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Supporting documentation regarding waste incineration

Waste Incineration Should Be Included in the EU ETS to Drive Investment and Create Long-Term Regulatory Certainty

A Crucial Policy Choice: EU-Wide Incentives or National Measures?

The key question is how to achieve the transition of waste incineration towards very low or even net-negative emissions. Reaching such emission levels will most likely require substantial investments in carbon capture and storage (CCS/CCUS). The issue is therefore whether these investments should primarily be driven by national policy instruments or by incentives linked to the EU Emissions Trading System (EU ETS).

Including waste incineration in the EU ETS would bring the sector under a harmonized and long-term European climate policy framework while also providing access to EU funding mechanisms. This offers more predictable investment conditions over time than national subsidies and taxes, which often change alongside political priorities. An EU-wide system would also reduce the risk of Member States adopting different policy approaches that distort competition in the common European waste market.

Creating a Level Playing Field in the European Waste Market

Waste is effectively a traded commodity that moves across borders within the European Union. If some Member States put a price on emissions from waste incineration while others do not, unequal competitive conditions arise for the same type of activity. Harmonized policy instruments are therefore needed to ensure that waste is managed efficiently and in accordance with the waste hierarchy.

Including waste incineration in the EU ETS would ensure that the same carbon price applies regardless of the Member State in which an installation operates. This would reduce the risk of waste being transported over long distances solely to avoid carbon costs and would contribute to a more efficient and integrated European waste market, including more long-term investment security.

The EU ETS Creates Real Incentives for Emission Reductions

Swedish experience demonstrates that inclusion in the EU ETS has already influenced the behavior of the sector. Several waste-to-energy facilities now apply differentiated gate fees based on the plastic content of waste, investments have been made in post-sorting technologies to remove plastics, and a number of large facilities are planning significant CCUS projects.

These investments have become increasingly attractive as carbon prices have risen and the level of free allocation has declined. The EU ETS therefore provides a direct and technology-neutral incentive for operators to reduce emissions and invest in low-carbon solutions.

At the same time, Swedish experience suggests that concerns about large cost impacts on households are often overstated. Inflation-adjusted waste collection fees in Sweden are estimated to have increased by only around 16 percent between 2014 and 2025, despite the fact that EU ETS allowance prices increased by more than 1,100 percent during the same period.

CCS Requires Early and Strong Investment Signals

The EU's climate targets for 2040 and 2050 imply that emissions from the waste sector must decline substantially. At the same time, the European Commission has identified waste incineration with carbon capture as one of the most cost-effective sources of permanent carbon removals. However, turning these opportunities into reality will require large-scale investments over the coming years.

An earlier and clearer inclusion of waste incineration facilities in the EU ETS would provide operators with both a long-term carbon price signal and access to European investment instruments. This would increase the likelihood that CCS projects are implemented in time to contribute meaningfully to the EU's climate objectives.

If the sector instead relies primarily on national measures, investments risk becoming dependent on short-term budget decisions and changing national political priorities. Such uncertainty could delay projects that are critical for achieving long-term climate goals.

Conclusion: The EU ETS Is the Most Durable Long-Term Solution

If waste incineration is to transition towards very low or negative emissions, the sector needs clear, long-term, and technology-neutral incentives. Swedish experience shows that the EU ETS has already contributed to investments that reduce emissions while the impact on household waste fees has remained limited.

An EU-wide system creates a level playing field across Member States, provides access to important EU funding mechanisms, and strengthens the business case for the CCS investments that will likely be required to meet future climate objectives. For these reasons, waste incineration should be fully included in the EU ETS rather than relying on a patchwork of national policy measures.