fee. Some matters considered as control measures, such as identifying and acting on pollution hot spots, will require a clear route to funding if the ambitions of the instrument are to be met.

Understanding the Instrument’s Requirements

To understand the optimal funding approach, it’s necessary to first outline the instrument’s demands and also assess the available funding sources. The Zero Draft provides a foundation for this, but while the specifics of the instrument are still to be fully defined, we need to recognise that the distinct options are likely to have different implications for financing ([see Options paper](#)).

The most extreme scenario for implementation is where a Party with limited waste management infrastructure seeks to

implement an ambitious instrument, so that extensive policy, legal, and enforcement changes are required. This involves adjustments across various ministries, the enforcement of regulations, and a transformation in waste management processes, including collection, recycling, and proper management of what can’t be recycled. When the need to address operational issues is accounted for, capacity building is required at all administrative levels, from national to local level, to make these changes feasible. Staffing, training, and technical assistance costs can be expected to run to billions of dollars.

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Matching Funding Requirements with Sources

As negotiations progress at INC-3, it is vital to recognise the value of linking control measures and implementation measures, especially for financing purposes. Experience with other international instruments suggests that relying wholesale on a transfer of funds from higher to lower income countries might not always lead to sufficient action by the Parties. Securing appropriate funding sources with a clear view as to what each source of funding is expected to support is much more likely to be successful.

So to ensure efficient allocation of funds, it is crucial to align the funding requirements with suitable sources. Funding needs can be categorised as follows (all at the global level):

› 1. Staffing, Capacity Building, and Strengthening

Institutions: this may require at least \$1 billion annually.

› 2. **Technical Assistance:** initial technical assistance costs may also be approximately \$1 billion annually, although should decline over the medium to long term.

› 3. **Waste Management (Plastics):** costs are unclear but may necessitate an additional amount equivalent to many tens of billions of dollars annually, over and above current spending.

› 4. **Waste Management (System):** similar to the above, this remains undefined but could also require significant funding, equivalent to an annual budget of the order \$1-200 billion.

› 5. **'Legacy' (Beyond Waste Management) Cleanup:** funding requirements would depend on the ability to absorb funds, but should be considered to be in the order of billions of

dollars beyond the short-term as the need is properly identified, and as absorption capacity increases.

› 6. **Research and Development (R&D):** funding for R&D may or may not be increased over and above current levels – the case for public funding of such R&D, and where it should be channelled, should be considered in light of the control measures chosen. Obvious requirements might be a means to monitor the nature and severity of the impacts of ongoing plastic pollution, not least with a view to revising the extent of the instrument's ambition.

In the case of waste management, it is proposed that most of the required funding should come from cost recovery measures imposed on plastic producers, whether this is in the form understood as EPR or not ([see EPR paper](#)). A global levy on plastic production, or a system of trading auctioned allowances with a floor price ([see Reducing Plastic paper](#)), could generate substantial revenue, especially if set at escalating rates, and would also provide crucial funding for the instrument's implementation.

The surplus generated from such levies could support "legacy" cleanup efforts (we suspect this might be better considered as 'clean-up beyond what a waste management service should do'), and aspects of waste management for which the costs are not otherwise recovered from producers (whether via EPR or other means), such as dealing with other materials. Using this revenue for the latter recognises that more inclusive waste management systems (managing not only plastics) are likely to be more efficient, and offer climate-related benefits.

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Exploring Additional Revenue Sources

EPR plus the levies discussed above may be the main routes to financing implementation but there are also other revenue sources that can be considered:

- › **1. Taxes on Single-Use Non-Plastic Alternatives:** where single-use plastic items are being phased out, such taxes encourage a shift to reusables / refillables rather than simply switching to other (non-plastic) single-use items.
- › **2. Taxes aimed to support phase-out / improved design:** rather than using fee modulation as part of EPR, Parties might find it more straightforward to implement taxes on items that are planned for phase out, on items which are deemed unrecyclable, or on items for which the recycling rate is low. This would also provide an additional source of public funds.

- › **3. Tradable Allowance Schemes for Plastics:** This concept could offer a sustainable source of funding, as discussed here, either alongside a fee-based system, or as an alternative (with a floor price) to a fee-based approach. If a given target level of reduction is agreed (as per Options 1 and 2 for the control measure on reducing primary plastic production in the Zero Draft), then this might be the best measure to achieve that outcome.

These points again illustrate that funding mechanisms are intertwined with the control measures outlined in the instrument. They cannot be entirely separated. Considering this, the ongoing separation of discussions on control measures and financing measures in the contact groups at INC meetings might need re-evaluation.

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Crafting Sustainable Finance

In light of the above, Reloop proposes the following recommendations:

- › **1. Ensure that the organisation of the negotiations reflects the fact that the sources of funding and the control measures may be different facets of one and the same thing.**
 - › **2. Consider matching sources of revenue to the needs of the Parties** in relation to implementation.
 - › **3. Recognise the importance of institutional strengthening** for less-developed countries, and the associated need for funding of staff from national through to local levels.
 - › **4. Encourage Parties to derive their own sources of funding** as far as is reasonable, and support them in doing so. In respect of the crucial (in terms of implementation costs) matter of waste management, the fundamental requirement is to ensure that producers cover – as far as possible – the costs of end-of-life management of wastes associated with their products and packages. It makes sense for Parties to require this of producers of the same categories of item, or packaging, where they are made from materials other than plastics.
 - › **5. Exploring Additional Fiscal Instruments:** taxes and fees should be considered at the national level to drive improved design, sustainable consumption, and greater use of reusables and refillables. This approach can generate additional fiscal resources, and can help improve environmental outcomes.
 - › **6. Leveraging Revenues from Global Levies / Allowance Trading Related to (Primary) Plastic Production:** a global levy on primary plastic production, or a tradable allowance scheme supported by a floor price for the allowances, should be considered. The funds generated should be allocated for:
 - a) **Institutional strengthening and technical assistance:** in support of instrument implementation, particularly in low and lower middle income countries
 - b) **Funding for clean-up of “legacy” (or “beyond conventional waste management”) plastics**
 - c) **Funding for “non-plastic” waste management:** we recommend that part of the surplus generated from the levy on plastic production should support comprehensive waste management systems that include all waste materials. This approach is not only efficient but also climate-friendly
 - › **7. Consider funding needs for continued Research and Development:** these should be discussed in light of the final instrument but, in any event, resources devoted to monitoring and evaluation of the instrument’s progress will be important to assess the adequacy of the instrument’s ambition.
- By adopting these recommendations, we can ensure that the funding necessary to address the global plastic pollution crisis is secured and utilised efficiently. The success of the international legally binding instrument greatly depends on ensuring funds are available for its implementation and on matching the needs to sources of funds which are known to be available. This is eminently achievable.

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