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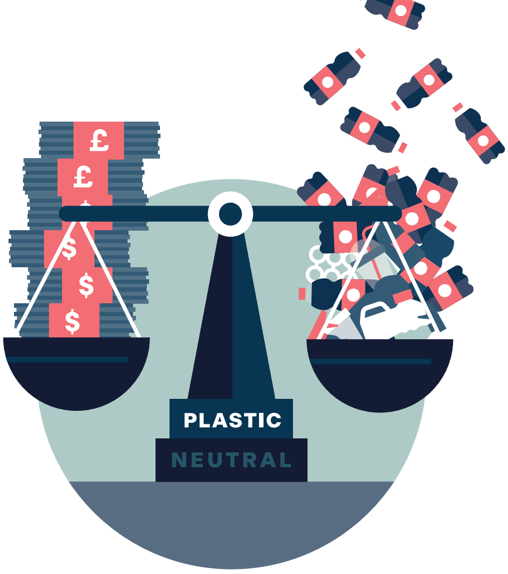
Fauna & Flora

Saving Nature Together

Plastic credits: dispelling the myth

The risks, uncertainties & recommendations



An evidence-based analysis of plastic credits

Plastic credits are touted by some as an attractive solution to the global plastic pollution crisis, but can these schemes really deliver long-term, or will they simply push the problem down the road - figuratively and literally?

In a newly released report commissioned by Fauna & Flora to examine a novel finance mechanism intended to reduce pollution, consultancy firm Eunomia investigates plastic credit schemes in voluntary and compliance markets. The report provides a critical and impartial examination of the most prominent credit-issuing schemes and examines current practices with regards to governance structures, financial flows and what happens to the plastic waste collected in return for credits, and analyses environmental and social concerns. Notably, it highlights that the concept may often differ from reality and offers recommendations for policy makers and businesses in order to support informed decision making.

Global challenges require innovative solutions and stable finance mechanisms, and as the international community grapples to change how we produce, consume and dispose of plastics there are many options on the table. In such a crowded space there is a significant risk that new, untested and underexamined solutions might appear attractive to policy makers and businesses as a quick fix to address plastic pollution, but in reality, might exacerbate greenwashing and false solutions that have unintended consequences – particularly for the people and nature involved. Worryingly, the evidence-based analysis of plastic credit schemes provided in this report indicates real concerns for the communities Fauna & Flora work with and the nature we seek to protect.

> “Plastic credit schemes pass the burden of the Global North's pollution on to countries less able to accommodate or safely process waste

What are plastic credits?

Plastic credit schemes are an emerging market-driven approach to address plastic pollution. Companies can purchase plastic credits from projects, often operating in least developed countries, that collect, recycle or manage plastic waste – as a means to deliver corporate social responsibility or to 'offset' their plastic pollution impact. Recent years have seen the proliferation of unregulated, largely unstandardised, voluntary 'plastic credit' schemes, variously offering to 'offset' a company's 'plastic footprint' or enable 'plastic neutrality'. In reality, this seemingly clean-cut, 'circular' process is much more nuanced: it raises significant questions about additionality; does little to reduce plastic production rates; risks exploitation of waste pickers and the communities closest to collection centers and crucially, assumes that collected plastic is managed comprehensively when in reality limited infrastructure and the complex design and chemical composition of plastics significantly hinders recycling processes and fuels harmful dumping and incineration practices.

Figure 1. Myth-busting infographic: Demonstrates the differences between assumption verses the reality of what happens to plastics post-use, and that plastic credit schemes operating within the current linear system does little to incentivise a reduction in plastic production and waste generation.

