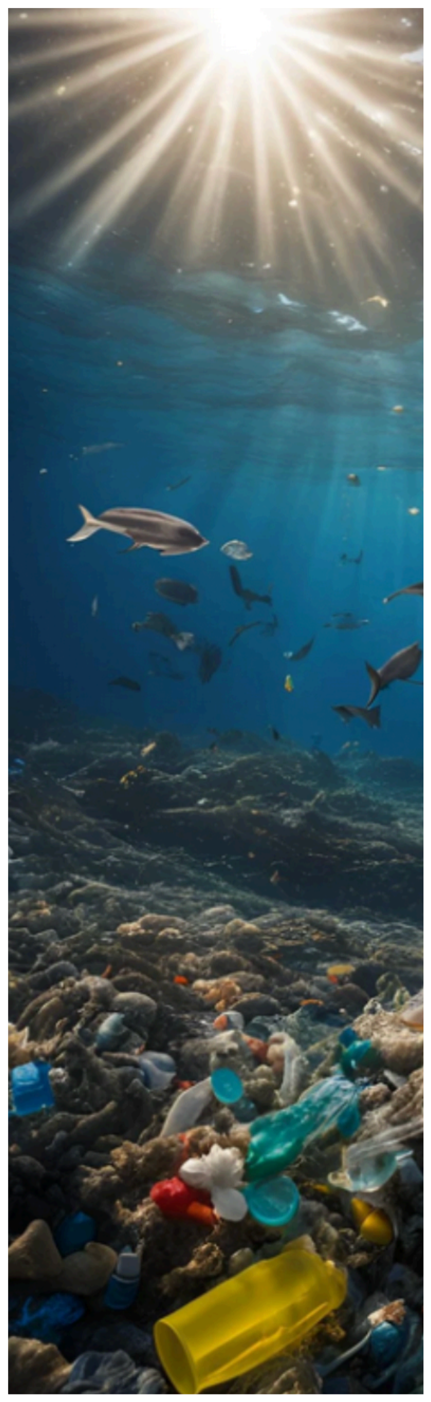

# HOW TO INCORPORATE THE POLYMER PREMIUM INTO THE GLOBAL PLASTICS TREATY

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# How to Incorporate the Plastic Polymer into the Global Plastics Treaty

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# About this Report

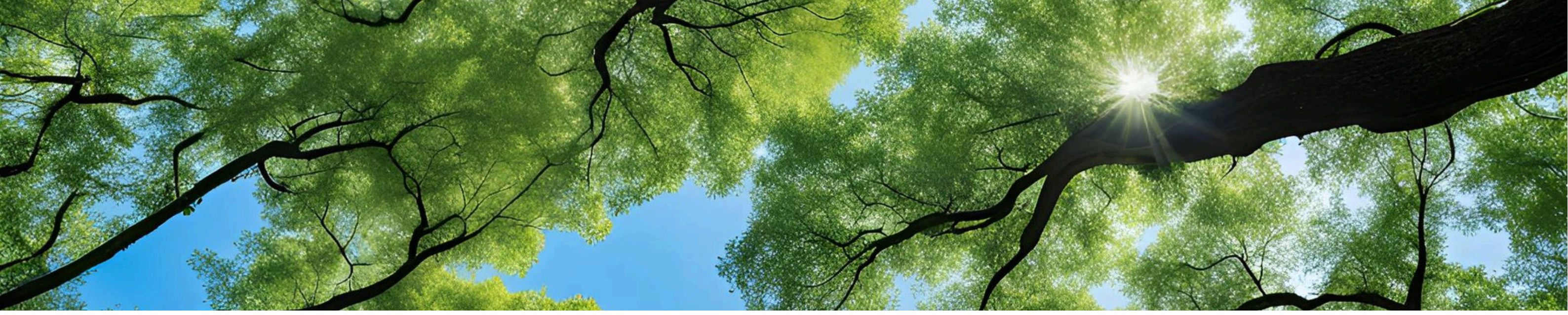
On 2 March 2022, the United Nationals Environment Assembly adopted Resolution 5/14 to develop an international legally binding instrument setting an ambitious goal to end plastic pollution by 2040.[1] Since then, an Intergovernmental Negotiation Committee (INC) has been established to draft the Global Plastics Treaty.

