

## Waste management: drop in payments, lack of capacity

**A fundamentally new waste management system was launched in Russia in 2019. It was aimed at eradicating unauthorized landfills and encouraging new waste recycling facilities. Amid the COVID-19 pandemic now, the shortage of capacities is becoming evident: regional data is showing growth in municipal, medical and biological waste.**

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Over recent years, recycled materials were increasingly being used to feed new production. According to the plans of transnational corporations, the share of virgin feedstock should significantly fall in the nearest future. Separate waste collection, extended producer responsibility (EPR), and use of recycled feedstock are the key elements for development of the circular economy. This trend stimulates social responsibility and rational behavior not only within the consumer community but also gets the global chemical corporations involved.

Experts interviewed by CREON believe that it is necessary to introduce more advanced waste collection systems that provide for much better quality of collection. A representative of a Russian trading and manufacturing company says: "Processing plastic waste and separate collection remain relevant for our company. We are not using recycled feedstock in production yet but planning to do that. We would be happy to switch to recycled plastics, but the feedstock must be food-grade which is not available locally. It can be imported; however the price is high, so the economics is under question."

The representative of the Russian retail chain also believes that recyclable feedstock has become a loss-making burden for producers. Recyclables such as cardboard, batteries and plastic that the supermarkets are collecting, cannot be sold or even disposed of for free: "The collapse in oil price puts pressure on virgin feedstock, which makes recyclables less attractive. It has become difficult to receive cash: instead of a bargain when you compare income from selling this or that recyclable waste, you even have to pay sometimes. There is little economics in this, as the process is extremely sluggish now."

The shortage of feedstock acknowledged by the market participants is now being aggravated by new recommendations recently issued by Rospotrebnadzor, the consumer safety watchdog in Russia. During pandemic, it is not advised to perform separate waste collection. As noted by Elena Vishnyakova, deputy director of Ecoline, the regional waste management company: "Today, the cost of extracting a ton of recyclable materials from waste in compliance with law is 11-12 thousand rubles tax included, while the average market price for a ton of recyclables is 8-9 thousand rubles. In order to prevent the operators from making losses, it is necessary to develop a normal system of Extended Producer Responsibility that will support the recyclables price."

### **More municipal waste during lockdown**

The long-running self-isolation measures in Russia for the sake of preventing the spread of COVID-19 pandemic has led to 20-25% increase in the average volume of municipal solid waste (MSW) in apartment buildings and private houses, while the increase has reached critical levels in some regions. According to the largest Russian regional operator, MSW growth in Nizhny Novgorod and Tula regions has reached 40% and 60% respectively. Due to sharp increase in waste volumes, 11 Russian regions face the lack of space at authorized landfills: their capacity would suffice for less than a year. The problem is recognized in the regions, but the ecologists believe that the authorities will continue to dispose waste to landfills to 2023, even though the latter may not meet environmental and technical requirements. "As long as the option of unauthorized landfills exists, it will be utilized," says Boris Morgunov, director of the Institute of Ecology, Higher School of Economics. "It is essential to understand that the most important thing is to reduce waste generation and set up waste sorting. Encouraging the use of recyclables, eco-packaging, refusal to consume

disposable plastic and other eco-trends should be actively promoted which shall eventually decrease waste generation and shape environment-friendly consumer consciousness.”

At the same time, the shopping malls, cinemas, and public catering have suspended payments to regional waste operators. Ilya Gudkov, Head of Russian Ecological Operator says that "there is a critical decrease in waste fee collections at the moment." In April, the rate of collecting fees for residential waste fell to 60%, and it can drop to 40% if epidemiological restrictions are extended further. On top of that, the businesses are massively notifying waste operators about the inability to pay for waste. Many perceived the government's measures that supported population by prohibiting disconnection from utilities for non-payments as a permission to stop commercial payments till the end of 2020. In some regions, about 90% of companies are in such malpractice.

In mid-April, the government of the Russian Federation approved the first measure to support waste operators, compensating 20% of estimated revenue for the period from April to June. Additional support measures are discussed such as subsidizing loan interest rates, deferral of all mandatory payments and zero-rate VAT. These measures should reduce the burden on regional waste operators and prevent the situation with waste disposal and recycling from further deterioration.

### **25 new waste incinerators**

On May 14, Rostec, Rosatom and VEB.RF announced a consortium to build 25 waste incinerators in the Russian regions for processing of sorted waste into power. The project is estimated at approximately 600 billion rubles. The total processing capacity of the plants will be 13.75 million tons. "Russia is undergoing the reform of the waste management system, the purpose of which is to introduce separate waste collection and to achieve zero level of disposal to landfills. Construction of 25 modern waste-to-energy plants will prevent the emergence of over 80 new landfills, lead to shutdown of 25 existing landfills and save about 60 thousand hectares of land," said Sergei Chemezov, head of Rostec.

### **Medical waste operator**

The COVID-19 pandemic has raised another serious concern for the industry: there is no operator specialized exclusively in medical and biological waste collection and recycling. According to the Moscow region administration, about 100 000 tons of medical waste is generated annually in the region. Moscow city medical waste brought to the region is adding even more so that the total volume of medical waste exceeds 300 000 tons per year. Andrei Vorobyov, the governor of Moscow region has fears of environmental and epidemiological risks from disposing such waste since there is no state control over medical waste handling so far. "There is no tariff regulation of this activity. As a result, there is no investment to build a modern, high-tech, and safe industry of medical and biological waste disposal. The problem is getting worse as the coronavirus infection spreads out," says Vorobyov. Establishment of a specialized regional operator is planned and should be adopted by January 1, 2021.

The issue of regulatory deficiencies has been mentioned by participants of waste management conference, held by Creon Conferences. "Our recycling project is progressing, but the problem of waste collection remains, since legislation in this area has not yet been resolved," says a representative of the largest producer of polymer pipes in Russia. In April, the Industry and Trade Ministry of Russia had to adjust the legal acts defining the detailed procedure of recycling - conversion of waste into secondary resources. With the onset of pandemic, the issue has been postponed indefinitely.

"In a situation of low oil price, there is a temptation to give up on separate waste collection and recycling, as well as to reduce the share of recyclables in production. But we strongly recommend to market participants not to do so. In fact, they should triple their efforts, as their positions will be greatly strengthened after the crisis. Today, European customers are expecting that suppliers comply with the so-called ESG factors and global sustainable development goals. These

principles also include refusal to consume products made entirely from virgin feedstock,” says Florian Willershausen, Development Director at CREON Energy Fund.

*The issues and details of waste management system will be discussed in detail at the “Waste Management” Conference in Moscow, November 19<sup>th</sup> ([Program and registration](#)).*