Illustration by Ed Harrison

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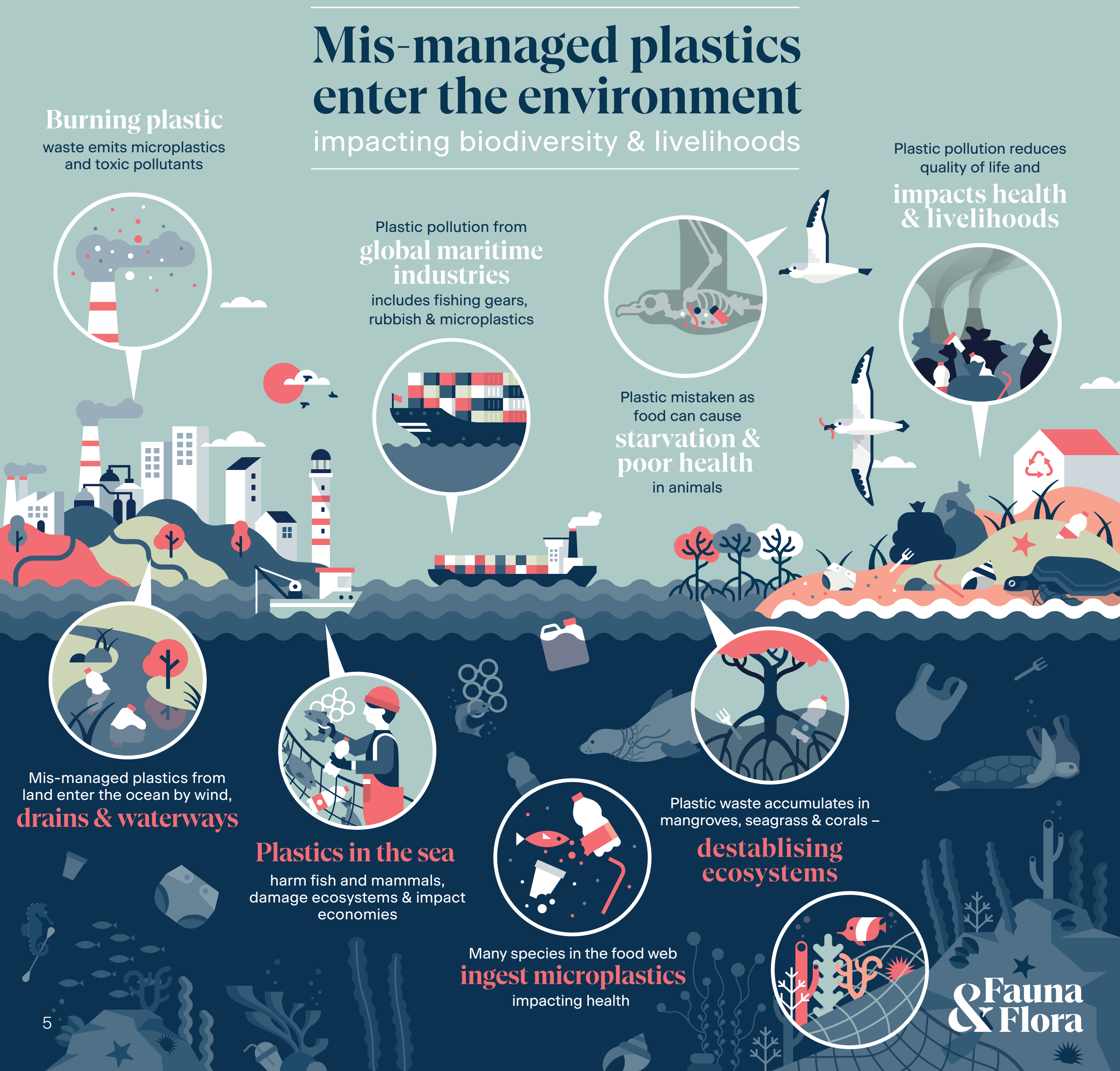
“Plastic credit schemes risk undermining truly transformative and systemic actions to tackle plastic pollution in the Global Plastics Treaty

Why should we be concerned about plastic credits?

Fauna & Flora is a biodiversity conservation organisation and together with its partners, has been advocating for effective, evidence-based, practicable solutions that tackle plastic pollution at source for over 12 years. Mismanaged plastics significantly impact the health and resilience of all communities and the ecosystems that they are reliant upon. Biodiversity loss is compounded by plastic pollution which destroys habitats and impairs or ends the lives of countless species around the globe. Yes, the world needs solutions to the plastic crisis, but quick fixes and temporary measures rarely deliver at scale and certainly fail to convey the full risks and potential consequences associated with them.



Plastic credits pose a high risk of greenwashing and may give companies a perceived carte blanche to continue business-as-usual, rather than making more costly investments and necessary systemic changes to reduce overall production and/or use of single-use, problematic and avoidable plastics.

Exploring Plastic Credit Schemes: Scope, risks and uncertainties

On the face of it, businesses and policy makers are being sold a clean, circular system that benefits less developed nations and the environment. The reality is that plastic credit schemes continue to pass the burden of the Global North's pollution on to countries less able to accommodate or safely process waste. Poorly operated and monitored projects may negatively impact waste pickers, including poor working conditions and unfair and/or delayed wages.

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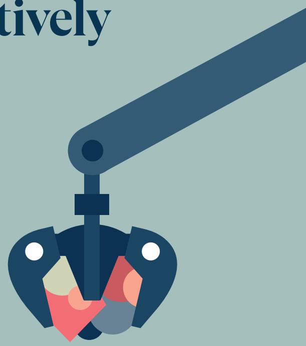

Worryingly, there is a lack of transparency about how collected plastic waste is disposed of/processed. For example, not all collected waste is mechanically recycled. Several schemes issue credits for waste that is burnt in waste-to-energy plants or in cement co-processors, or is sent to landfill. The report suggested some 50% of plastic credits issued by one of the schemes could be based on burning waste – either through incineration or waste-to-energy schemes. Burning plastic waste can release toxins and microplastics into the environment and is harmful to people and biodiversity, as well as releasing carbon dioxide into the atmosphere, increasing greenhouse gas emissions through these cheaper processing options.

