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HM Treasury

Local Government Association

Llywodraeth Cymru
Welsh Government

pEPR, DRS, ETS overview and impacts

06 February 2026

WHO WE ARE

Local Partnerships delivers value and efficacy for the public purse.

We're a key interface between local and central government, providing expert advice and practical resources alongside project/programme delivery support, enabling public services to thrive.

We are **jointly owned by the LGA, Treasury and Welsh Government, we work solely for central government departments, The Welsh Government, Councils and Combined Authorities.**

Whether supporting and **accelerating the delivery of major infrastructure**, tackling climate challenges **through waste efficiency and renewable energy** propositions through to **wider place-making initiatives**, we help transform services across the public sector ecosystem.

Agenda

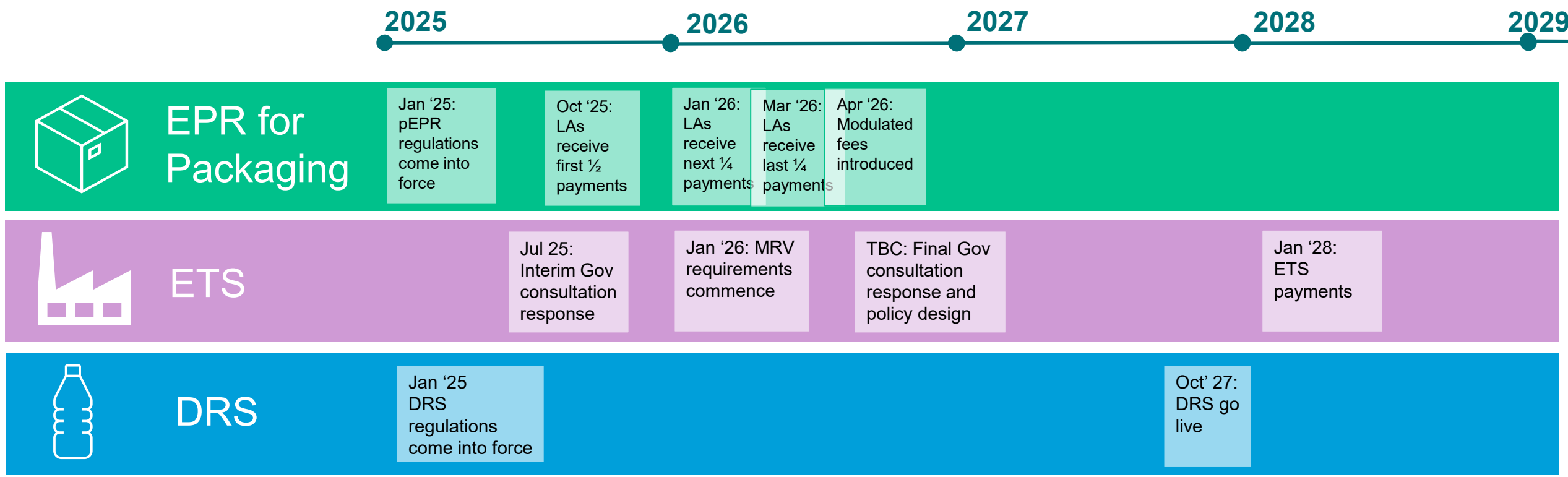
1. Overview of policy areas
2. Policy details
3. Steps to get organised
4. Indicative costs
5. Mitigations
6. ETS contract considerations

1. Overview of policy areas

Policy Overview

Policy	Overview
Packaging Extended Producer Responsibility (pEPR)	Requires producers of packaging to cover the full costs of collecting and disposing of it. LAs receive payment for collecting and disposing of packaging waste (other than containers in DRS scope). Reduced payments if services not ‘efficient and effective’ (from year 2).
Deposit Return Scheme	Places a redeemable deposit on single-use plastic and metal drinks containers between 150ml and 3l. (Not including HDPE or glass) from Oct 2027.
Emissions Trading Scheme	Changes to the scope of the existing UK Emissions Trading Scheme to include energy-from-waste and waste incineration. Operators will be required to monitor and report emissions and buy sufficient allowances for fossil carbon emitted. Monitoring and reporting from Jan 2026 with full participation from Jan 2028. Further details of the scheme are awaited.