The Global Plastics Treaty seeks to tackle various plastic-related issues in addressing plastic pollution, including waste management, upstream transitions to a circular economy, legacy plastic cleanup, just transitions, and mitigating health impacts of chemicals in plastics. It is supposed to address the entire plastic lifecycle, setting ambitious commitments.

A report by Minderoo Foundation, "The Polymer Premium: A Fee on Plastic Pollution" [2](Polymer Premium Report) estimates a financial gap of $350 to $500 billion between available funding and the costs needed to achieve the ambitious goal of ending plastic pollution by 2040. To address the financing gap, governments would be required to act or risk undermining the efforts to protect human health and the environment.

The Polymer Premium Report proposed to complement other sources of public and private financing with a polymer premium fee, a small fee on producers of primary plastic polymers (the Fee) that is designed to help close this financing gap. A portion of this would be retained by the country collecting the Fee from the producers, while the remainder would be redistributed through a mechanism to low and middle-income countries and used to address the funding shortfall. The Fee aligns with international environmental principles of polluter-pays and common but differentiated responsibilities and is essential for an ambitious Global Plastics Treaty.

This report builds on the Polymer Premium Report to propose a framework for how the Fee could function within the Global Plastics Treaty. It will analyze international examples of other Multilateral Environment Agreements (MEAs) and extract key elements to recommend the most effective approach for implementing the Fee in the Global Plastics Treaty.



# Key Findings

1

**Insights from other MEAs reveal valuable strengths and limitations that can guide the development of an effective model for implementing the Fee mechanism**

2

**A three-pillars approach that divides the Fee implementation mechanism into three parts (design of the Fee, the Fee in the treaty, and Fee implementation) for inclusion of the Fee into the Global Plastics Treaty will ensure each part's permanent assessment, evaluation, and exchange with the others.**

3

**Bringing the core provisions of the design into the body of the treaty, while leaving complementary or technical points to the Annex or decisions from the Conference of the Parties (COPs) or the Governing Body, will enhance the possibility of fully accomplishing the Fee's goals and timeline. Alternative models are also presented.**

4

**The Fee will be optimized if the treaty guaranteed it was:**
**a. Mandatory**
**b. An immediate obligation to States (for establishing and collecting the Fee on the basis of its legislative, regulatory, and administrative measures), and, thus, mediate to primary plastic polymer producers**
**c. Has its own financial authority**
**d. Linked to the treaty's financial mechanism**
**e. Specific for earmarked provisions**
**f. Subject to creating border control duties to non-signatory countries**

5

**There are no significant barriers to implementation of the Fee. The suggested design and proposed model addresses and, where necessary, corrects all potential concerns.**

# Relevant examples from other MEAs

Other Multilateral Environmental Agreements (MEAs) could, implicitly or explicitly, provide useful inspiration and insights for formulating provisions on the Fee, including how the Fee relates to the financial mechanism.

Here, the following examples are presented: International Oil Pollution Compensation (IOPC Funds), Paris Rulebook, Carbon Offsetting and Reductions Scheme for International Aviation (CORSIA), OECD/G20 Minimum Income Tax, Multilateral Fund for the Implementation of the Montreal Protocol, Green Climate Fund, and GEF Trust Fund. The choice was made to prioritize mainly those focused on generating obligations to companies, whilealso seeking different structures. Table 1 synthesizes the key characteristics of each, aiming to facilitate a direct comparison between them.