Another inherent concern with plastic credit schemes is that there is no globally recognised measure or equivalent; different schemes use different scales for a single credit (ranging from one kg to one tonne). Indeed, even one tonne of plastic recovered or processed may not be comparable, given the wide range of polymer types, colourants and additives used in plastics and their varied environmental impact. These variables are not factored into credit issuing schemes, and all plastic types are considered equal whatever their chemical makeup. Indeed, the complex composition of plastics means that no end-of-life processing can achieve true closed-loop recycling, nor permanent removal of plastics - only downcycling - undermining claims of 'offsetting' and 'plastic neutrality' and risking greenwashing.

The lack of an independently published, high-integrity standard for plastic credit schemes and associated governance structures results in significantly differing practices, and can translate to inaccurate data, limited transparency and inconsistent, contradictory application of plastic crediting terminology. The genuine additionality of projects is also uncertain given significant lag times between issuance of credits and sales of credits. Further, only a handful of schemes include third-party auditing, and in the case of Verra, projects can be audited remotely, limiting scrutiny of social and environmental impacts of projects.

Notably, there are flaws with the functioning of plastic credit markets. There is a lack of demand for plastic credits and many corporates are reluctant to purchase plastic credits given the un-institutionalised and volatile market, poor transparency of market prices and traceability of credit projects, reputational risks, weak social safeguards, and instability of the market.

Should the Global Plastic Treaty facilitate further plastic crediting?

This report has highlighted some serious concerns related to governance, additionality, conflicting terminology, lack of transparency, impacts on people and biodiversity, the financial stability of the market and risks of greenwashing.

There is a significant lack of confidence that plastic credit schemes can provide long-term, scalable waste management solutions or deliver reliable or meaningful revenue to finance waste management. The report highlights that well-designed and implemented, centrally managed Extended Producer Responsibility (EPR) schemes will be much more effective methods to scale up waste collection and management and achieve full cost recovery from plastic polluters. Moreover, plastic credit schemes risk undermining truly transformative and systemic actions to tackle plastic pollution in the Global Plastics Treaty.

“ **Plastic credit schemes cannot deliver a reliable source of income to fund waste management, nor offer meaningful environmental benefits**

Evidence-based recommendations

The report demonstrates that plastic credit schemes are not the 'innovative' solution to meaningful plastic pollution reduction that some have touted them to be, nor do they provide a source of stable, financial income to tackle long-term waste management issues. However, due to their existence already, in both the voluntary and compliance market, we provide a set of key recommendations for policymakers and corporates to make informed decisions.

Recommendations

for policymakers

- **Focus on more stable financial mechanisms:** Plastic credit schemes are not a reliable source of income to fund waste management, nor offer meaningful environmental benefits. There are serious concerns surrounding genuine additionality and accurate accounting of plastic credit schemes.

- **Exclude plastic credit mechanisms from the Plastics Treaty:** Downstream solutions, like plastic credit schemes, distract from substantive upstream measures, deflecting attention from true EPR, and important systemic changes (production reduction, detoxification, product redesign and reuse and refill systems).

- **Focus on full cost recovery through mandatory EPR:** Focus on the polluter pays principle, advancing mandatory EPR schemes and full cost recovery to ensure producers are responsible for the true costs of waste management, without incorporating or relying on plastic credit mechanisms.

- **Limit plastic credit mechanisms to non-compliance activities:** Countries without existing mandatory EPR schemes should not integrate compliance credits into legislation. Countries with mandatory EPR should consider transitioning to full cost recovery through EPR, ensuring fees are paid by the polluters. If voluntary plastic credit markets exist, they should only fund activities beyond the scope of EPR, such as legacy clean-ups using ecologically sensitive techniques, but not as a compliance mechanism.

Recommendations

for corporates

Investing in plastic credit schemes undermines the waste hierarchy and pollution reduction requirements and risks greenwashing. If corporates consider purchasing plastic credits they are advised to:

- **Prioritise EPR participation:** If a mandatory or voluntary Extended Producer Responsibility (EPR) scheme exists in a country, join the scheme rather than purchasing plastic credits.

- **Ensure project alignment and transparency:** If purchasing credits, conduct due diligence and select high-integrity credit projects in locations of new waste collection that align with the geographic and operational footprint of the business, ensuring the plastic type being recovered matches the types of plastic being produced, enhancing the relevance and impact of the credits purchased. Demand transparency and evidence of when and where plastic was collected, type of plastics, how it was processed and social equity measures.

- **Commit to long-term funding and monitoring** for specific projects, ensuring diligent monitoring and third-party auditing of project integrity, community safeguards, environmental impacts and reduce reputational risks.

- **Use clear, transparent language:** Avoid misleading terms like "plastic offsetting" or "plastic neutrality." Use precise language to describe contributions to plastic waste management. Avoid greenwashing and overstating environmental commitments.

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Credits

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Available here: **www.fauna-flora.org/plastic-credits**

Learn more...

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