

White Paper

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# The Plastic Tax

02/2024



## The plastic tax

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# Real opportunity or braking force?

At the EU level, the so-called "plastic tax" came into force on January 1, 2021. Since then, member states of the European Union have been paying a monthly levy on non-recycled packaging waste to the EU.

But what is the background to this tax? What are the underlying goals and how high are the levies in reality? Are there any alternatives?

### "Goals of the plastic tax"

What is the levy intended to accomplish?

What are the political arguments?

### "Regulations & Finances"

What are the time horizons?

How high are the levies?

### "Materials & Environment"

Which materials are affected? What are the alternatives?

How does the levy promote the closed-loop economy?



### PLASTICS

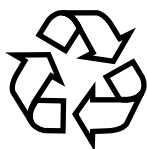
are now ubiquitous as an integral part of our daily lives. This makes it all the more important to think about sustainable solutions and the closed-loop economy. Can a plastic tax help in this context?



## Goals of the plastic tax

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# Can the expectations be met?



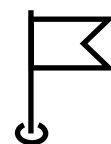
### **Reduction of plastic waste**

One goal of the levy is to reduce the quantity of new plastic and poorly recyclable plastics. It is designed to make the use of virgin plastics more expensive in the interests of environmental protection.



### **Additional revenue**

The plastic levy is intended as an additional source of revenue to fill the gap left by Brexit. These additional funds flow into the EU budget from national tax revenues, without earmarking.



### **Functioning closed-loop economy**

Another goal of the plastic levy is to promote a functioning closed-loop economy in the EU member states. The focus here is also on designing packaging and products that can be efficiently recycled.

## Regulations & Finances

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# One tax – many faces

The levy on non-recycled plastic packaging waste came into force on January 1, 2021. This requires EU member states to pay a levy to the European Union of 80 cents per kilogram for non-recycled plastic packaging.

The waste material subject to the levy is calculated as the difference between the plastic packaging waste that each EU member state generates in the course of a year and the plastic packaging waste it recycles in the same year in accordance with the European Packaging Directive.

### Future transfer of costs

Until now, Germany has financed this levy via the national budget, with around 1.4 billion euros being paid to the EU in each of the past few years. The levy per kilogram was to be paid by distributors of plastic products from 2024. The plastic levy has now been postponed until 2025. This was announced by the German government on January 4, 2024 in a press release on the supplementary budget for 2024. This was necessary in order to gain more time to develop an efficient solution with as little bureaucracy as possible.

### International differences

The arrangements for the plastic tax are left up to each member state. For example, the United Kingdom introduced the Plastic Packaging Tax (PPT) on April 1, 2022. The fixed rate will be changed from GBP 210.82 per metric ton to GBP 217.85 per metric ton with effect from April 1, 2024.

In Spain, non-recyclable plastic packaging has been taxed at 45 cents per kilogram since January 1, 2023. Manufacturers and importers are obliged to pay this tax if they produce more than five kilograms of single-use plastic packaging per month in Spain or import it into Spain.

The introduction of the Italian plastic tax has now been postponed for the sixth time and is now planned for July 1, 2024. This is according to the Italian Council of Ministers' draft budget for 2024. It was originally due to come into force in July 2020. 0.45 euros per kilogram of the new plastic it contains will have to be paid.

The introduction of the plastic tax is still under discussion in some European Union countries, while other member states pay their contributions via their regular national budgets.



How are EU countries implementing the plastic tax?  
Who is affected? Are there any exemptions from this tax? Here is a brief overview of the current situation (as of February 19, 2024)



|                | When will the regulation come into force? | What types of plastic are affected?   | What types of packaging are exempt?   | What are the costs?   |
|----------------|---|---|---|---|
| Germany        | postponed to 01.01.2025 <sup>1</sup>      |   |   |   |
| Italy          | postponed to 01.07.2024 <sup>2</sup>      |   |   |   |
| Spain          | 2023-01-01                                | <ul style="list-style-type: none"> <li>- Single-use plastic containers</li> <li>- All single-use plastic products used to contain liquid or solid products, or to wrap goods or food (including composite containers in which plastic is used)</li> </ul> | <ul style="list-style-type: none"> <li>- Single-use packaging, provided that the weight of the single-use plastic packaging does not exceed 5 kg per month</li> <li>- Mechanically or chemically recycled plastic components</li> <li>- Plastic packaging for agricultural use</li> <li>- Medications, medical devices, hazardous sanitary waste</li> </ul>   | € 450 per metric ton <sup>3</sup>   |
| United Kingdom | 2022-04-01                                | Plastic packaging containing less than 30% recycled plastic   | <ul style="list-style-type: none"> <li>- Licensed packaging for medicinal products</li> <li>- Plastic packaging used in air/sea/rail freight warehouses</li> <li>- Packaging components designed for permanent use, such as power-tool cases for long-term storage and protection of goods</li> <li>- Packaging or packaging components that are primarily designed to fulfil a permanent, non-packaging function, e.g., silage films for agriculture.</li> </ul> | £210,83 per metric ton<br><br>£217,83 per metric ton (from 01.04.24) <sup>4</sup> |
| Finland        |   | Packaging made from non-renewable resources   |   |   |
| Slovenia       |   | <ul style="list-style-type: none"> <li>- Composite packaging</li> <li>- Paper packaging coated with plastic</li> </ul>  |   |   |
| Lithuania      |   | Composite packaging   |   |   |
| Poland         |   | Cups and service packaging  |   |   |
| Latvia         | since 2006                                | Packaging and single-use plastic cutlery, among others  | Plastic packaging/disposable cutlery, provided that it is disposed of via a waste management system   |   |
| Portugal       | 2022-07-01                                | Single-use plastic packaging for food and beverages that is filled at the point of sale.  |   | € 0.30 per packaging item   |

There are currently no similar regulations in other countries.

