



Climate Bonds Initiative criteria for waste management

Policy Paper

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The Climate Bonds Initiative (CBI) has developed mitigation and adaptation criteria for the waste management sector to facilitate ambitious emissions reduction and improvement in climate resilience. However, the final criteria are not aligned with the Paris Agreement, which requires net-zero emissions by mid-century. On the contrary, there are several flaws in the criteria which could lock-in high levels of emissions for multiple decades. Policy makers working on sustainable finance at the global level should avoid using these criteria and repeating the same mistakes, and instead should aspire to set high standards and maintain ambition going forwards.

In particular, the inclusion of 'waste-to-energy' incineration within the Climate Bonds Initiative criteria remains a highly problematic issue. The CBI criteria recognises the damage caused by this technology to the circular economy and the environmental objectives of waste reduction, reuse and recycling, and it has included some restrictions to minimise its adverse effects. However, a closer analysis of these restrictions shows that they will not prevent harm to the environmental objectives of the circular economy.

Zero Waste Europe has scrutinised the inclusion of waste incineration in the CBI's criteria in the light of the latest climate and waste policy developments and provides an assessment to ensure that the upcoming initiatives on sustainable finance in the waste management sector conform to global standards.

1. Introduction

Zero Waste Europe has been a member of the CBI Technical Working Group throughout the development of the waste management criteria (until January 2020) and it has facilitated input from a wide range of stakeholders at the global level, including practitioners, policy-makers, scientific experts, civil society organisations and recycling cooperatives.

Some of the input has been included in the Waste Management Criteria Background Paper, as responses to the public consultation that took place in June 2019. Together with the [input to the consultation submitted in August 2019](#), Zero Waste Europe submitted a [letter co-signed by one-hundred-and-three civil society organisations](#) from all over the world urging the CBI to exclude waste-to-energy incineration as a climate mitigation strategy.

In a similar move, a group of more than fifty environmental, social justice and human rights NGOs sent an [open letter](#) to the Commission Expert Group working on an EU Sustainable Finance Taxonomy asking to keep waste incineration out of the scope of green finance.

In conclusion, the Climate Bonds Initiative has had every opportunity to come to terms with the data provided by a large community of stakeholders involved in the waste management sector, and yet it has not excluded waste incineration from its eligibility criteria outside the EU - impacting primarily on countries from the Global South.

2. Sustainable finance in the EU context

The [Sustainable Finance Regulation](#), approved last December 2019 by the European Council and pending confirmation by European Parliament, labelled activities leading to significant increase of waste incineration as harmful to environmental(?) objectives and added that sustainable finance activities should aim to minimise incineration. 'Sustainable finance activities' are those that can make a substantial contribution to climate change mitigation and which do no significant harm to other environmental objectives.

This list of sustainable finance activities is included in the '[EU Taxonomy Regulation](#)', which is a key part of the [EU Action Plan on Sustainable Finance](#), and will become the basis for the development of new regulatory frameworks for the financial sector. In this sense, the EU Taxonomy report determines the scope of what activities, investments and assets are and are not supportive of a transition to a low emissions, climate-resilient economy, in accordance with the Paris Agreement, the Sustainable Development Goals (SDGs), and the European Commission's long-term decarbonisation strategy which aims for carbon neutrality by 2050.

Under the Taxonomy regulation, **economic activities must be assessed to ensure they do not cause significant harm to other environmental objectives other than climate change, such as the transition to a circular economy, waste prevention and recycling, amongst others.** This assessment ensures that progress against some objectives are not made at the expense of others and recognises the reinforcing relationships between different environmental objectives.

The EU Taxonomy, therefore, excludes waste incineration in the draft report as it may harm one of the EU's key environmental goals, that is to ensure the **transition to a circular economy. This requires waste prevention and recycling, excluding any activity leading to significant inefficiencies in the use of materials in one or more stages of the life-cycle of products. This includes durability, reparability, upgradability, reusability or recyclability of products; or where that activity leads to a significant increase in the generation, incineration or disposal of waste.**

In the light of the EU Taxonomy Regulation, it is expected that other sustainable finance initiatives will consider its criteria and not undermine its principles, therefore following on the exclusion of waste-to-energy incineration in similar regulations.