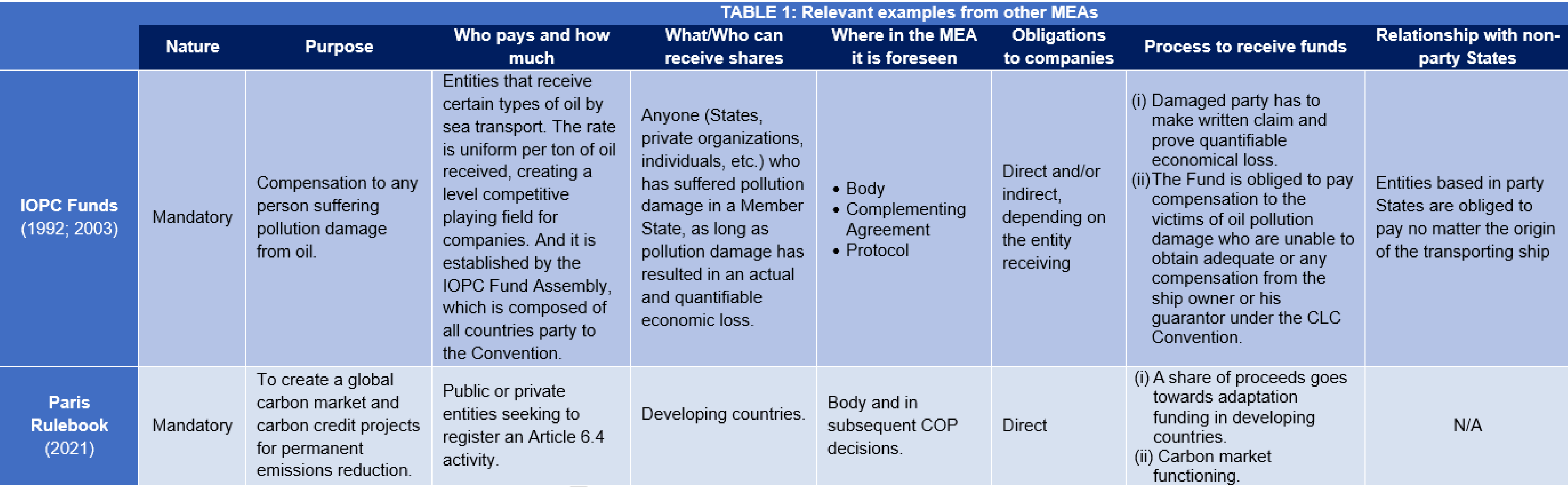


TABLE 1: Relevant examples from other MEAs

| | Nature | Purpose | Who pays and how much | What/Who can receive shares | Where in the MEA it is foreseen | Obligations to companies | Process to receive funds | Relationship with non-party States |
|---|---|---|---|---|---|---|---|---|
| **IOPC Funds** (1992; 2003) | Mandatory | Compensation to any person suffering pollution damage from oil. | Entities that receive certain types of oil by sea transport. The rate is uniform per ton of oil received, creating a level competitive playing field for companies. And it is established by the IOPC Fund Assembly, which is composed of all countries party to the Convention. | Anyone (States, private organizations, individuals, etc.) who has suffered pollution damage in a Member State, as long as pollution damage has resulted in an actual and quantifiable economic loss. | • Body<br>• Complementing Agreement<br>• Protocol | Direct and/or indirect, depending on the entity receiving | (i) Damaged party has to make written claim and prove quantifiable economical loss.<br>(ii) The Fund is obliged to pay compensation to the victims of oil pollution damage who are unable to obtain adequate or any compensation from the ship owner or his guarantor under the CLC Convention. | Entities based in party States are obliged to pay no matter the origin of the transporting ship |
| **Paris Rulebook** (2021) | Mandatory | To create a global carbon market and carbon credit projects for permanent emissions reduction. | Public or private entities seeking to register an Article 6.4 activity. | Developing countries. | Body and in subsequent COP decisions. | Direct | (i) A share of proceeds goes towards adaptation funding in developing countries.<br>(ii) Carbon market functioning. | N/A |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **CORSIA** (2016) | Voluntary on phase 1 (2023-2026)<br>Mandatory phase 2 (2027-2035) | Offsetting CO2 emissions growth beyond 2019-2020 data levels by airlines, and funding projects that reduce or capture emissions. | All airlines and other aircraft operators of international flights. Uniform requirements imposed on all aircraft operators, creating a level competitive playing field for companies. | Projects that reduce or capture carbon emissions elsewhere.<br>Credits from market to help ICAO countries meeting NDC-UNFCC goals. | Assembly Resolution | Indirect: administrated nationally and States are to report to ICAO. | (i) States that voluntarily participate will be given priority for capacity building and assistance. | During phase 1, flights between two States not participating on CORSIA, or between one participating and another one not participating, are exempt from CORSIA offsetting requirements. |
| **OECD/G20 minimum income tax** (2021) | Mandatory | To end the practice of multinational companies shifting profits to low-tax countries and territories. | Companies with earnings above €750 million (US$812 million) are subject to a 15% minimum tax, wherever they operate. | N/A | OECD Rules | Indirect through changes in national tax legislation. | N/A | Not foreseen in the rules. |
| **Montreal Protocol** (1991) | Voluntary | To assist developing countries achieving their compliance commitments within the Montreal Protocol. | Non-Article 5 countries (Developed Countries). | Developing Countries under Article 5.<br>The fund only pays for project incremental costs. | Protocol | Indirect | (i) Developing countries make project proposals to the Secretariat.<br>(ii) Executive Committee approves project, sets the budget and is responsible for the monitoring. | Although it is universally ratified (198 signatories: 197 States and the EU), the Protocol places restrictions on trade in Ozone Depleting Substances with non-parties to the Protocol. |