Timeline – Policies and Options



2. Policy details

Packaging Extended Producer Responsibility

Extended Producer Responsibility (EPR) for packaging is designed to shift the net efficient costs of managing household packaging waste from local authorities and taxpayers to the businesses that produce and sell packaging. From 2025, some organisations and businesses will have to pay a fee for the packaging they supply to or import into the UK market. Local authorities receive payment for the net costs of efficient collecting, managing, recycling and disposing of household packaging waste.

Overarching Impacts and Considerations

Operational

- flow & composition of materials into transfer / processing / disposal facilities
- data requirements
- potential improvement actions
- staff training

Financial

- pEPR payments (modelled) for efficient and effective service (covers packaging element, DRS materials excluded)
- financial planning and timescales
- change in basket of goods composition and value
- impact on residual waste disposal costs – i.e. any changes in gate fee banding

Contractual

- transfer and MRF / processing – materials, tonnages, risk/reward share impacts
- residual treatment – composition and tonnage implications (specification and guaranteed minimum tonnage)

Infrastructure

- transfer and MRF / processing – materials, tonnages, risk/reward share impacts
- residual treatment – composition and tonnage implications (specification and guaranteed minimum tonnage)

Deposit Return Scheme

The Deposit Return Scheme (DRS) is a system designed to increase recycling rates and reduce litter by placing a small deposit on in-scope single-use drinks containers. The scheme will cover plastic and metal containers but exclude glass. Consumers pay this deposit when purchasing a drink and get it refunded when they return the empty container to a designated return point. The scheme will be introduced from October 2027.

Overarching Impacts and Considerations

Operational

- routing and round optimisation
- flow & composition of materials into transfer / MRF / processing
- street cleansing / litter impacts

Financial

- reduction in litter costs
- reduction in residual costs
- reduced processing costs (tonnage)
- reduced value of materials / basket of goods

Contractual

- transfer and MRF / processing – materials, tonnages, risk/reward share impacts
- residual treatment – composition and tonnage implications (spec and GMT)

Infrastructure

- sorting of deposit bearing materials
- transfer / MRF reconfigurations
- EfW minor CV and tonnage changes

Emissions Trading Scheme

The Emissions Trading Scheme (ETS) is a cap-and-trade system designed to reduce fossil-based greenhouse gas emissions. It sets a limit (or “cap”) on total emissions from certain sectors, and companies must buy or trade allowances to cover their emissions. In July 2023 the UK ETS Authority confirmed its intention to include waste incineration and energy from waste (EfW) in the scheme from 2028, preceded by a 2-year transitional phasing period, with monitoring, reporting and verification (MRV) requirements from 2026. In July 2025 the ETS Authority published a partial response to the latest consultation indicating that monitoring of emissions from January 2026 would be voluntary. Further details of the scheme are awaited.

Overarching Impacts and Considerations

Operational

- MRV requirements
- sampling considerations

Financial

- costs can be passed through from operator under QCiL
- MRV costs from 2026
- carbon costs from 2028
- costs of mitigation: Prevention, Recycling, Pre-sort, End of pipe
- financial support for CCUS
- heat network implications (tbc)
- potential for ‘negative emissions’ credits