<sup>1</sup> [www.bundesregierung.de/breg-de/suche/verstaendigung-zwischen-bundeskanzler-olaf-scholz-vizekanzler-dr-robert-habeck-und-bundesfinanzminister-christian-lindner-auf-aenderungen-zur-aufstellung-des-haushalts-2024-2251434](https://www.bundesregierung.de/breg-de/suche/verstaendigung-zwischen-bundeskanzler-olaf-scholz-vizekanzler-dr-robert-habeck-und-bundesfinanzminister-christian-lindner-auf-aenderungen-zur-aufstellung-des-haushalts-2024-2251434) (February 2024)

<sup>2</sup> [www.euwid-recycling.de/news/international/italien-verschiebt-steuer-auf-kunststoffe-erneut-271023/](https://www.euwid-recycling.de/news/international/italien-verschiebt-steuer-auf-kunststoffe-erneut-271023/) (February 2024)

<sup>3</sup> [www.deutsche-recycling.de/blog/plastiksteuer/](https://www.deutsche-recycling.de/blog/plastiksteuer/) (February 2024)

<sup>4</sup> [www.gov.uk/government/publications/changes-to-plastic-packaging-tax-rates-from-1-april-2024/increase-to-plastic-packaging-tax-rates-from-1-april-2024](https://www.gov.uk/government/publications/changes-to-plastic-packaging-tax-rates-from-1-april-2024/increase-to-plastic-packaging-tax-rates-from-1-april-2024) (February 2024)



## Driving the closed-loop economy

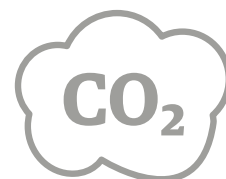
Environmental associations criticize the lack of a steering function for the plastic levy. The associations argue that this steering effect can only be achieved if the distributors and producers of packaging are asked to pay directly. They claim that the current implementation of the plastic tax, whereby taxpayers are asked to pay, has nothing to do with climate protection.<sup>1</sup>

Trade associations in the plastics industry, on the other hand, argue that the closed-loop economy urgently needs to be boosted. Their reasoning is that companies that wish to operate on a sustainable basis and invest in the design and production of recyclable packaging need sufficient financial resources in order to do so. Critics of the plastic tax are certain that a tax burden would be counter-productive and would slow down companies' plans to invest. Instead, they believe that stronger financial incentives should be created with regard to designing recycling-friendly packaging and the use of recycled plastics.<sup>2</sup>



### THINKING CIRCULAR

The goal of the closed-loop economy is to keep raw materials in a cycle and reuse them for as long as possible. In this way, the utilization of resources can be maximized, the need for new materials reduced, waste avoided, and the service life of products extended. The closed-loop economy thus differs from the current system, i.e., the linear economy, in which products are made, used, and discarded.