3. Pollution not allowed in the EU, but pushed in the Global South

The CBI's Waste Management Criteria takes note of the Sustainable Taxonomy and has "decided that it will not currently regard EfW¹ facilities within the EU as eligible, because it does not wish to undermine those objectives and guidelines within the EU." Yet the Criteria allow for the certification of EfW facilities in all jurisdictions except the EU.

This is an extraordinary double standard, that undermines environmental and social justice objectives in the Global South, where the waste incineration industry has a market to expand. It also shows a misunderstanding of the needs and realities of these countries and the ambition that is needed at the global level.

Waste-to-energy incineration is not an appropriate technology in the Global South².

¹ EfW stands for Energy from Waste, an industry term for waste incineration

² Global Alliance for Incinerator Alternatives, [ADB & Waste Incineration: Bankrolling Pollution, Blocking Solutions](#). November 2018, pages 13-15.

The following key factors should be recognized:

- Per capita waste generation is low, and waste composition in Global South countries is mostly organic.
- Countries in the Global South often lack the necessary technical resources and infrastructure to effectively monitor and hold accountable operators of environmentally and socially sensitive infrastructure.
- Many countries in the Global South lack the waste infrastructure and associated policy frameworks that address approaches higher up the waste hierarchy, and which need to be prioritized instead of waste incineration.
- Support for incinerators locks Global South countries into a destructive, linear resource management and development model.

The CBI Waste Management Criteria approves the eligibility of waste incineration projects outside the EU, subject to two conditions aimed to address concerns over incineration displacing recycling. In this way, the CBI recognises that incineration can displace recycling by either burning recyclable materials present in the residual waste stream or by creating a financial lock-in where green finance is diverted away from new recycling, re-use or waste prevention activities. Unfortunately, the measures introduced to prevent these threats are insufficient, as explained below.

4. Misleading the public about burning plastic

The CBI recognises that incineration can displace recycling by burning recyclable materials present in the residual waste stream, which would increase the carbon intensity of the electricity produced by burning waste. This would be particularly problematic when the recyclable materials are fossil-based plastics. Moreover, as the local electricity grid is increasingly decarbonised, electricity from waste incineration will be increasingly carbon-intensive in comparison and would ultimately produce a net impact on climate change.

In order to address this issue, CBI introduces a qualification requirement whereby the average net carbon intensity of the electricity (and/or heat, but waste heat from incinerators has never been successfully used in the Global South) produced over the planned lifetime of the plant, must be less than the carbon intensity of electricity (and/or heat) produced by a qualifying EfW plant (i.e. 25% electrical efficiency) when both dense and film plastics are removed from the waste input.

This qualification requirement is termed the 'waste management allowance'. In order to qualify for certification under the Criteria, EfW plant must therefore demonstrate that the average carbon intensity of the electricity produced is less than the average carbon intensity for delivering management of residual waste when potentially recyclable dense and film plastics have been removed. It does not matter how this carbon intensity is achieved or when, as long as the average over the life of the plant meets the requirement.

So, it is useful that CBI establishes criteria to limit the carbon intensity of the electricity of the plant, and acknowledges that plastics in feedstock should be removed to prevent the increase the carbon intensity. But in fact **it does not require the actual removal of the plastics as long as the plant can find a way to offset the equivalent carbon in other ways and not necessarily at the same time.**

In effect, CBI establishes an offset mechanism to compensate for the presence of plastics in the feedstock but it does not address the actual issue. **This mechanism does not necessarily prevent actual fossil-based recyclable materials from being burnt.** Since some incinerators have been [found to burn up to 85% of recyclable feedstock](#), the lack of requirement to avoid the burning of valuable resource highly problematic.

Furthermore, it is unclear how this mechanism is meant to be enforced, monitored and improved when necessary. Within the UNFCCC protocols, offset mechanisms such as the Clean Development Mechanism or the EU ETS are known to be a fertile ground for accounting errors and inefficiencies. Even more so, if they are applied in the context of Global South countries, which lack the waste infrastructure and associated policy framework. There are no real grounds to expect that this mechanism will successfully prevent the burning of recyclable plastics and avoid being a net burden onto the electricity grid.

