Circular Economy Solutions Dialogues (CESD)

EPR Finance: Unlocking Investment for Circular Economy Infrastructure

Online session | Wednesday, 22 October 2025 | 14:00–15:00 CEST

Brief note *(internal - for CESD participants)*

The session was attended by approximately 25 participants bringing together Circular Economy stakeholders to examine how Extended Producer Responsibility (EPR) can function as a financing and market-creation mechanism for circular economy infrastructure.

The discussion focused on how EPR systems can unlock capital flows, reduce investment risk, and support the development of sorting, recycling, and recovery capacities, moving beyond the financing of waste collection toward sustainable, investable business models.

Key points from the discussion

EPR as the primary financing backbone

Across cases, EPR was presented as a system where producers bear full financial responsibility for post-consumer waste management through fees. These fees form the core, and often the only, stable funding stream for infrastructure development. In this model, public budgets play a limited or no role, and EPR organizations (PROs) act as intermediaries that allocate funds across the value chain via contracts and tenders. This creates predictability for operations, but also places strong pressure on PROs to balance fees, operational costs, and infrastructure needs without profit distribution.

Infrastructure investment barriers under EPR systems

A recurring challenge is the front-loaded capital requirement for investors. Companies wishing to enter the market must often invest in infrastructure upfront, obtain regulatory authorisation before operating, and wait extended periods before securing contracts and revenue. This creates a significant entry barrier, particularly in early-stage EPR systems, and slows the development of sorting and recycling capacity. Short contract durations further weaken investment incentives.

Contract design as a de-risking instrument

Long-term contracts emerged as a key tool to make recycling and sorting investable. Examples discussed included extended contract durations (e.g., 10–15 years) to allow cost recovery, stable volume commitments linked to EPR targets, and clear allocation of responsibilities across the value chain. Without sufficient contract length and certainty, private investors struggle to justify infrastructure investments, particularly in capital-intensive recycling facilities.

Role of municipalities

Municipalities play a critical but uneven role. While often responsible for collection infrastructure, they may lack clear obligations to cooperate with PROs, delay agreements, slowing system rollout, and have limited access to funding and technology, resulting in low-efficiency facilities. Some options discussed included collective municipal agreements or associations, which can accelerate implementation and reduce transaction costs, though structural coordination challenges remain.

Moving beyond waste management to market creation and upstream integration

The session emphasised that EPR should not focus solely on downstream waste management. Particularly in complex sectors such as textiles, effective EPR design must integrate reuse and second-hand markets, eco-design and material choices, consumer behaviour and awareness. Pilot approaches and transition phases were highlighted as valuable tools to generate data, align stakeholders, and avoid setting unrealistic targets that could undermine system credibility.

Data, traceability, and transition phases

Lack of reliable data on material flows and traceability remains a major constraint for both regulation and investment. Participants stressed the importance of transition phases before full EPR obligations apply, allowing capacity building, market learning, and alignment between public authorities and producers. Communication, stakeholder engagement, and visibility were also identified as essential to build trust and legitimacy.

Takeaways and suggested follow-up areas

- EPR fees can create stable financing, but on their own may not be sufficient to accelerate infrastructure investment.
- Investment risk must be actively managed through long-term contracts, realistic targets, and phased implementation.
- Infrastructure development is the critical bottleneck, not collection alone.
- Municipal coordination and regulatory clarity significantly influence system performance.
- EPR systems are most effective when they support broader circular value chains, including reuse and design for circularity.