

## Executive Summary

# “Investing in Impact: Shaping the Financial Framework for the Global Plastics Treaty”

### Executive-level Breakfast Roundtable Sunday, 22 September 2024, New York:

The outcome of the global agreement to end plastic pollution must be ambitious, feasible, and equitable for the developing world, recognizing that different countries face unique challenges and require tailored solutions, all with circularity at the core.



Transitioning from a linear to a circular plastics economy requires a complete system overhaul and extensive financing beyond the capacity of any single state or industry. Unlocking private-sector financing is often seen as a key challenge to achieving circularity. While there are differing views on how to finance this system change, we believe unified financing principles that incorporate waste management, and trade considerations are essential.

Building on the outcomes of the recent intersessional meetings in Bangkok, the WPC organized a thought leadership event on the sidelines of the United Nations General Assembly (UNGA) High-level Week and Climate Week. This gathering brought together leading experts to discuss sustainable finance mechanisms in the context of the Global Plastics Treaty, ahead of INC-5 in Busan.

The event explored critical considerations for creating an effective framework to address the challenges of financing a global program that supports the 3 billion people affected by waste management issues. It focused on how an International Legally Binding Instrument on Plastic Pollution (ILBI-PP) could foster an investment climate that encourages both private and public funding solutions, ensuring the necessary resources to meet its objectives and support societies and economies worldwide.

### Some key discussion takeouts and summaries

Moderated by **Clémence Schmid**, Director, Global Plastics Action Partnership, World Economic Forum, this meeting featured opening remarks from **Inger Andersen**, Executive Director, UNEP and the **Hon. Toeolesulusulu Cedric Schuster**, Minister for the Environment and

Environment for Samoa and SIDS<sup>1</sup>. It included leading experts, and decision-makers from governments, international financial institutions, industry value chains, and multilateral organizations. Key takes outs included:

- The need for diversity of solutions (impact-based), with incentives designed according to the economics and required policy levers;
- Access to data and subsequent funding is key– not enough funds to go around;
- Waste must be viewed as and become a revenue driver;
- Learn from models which are/have been “tried and tested” in different parts of the world;
- Policies which also encourage and stimulate investment into small and micro-businesses;
- Mandatory recycled content targets for plastics – a key policy ask from industry;
- Challenges to success: scaling up, alignment and enforcement.

### **Treaty Implementation and Challenges**

The complexities and challenges of implementing a Global Plastics Treaty (GPT) to end plastics pollution was discussed. While there is consensus on the need for significant investments, differing views remain on how to achieve these goals. The GPT should not be inferred as anti-plastic but rather aims to manage plastics in the environment by focusing on upstream measures such as design for recycling and reuse, end-of-life management, sound waste management, and legacy considerations.

The importance of a just transition was also emphasized, ensuring that those affected by pollution and workers in the plastics industry are equally considered. The conversation highlighted the need for a clear definition of sectoral approaches, especially in how different industries, such as aviation and consumer goods, will be affected.

The role of public and private collaboration in building waste management capacity, particularly in small island developing states, was raised, with recognition of the diverse circumstances and challenges faced by different regions. Concerns were raised about the lack of a standard method to measure plastic waste, the need for accurate data, and the risk of fragmentation in negotiations.

The discussion also touched on the importance of aligning incentives with sustainability goals and the role of regulation in driving recycling and circularity, though challenges remain in securing sustainable feedstock and making the economics of recycling work.

Overall, there was a call for a balanced approach that merges profitability with sustainability, supported by clear benchmarks and government involvement to guide the transition. The need for a result-based approach, where funding and efforts are directed to where they are most effective, was underscored as crucial for the success of any global plastic management strategy.

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<sup>1</sup> SIDS – Small Island Developing States - <https://sdgs.un.org/smallislands/about-small-island-developing-states>

## **Measurement and Reporting**

The critical need for accurate data and standardized methods for measuring plastic waste, similar to systems in place for carbon dioxide was emphasised. Participants highlighted the importance of mandatory reporting, transparency, and clear evaluation processes to ensure that countries provide reliable data. Concerns were raised about the lack of a clear definition or standard language to address and measure circularity in the plastics industry.

The conversation highlighted the necessity of establishing the right benchmarks to effectively measure impact, which would help direct financial resources where they are most needed, utilizing both incentives and penalties to drive progress.

## **Waste Management, Recycling, Circularity**

The challenges and opportunities in managing the end-of-life of plastics, particularly in terms of recycling and waste management were heavily discussed, with emphasis being placed on the need for clear recycling targets and the importance of integrating public and private solutions to build capacity. Waste must be viewed and become a revenue driver. This is especially needed in regions like small island developing states where waste management is a significant economic challenge.

Participants noted the necessity of improving recycling and circularity with examples including pre-policy investments aimed at developing near-term solutions for waste management instead of waiting on governmental action. Innovation and collaboration between public and private sectors were identified as key drivers to enhance recycling infrastructure and create sustainable business models. However, there was a point of tension as to whether regulation was seen as potential inhibitor or accelerator for innovation. The conversation also addressed the need for better alignment on circularity targets, addressing misconceptions about the recyclability of plastics, and ensuring that recycling technologies are both viable and scalable.

Finally, the need for fiscal mechanisms at the country level to support waste management and the importance of balancing sustainability with profitability in business models were underlined as critical elements for advancing the Global Plastics Treaty agenda.