5. Falsely avoid the lock-out of recycling

The CBI Waste Management Criteria also recognises that waste incineration can displace recycling when a municipality gets locked into a residual waste management contract, causing the diversion of green finance from new recycling, re-use or waste prevention activities.

To address this issue, CBI has created a table to predict the recycling rates of a given context and restricts the eligible waste incineration facility to a capacity below the level that would contradict or jeopardise the expected recycling rate over its 25 year lifespan. The formula is based on the recycling rates at the EU level between 2004 and 2014, and it applies as well an expected 1% annual increase in recycling according to the EU current policies. In this way, a waste incineration plant **will not be eligible for certification if its capacity is greater than the amount of residual waste that would presumably be available, as predicted by the CBI's table³.**

While it is positive that the CBI recognises the threat of waste incinerators towards the upper tiers of the [Waste Hierarchy](#), the measure applied remains highly ineffective and problematic, given the following:

- Taking the reference years 2004-2014 and predicting the same behaviour through 2020 is completely inadequate since the policy content is different and therefore the same rate of change cannot be assumed.
- It's such a massive generalisation to take the recycling pattern in the average of the EU and consider that can be adequate to predict behaviour in other countries in the Global South. In fact, recycling rates in less developed countries are generally higher than in the EU, thanks to a robust informal sector.
- Many places where zero waste programmes have been implemented do not follow such slow pattern, but they can be much faster, therefore an incinerator will compromise and slow down the recycling rates. For example, [the city of Sălacea](#), located in the north-west of Romania, not only managed to quickly rise from almost no waste recycling to 40% in 3 months but also how the community reduced their overall waste generation by 55%.
- In the Global South, where recycling data is mostly informal, the official figures will tend to underestimate the potential for waste reduction, reuse and recycling, therefore the calculations for the incinerator plant will be overestimated.
- This measure fails to address the causes of the financial lock-in created by waste incineration facilities. Even if the capacity of the waste incinerator plant is restricted it will still require a large investment and therefore prevent green finance from supporting waste prevention, reuse and recycling.

³ Third column of Table 13 available at Waste management Background Paper: www.climatebonds.net/files/files/Waste%20Management%20Background%20Paper%282%29.pdf

6. Conclusion and recommendations

CBI recognises that there is a rationale for excluding waste incineration from its Criteria. Since incineration takes out of circulation potentially recyclable materials, and it diverts green investment away from activities higher up the waste management hierarchy, it will undermine the Paris Agreement goals of establishing a zero-waste circular economy as quickly as possible.

However, it still views incineration as a potentially transitional technology outside the EU, so long as lock-in of such technology (and lock-out or delay of alternative investments higher up the waste management hierarchy) is avoided.

Clearly, the measures included in these Criteria will not avoid the displacement of recycling or the lock in of green finance for incineration in developing countries. Not only are the measures themselves weak, but it is particularly unclear as to how they will be implemented, monitored, and ensured to compliance.

Furthermore, it is hard to understand how CBI can consider a transitional technology to have a lifespan of 25 years - such incinerators - which can actually increase considerably if the construction phase it's included. This timeframe is in direct contradiction with the Intergovernmental Panel on Climate Change advice to plan climate action over the next 10 years, which is the amount of carbon budget left.

In the light of the above, Zero Waste Europe strongly recommends policy-makers and experts working on sustainable finance the following:

- Incineration of waste should be excluded from receiving any form of sustainable or "green" finance.
- Sustainable finance criteria for the waste management sector should focus on driving green finance to the upper tiers of the Waste Hierarchy, in particular source reduction and solutions for source-separated organic waste.
- Sustainable finance for Global South countries should take into account the specific circumstances of those countries. In particular, sustainable finance should support the inclusion of the informal waste sector, which provides an excellent opportunity to improve environmental outcomes, reduce greenhouse gas emissions, and improve social outcomes.

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Zero Waste Europe 2020



Zero Waste Europe is the European network of communities, local leaders, businesses, experts, and change agents working towards the same vision: phasing out waste from our society. We empower communities to redesign their relationship with resources, to adopt smarter lifestyles and sustainable consumption patterns and think circular.



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