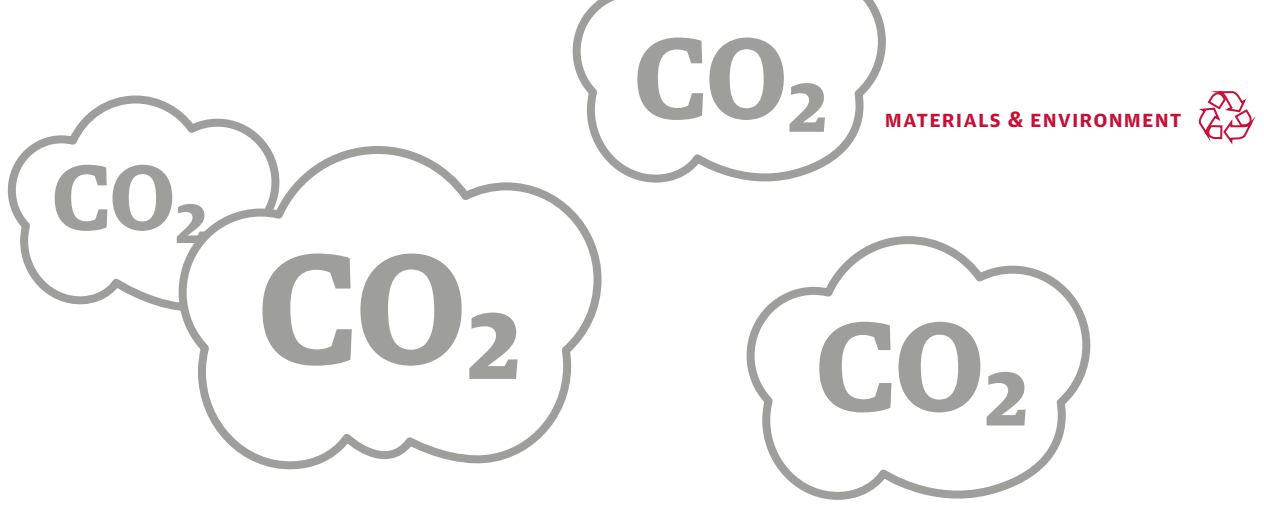
### FROM OLD PLASTIC TO NEW PRODUCT

The production of 1 metric ton of plastic from post-consumer recycle (PCR) reduces CO<sub>2</sub> emissions by 1.2-1.3 metric tons compared to producing the same amount of plastic from virgin materials.<sup>3</sup>

<sup>1</sup>Civil society alliance "Wege aus der Plastikkrise", open letter

<sup>2</sup>Industrievereinigung Kunststoffverpackungen IK e.V., Positionspapier Juni 2021 (PDF)

<sup>3</sup>Deloitte, Increased EU Plastics Recycling Targets: Environmental, Economic and Social Impact Assessment – Final Report, 2015



## Materials & Environment

# Does the plastic tax make ecological sense?

The EU's goal is for the levy to be converted into a national plastic tax by the EU member states. In terms of its implementation, this means considerable additional work for exporting companies. The plastic tax would then not only apply to packaging materials and semi-finished products, but also to many goods that are delivered inside packaging.

The plastic levy affects all areas of life, from food to fertilizer in plastic bags to cosmetic products sold in glass bottles with plastic lids. As a result, companies need to clarify which products are subject to a plastic tax in which countries. Information on the type and amount of plastic content must also be obtained.

If the levy is imposed on manufacturing companies, this burden will be passed on to consumers through higher prices. In some countries, such as the United Kingdom, the plastic tax can be avoided by using recycled packaging. Switching to composite packaging is another option.

### WHAT ARE RECYCLATES?

The term "recyclate" refers to reprocessed waste plastic. Depending on the condition of the plastic waste to be recycled, recyclates are obtained via different re-processing methods. Essentially, plastic recyclates are divided into two categories: post-industrial recyclate (PIR) and post-consumer recyclate (PCR).

PIR is obtained from industrial waste that is generated as scrap during the production process. PCR is essentially plastic waste from private households. This is collected in many ways depending on where you live.

The waste is collected, sorted by plastic type, shredded, washed, and then melted into plastic granules.



**UP TO 77% FEWER CO<sub>2</sub> EMISSIONS**  
through the use of recycled material  
compared to conventional granulate



## Composite packaging creates problems

Replacing pure plastic packaging with composite packaging is an emerging trend that experts in the fields of industry, politics, and science have been monitoring for some time. According to a study by the Gesellschaft für Verpackungsmarktforschung (GVM)<sup>1</sup>, paper composites generate more packaging waste, cause problems during recycling, and can only replace non-recyclable plastic packaging to a limited extent, if at all.

## Recyclate as an alternative

Accordingly, packaging made from recyclate is a viable alternative. Through recycling, waste plastics can be turned into valuable new materials, which can then be used in new products. The goal of recycling is therefore not only to reduce the volume of waste, but also to recover valuable materials and return them to the material cycle in order to conserve resources.

Many producers of plastic packaging already use recyclate in their products. rose plastic now also offers a wide range of packaging made from post-consumer recyclate (PCR).



Certifications and seals of approval make a company's commitment to sustainability transparent. They indicate that it is following certain binding sets of rules on a voluntary basis. And they provide security. Not only for the customers, but also for the manufacturers. Ultimately, certifications and seals of approval serve as proof that the company concerned has set the right course for the future.

## OUR CONCLUSION

A functioning closed-loop economy is a sustainable strategy. It prevents the creation of mountains of waste, reduces CO<sub>2</sub> emissions, and saves fossil raw materials. Clearly, therefore, the transition to a closed-loop economy should be accelerated by means of a levy such as the plastic tax.

However, the plastic tax only makes sense from an ecological perspective if, on the one hand, clear incentives are created for the use of sustainable resources such as plastic recyclate and, at the same time, penalties are introduced for the use of non-recyclable single-use packaging. Unfortunately, however, this is not reflected in the EU regulation and is only being implemented selectively by various national governments.

If the plastic tax is passed on to companies, plastic will also become more expensive as a packaging material. Thus, other packaging materials could

become more cost-effective and thus more attractive in the future, regardless of whether switching to a different packaging material makes ecological sense.

We also view the fact that the resulting tax revenues are not being invested in a targeted manner to promote the closed-loop economy as a missed opportunity to make a groundbreaking statement. Firstly, earmarking of these funds is urgently needed to strengthen the closed-loop economy and recycling infrastructure. The blanket exemption of recycled plastics from taxation would also be a major incentive to increase the use of these raw materials.

We are curious to see whether there will be any improvements here and how each individual country will implement the tax.





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