

Waste management: Issues in minimizing levy for utilization of waste under new legislation

A round table discussion on new regulatory procedures concerning waste recycling, and implications for your business

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Changes to laws on waste management

- The law requires the recycling of “wastes resulting from the use of products,” including:
 - products
 - packaging
- The volume of recycling is determined in accordance with government-established quotas
- Compliance with waste recycling quotas is reflected in the financial reporting of manufacturers; the creation of a unified state informational accounting system for wastes resulting from the use of products
- If the quotas are not met, the manufacturer (importer) must pay an ecological levy
- Compulsory waste recycling / payment of ecological fees have been envisaged by law since 2015. However, a quota of 0% for the transitional period through 2017 or 2018 is under discussion
- A wider scope of licensable types of activities in the handling of hazardous waste in categories I-IV

Commercial methods of decreasing the volume of waste subject to recycling (1/2)

- Formula for determining the volume of waste subject to recycling:

$$\begin{array}{c} \text{Mass / quantity of} \\ \text{goods / packaging} \end{array} \times \begin{array}{c} \text{Recycling ratio} \end{array} = \begin{array}{c} \text{Volume of waste} \\ \text{subject to recycling} \end{array}$$

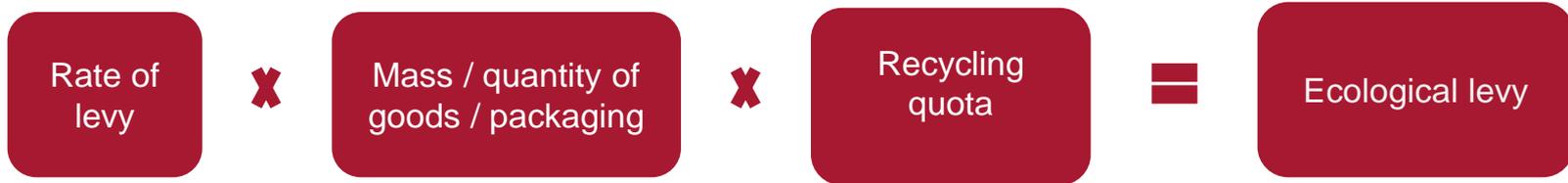
- Increasing the mass / quantity of materials allows the total mass of the unrecycled wastes to be decreased, if it is possible to recycle additional material
- Corrections in amounts produced, depending on whether subsequent recycling is possible

Example: The manufacturer can recycle 170 kg of waste from product A
200 kg of product $\times 80\% = 160$ kg must be recycled, with a shortfall of 10 kg
250 kg of product $\times 80\% = 200$ kg of product must be recycled, if 170 + 50
can be recycled, 20 kg remains for sale

Commercial methods of decreasing the volume of waste subject to recycling (2/2)

- It is advisable to increase the commodity weight of the produced goods through the use of readily recyclable raw materials, insofar as the basis for calculating the ecological fee is not the gross weight but the commodity weight
- The following offer would likely be advantageous: “The price of the refrigerator will decrease by . . . % if you buy a model manufactured using a unique scrap metal which we will accept at any time (as waste material), with a remuneration of ... rubles”
- It’s logical to assume that
 - the composition of raw materials used will be the basis for calculating the volume of waste to be recycled
 - a separate (combined) composition of raw materials will be taken into account in future for meeting the quota, for example:
 - goods of various competing manufacturers, and parts manufacturers
 - wastes belonging to a single group (similar from the point of view of waste treatment)

Commercial means of decreasing levies for the failure to recycle waste (1/2)



Rate of Payment = % of the manufacturing cost of X

If the non-recycled material is of comparatively low value, it is advisable to separate the product

Commercial means of decreasing levies for the failure to recycle waste (2/2)

	Value	Recycling quota	Recycling shortfall	CB x 1,5 x Shortfall
Option 1	200	80%	50	180
Option 2				
Part 1	180	80%	0	0
Part 2	20	80%	100%	24

- It is more logical to calculate the levy based on weight, not manufacturing cost

Planning waste recycling by recycling the waste from products of different manufacturers

- Requirements are not limited to recycling only the wastes from “one’s own goods.”
- If meeting the quota depends on the mass (weight) of the recycled waste (independent of the manufacturer of the product), the recycling of waste from the products of a different manufacturer may be used to reduce the amount of the levy
- Prospects for trade in waste materials (recyclable amounts) between manufacturers: if Manufacturer 1 collected/recycled more waste material than was required for meeting the quota, the manufacturer may transfer part of the volume to Manufacturer 2, who did not collect/recycle a sufficient quantity
- Changes to this regulation are not advisable, since it is often impossible to determine the producer of the waste

Setting aside reserve volumes of waste materials for future recycling

- Waste generators whose goods are not subject to levies are recommended to collect and set aside reserve volumes for recycling, or to inform dealers about the possibility that they may be required to collect and recycle waste
- It is possible that waste recycling requirements will apply to each manufacturer involved in the manufacture of a product (except for packaging), in the form of a recurring levy:
 - Recycling levy for vehicles vs. Ecological levy for auto parts (tires)
 - Levy payment for components / raw materials and goods made from them

Planning of exports to the EEC

- Proof of recycling in other countries is burdensome
- The volume of goods exported to the EEC is not taken into account in draft documents

Planning of waste recycling through regional operators

- Clearly, regional operators have the following:
 - privileged access to solid communal waste from residential complexes
 - infrastructure allowing for more efficient recycling
- Regional operators do not have monopolies, because:
 - Although the transfer of waste materials to a regional operator in a given Federal subject is provided for, and the transfer to a regional operator of a different Federal subject requires an agreement between Federal subjects, it is possible to choose a regional operator to carry out waste recycling, especially industrial waste recycling, insofar as the place of future waste is not defined and probably is not definable
 - The access of other operators to communal waste materials from residential complexes (potential secondary raw materials) is not prohibited by law, and such services may be provided by operators not restricted by any monopoly

Correlation of packaging and goods

- Is it advisable for the manufacturer of a product to reach an agreement with the manufacturer of the packaging for reducing the levy for the packaging?

Wishes and predictions

- Will a single level of production be established to avoid double levy
- Type of raw material, not the manufacturing cost or weight, will be the basis for calculating the levy
- Goods exported to the EEC will not be subject to recycling requirements
- Either regulation will be integrated (establishment or disclosure of tariffs, introduction of rules on equal (nondiscriminatory) access to the services of regional operators for recycling), or else multi-level and unpredictable competition among regional operators will begin
- The sooner clarity is achieved in legal regulation, the sooner market mechanisms will begin to work in favor of the ecology

Thank you for your attention!

We would be happy to take your questions.



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