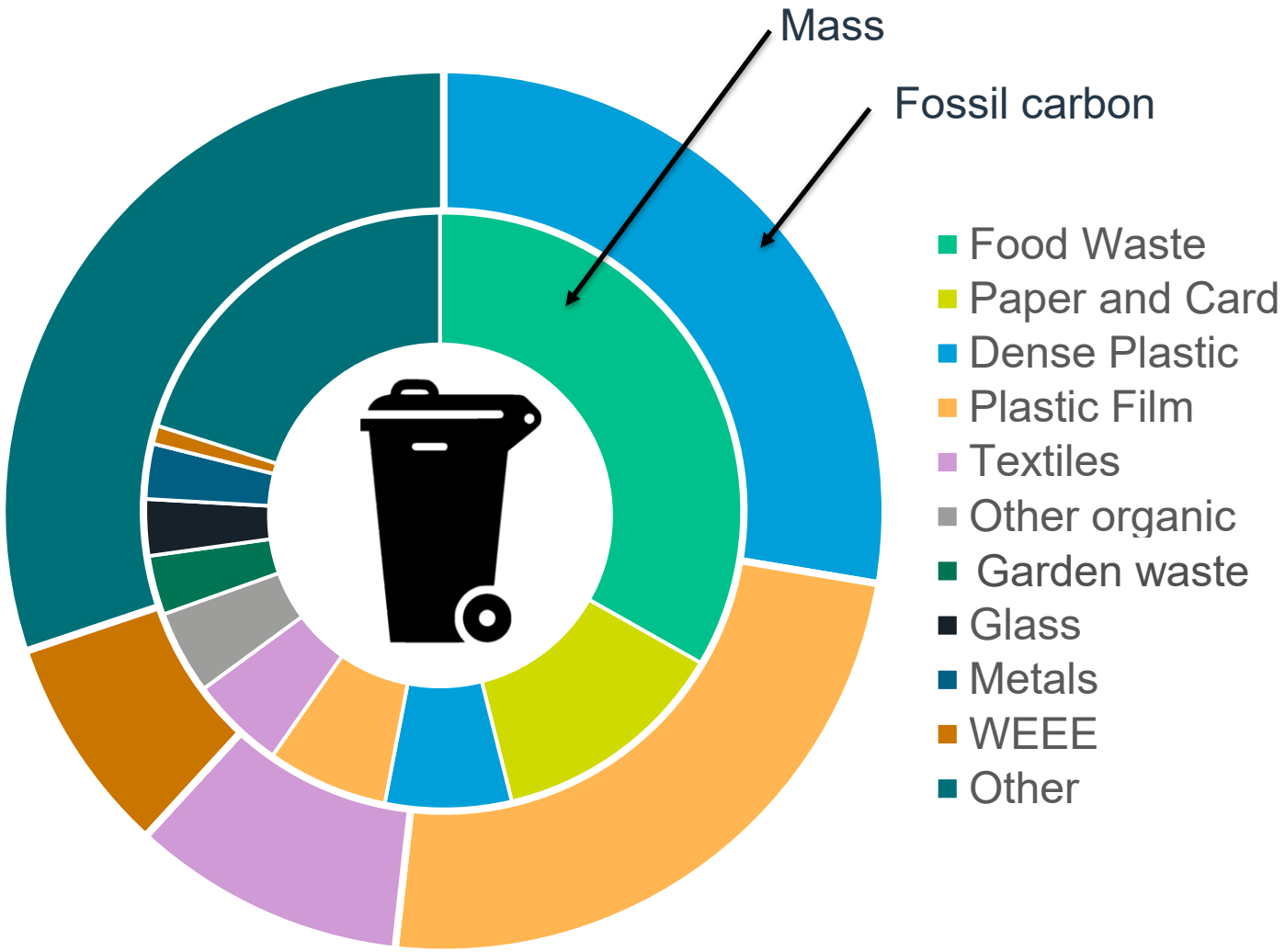
Contractual

- cost pass through mechanisms to be determined
- partnerships and third party waste considerations
- residual treatment – composition and tonnage implications (CV, spec and GMT)

Infrastructure

- addition of monitoring equipment requirements if utilising stack emissions monitoring
- pre-sort / heat network / CCUS adaptations if utilising
- CV change impacts

The importance of composition



3. Steps to get organised

Steps to get organised

- Analyse **composition** of waste – Understand quantities of fossil-based materials in your waste.
- **Review** your services & establish quick wins
- **Understand** your contractual position
- Set out a **strategic** direction & consider impacts of other policy reforms
- Consider wider **infrastructure** implications
- Review **capacity** of recycling processors

Steps to get organised

- Make **financial** provision from 2028 (medium term financial plans, corporate risk registers)
- Outline the future impacts to key **stakeholders** and seek agreement on mitigation plans
- Consider impacts and mitigation on **commercial** services
- seek **professional** advice and support where necessary
- **Reduce** overall waste and then apply waste hierarchy to fossilised content