## **Extended Producer Responsibility (EPR)**

Extended Producer Responsibility (EPR) was considered in driving sustainable practices and financing within the packaging and waste management sectors. While there was broad support for EPR as a tool to close the gap between the cost of collecting recyclable materials and their market value, the conversation also noted that EPR is not a one-size-fits-all solution and comes with its own set of challenges. Examples from regions like South Africa demonstrated that with proper vision and adaptation, EPR can achieve significant results, but it requires a robust regulatory framework and waste collection infrastructure.

Concerns were raised about integrating EPR into existing systems without mistakenly becoming greenwashing, and the need for a blend of innovative financing solutions was emphasized. There was also discussion about whether a regional approach to EPR could address challenges faced by small island developing states (SIDS) where scale is an issue. While EPR holds promise, it was recognized that the economics and implementation hurdles

need to be carefully addressed, particularly in the context of global treaties and diverse local needs.

### **Regulatory Framework & Industry Involvement**

A robust regulatory framework to support sustainable transitions is vital, particularly in the context of product design, performance, and chemical regulation. There was a call for the establishment of a scientific body similar to the IPCC<sup>2</sup> to guide these efforts, along with legislative support for the Global South to manage the transition effectively. The importance of involving all key stakeholders in building a financing framework was also emphasized, as was the need for a balanced approach that does not place the entire financial burden on the public and private sector alone.

The conversation stressed challenges posed by regulatory complexity, especially in industries like semiconductors and green hydrogen, and the need for protection against less sustainable imports. The role of regulation in making recycling profitable and incentivizing investment was discussed, with examples from Europe and Canada.

Additionally, concerns were raised about the effectiveness of Extended Producer Responsibility (EPR) and recycling economics from a regulatory perspective, calling for deeper exploration of what is working and what isn't. The discussion concluded with a recognition of the core role governments play in facilitating transitions.

### **Trade and Global Market Dynamics**

The intertwined complexities of trade and recycling are already challenging but exacerbated for regions such as SIDS where isolation from markets makes recycling expensive. While some view regulations as trade barriers, they are not intended as such.

The issue of fossil fuel subsidies was raised, as they make virgin plastics cheaper than recycled materials, creating a disadvantage for sustainable practices. To address this, policy reforms and financial incentives are needed to promote recycled plastics and drive the shift toward a circular economy. The discussion also highlighted the need for regulatory measures to protect against imports of less sustainable products, emphasizing the importance of a level playing field. Additionally, it was noted that trade can play a positive role by facilitating the movement of plastics from regions that lack recycling capabilities, such as Small Island Developing States (SIDS)

### **Financial Mechanisms & Economic Considerations**

Learnings from financial strategies and models that have been 'tried and tested' in different parts of the world must be applied to support effective and sustainable transitions. Participants emphasized the need to identify principles, policies, and financing mechanisms that work, considering both public and private funding sources. The complexity of implementing a global

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<sup>2</sup> IPCC - Intergovernmental Panel on Climate Change <https://www.ipcc.ch/>

plastic tax was also discussed, along with the importance of public-private collaboration to finance the transition, which requires significant capital.

Concerns were raised about how low-income countries and small island nations can manage these costs, with suggestions that funds should specifically support these regions. The need for profitable business models to drive innovation and align capital markets with environmental goals was also highlighted. One proposed solution is a voluntary plastics credit system to generate additional funds and stimulate investment. Another the need for impact-based investment funds to be strategically applied in addressing less obvious financing gaps within the circular economy. These funds can play a key role in supporting areas that are often overlooked but essential for driving sustainable progress.

While some initiatives, such as outcome bonds and investment funds, have shown promise, there were calls to ensure that financing mechanisms are both effective and accessible to local authorities. This is especially critical for developing economies with limited access to diverse funding sources. A reminder was given to balance sustainability with profitability and to develop mechanisms that support sustainable business models.

### **Environmental, Economic and Social Impacts**

The discussion touched on the challenges of implementing a production cap, particularly in light of the demands from emerging technologies like electric vehicles and alternative energy sources. Instead, it was suggested that efforts should focus on reducing short-lived and single-use plastics, which are significant contributors to pollution.

The discussions also focused on the widespread harm to coastal regions, marine ecosystems, and biodiversity, with particular concern for vulnerable nations and communities already grappling with multiple environmental, social, and economic challenges. The potential economic burden of plastic policies was also highlighted, especially for low-income countries and micro-businesses, as these measures could impact jobs and livelihoods.

Concerns were raised about the costs of switching suppliers and the additional burden this could place on smaller entities, particularly in a world already grappling with high levels of debt. The need for affordable financing for SMEs to manage this transition was emphasized, along with the importance of considering who benefits from these changes.

### **Innovation & Collaboration**

The importance of supporting existing efforts and infrastructure in addressing plastic issues was highlighted, while drawing parallels to past successes like the ozone treaty. There was a focus on leveraging current infrastructure to foster innovation, with examples like PepsiCo's acquisition of SodaStream. The need for tailored approaches was raised, recognizing that what works in developed markets may not be suitable for smaller nations.

Concerns were raised about regulation hindering innovation, stressing the importance of allowing time for progress. Investment in new recycling technologies and partnerships to improve processes, such as removing contaminants, was also discussed. The significance of

science, technology, and knowledge transfer in solving plastic-related challenges was discussed, along with the idea that industries, like the airline sector, could come together to decarbonize and address environmental impacts.

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### **About WPC**

The World Plastics Council (WPC) is a global association whose members represent 80% of global plastics production from Asia, the Middle East, North and South America, and Europe. As the global voice of the plastics industry, we consider it essential to facilitate dialogues across many sectors and regions to advance the transition to a circular plastics economy.