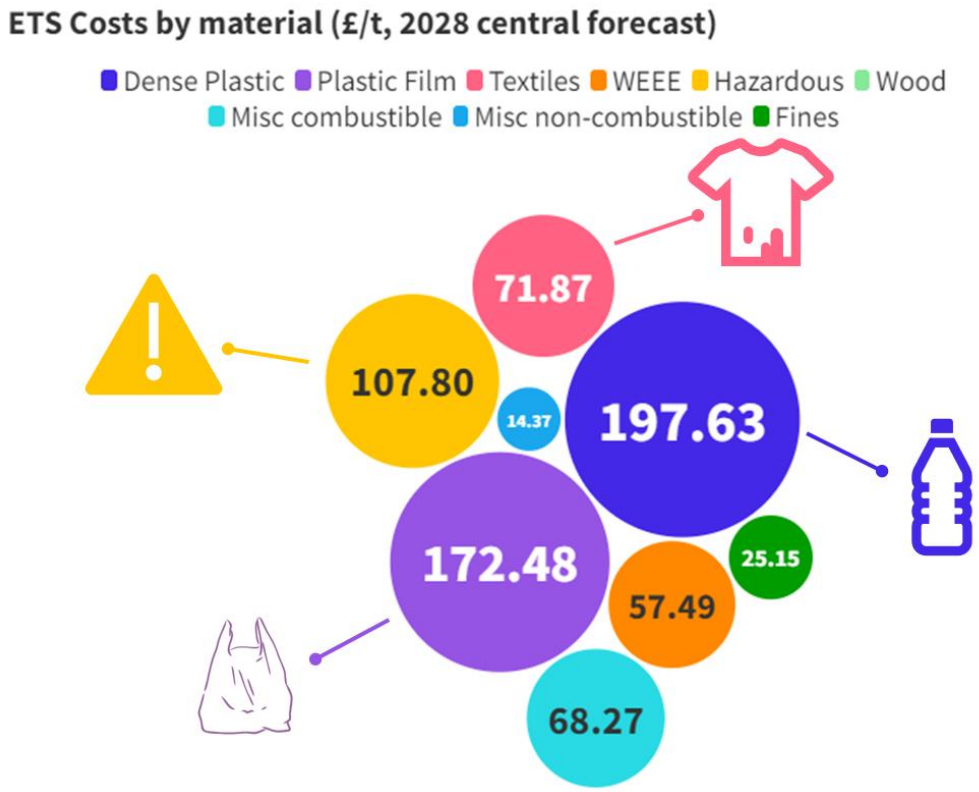
4. Indicative costs

What are the costs for complying with the ETS?

Authority	Authority A
Residual waste (t)	120,000
Year	2028
Fossil derived tCO2e/ t waste	0.4
Modelled £/tCO2e in 2028	£98

£4.67m

= £39 / tonne waste



5. Mitigations

Remove carbon before incineration

	Description	Opportunities	Challenges
Waste Reduction	• Waste reduction through prevention and reuse activities	• Save gate fee and ETS costs • Consider service design to minimise waste and maximise reuse	• Potential service design constraints • Behaviour change
Recycling - Kerbside	• Segregation of materials at the kerbside for recycling – collections options / campaigns	• Capture of carbon in material form • Target high carbon materials • Higher quality materials	• Potentially increased collection costs • Not all carbon is removed
Recycling – Mixed waste sort	• Mixed waste sort of residual waste prior to incineration	• Save gate fee and ETS costs. • Utilise existing MRF	• Requires suitable offtake routes • Fluctuation in value of materials and net costs • Not all carbon is removed

Remove carbon post combustion / limit exposure

	Description	Opportunities	Challenges
CCUS	• Install CCUS technology at facility	• Removes c. 90% of emissions • 'Negative' emissions from biogenic fraction	• High capital and operating costs
CHP	• Install CHP	• Emissions associated with heat MAY be offset to incentivise CHP (as yet unknown)	• Requires facility to be CHP ready • Requires suitable heat offtake demand • Doesn't prevent or capture emissions

6. ETS Contract Considerations

Contract considerations

- ETS is likely to be a Qualifying Change in Law
- process for contractor to secure a good auction price
- additional cost passthrough
- attributing ETS cost to each facility customer – on going work

Resource Hub

Questions?

See our website for free guidance

[Navigating waste policy toolkit - Local Partnerships]

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