| **Green Climate Fund** (2011) | Voluntary | To support low-emission and climate-resilient projects and programs in developing countries, to realize their NDC ambitions. | Developed countries parties to the UNFCCC, as well as public, non-public, and alternative sources, including countries not party to the UNFCCC, entities, and foundations, among others. | • Climate vulnerable countries<br>• Developing countries, especially Least Developed Countries, Small Islands Developing States, and African Countries. | COP Decision | None | (i) Recipient countries can make climate project proposals for GCF funding to the GCF Board.<br>(ii) The Fund aims for a 50:50 balance between mitigation and adaptation investments over time. | N/A |
| **Global Environmental Facility** (1991) | Voluntary | To assist developing countries in meeting the objectives of international environmental conventions: CDB, UNFCCC, Stockholm Convention, UNCCD, Minamata Convention, BBNJ. | Donor countries, both developed and developing. | Developing countries and countries with economies in transition. The country must have ratified the conventions the GEF serves | Pilot Program established at the World Bank, later becoming an established global partnership. | None | (i) Project driven by the country and to support sustainable development.<br>(ii) Only for agreed incremental costs on measures to achieve global environmental benefits.<br>(iii) The Operational Focal Point decides which agency would be best suited to develop and implement the project idea. | N/A |

# Strengths and Limitations of each Example

The process of designing the mechanism for the Fee is an opportunity to incorporate the best elements of the listed MEA's and learn from their limitations. This section summarizes the existing analysis of each MEA across the organisations and bodies involved in their deployment as well as scientific literature.

## The International Oil Pollution Compensation Funds (IOPC)

Based on a straightforward procedure and consistent with the Polluter Pays Principle (PPP), enables to ensure that funding is available to cover transboundary environmental costs. [3]

However, the IOPC Fund has several limitations. Compensation is capped at 203 million Special Drawing Rights (SDR) under the 1992 Fund Convention, with a total maximum of 750 million SDR for parties also covered by the Supplementary Fund Protocol. [4]

Additionally, the Fund's scope is limited, as it only compensates for oil pollution damage resulting from spills of persistent oil spills in the territorial sea or exclusive economic zone of a state.[5] However, this also marks a strong point of the Fund, as it sets out a clear mandate for receiving funds.[6]

Finally, its fee is imposed and collected by international body, which might be hard to replicate in other contexts.

## Paris Rulebook

Article 6.4 of the Paris Agreement has faced criticism due to its complex[7] administrative nature and multiple fees. Fees such as the OMGE (percentage of emission reduction credits to be cancelled in order to deliver an overall mitigation in global emissions) of 2% and SOP (percentage of emission reduction credits to be set aside as a share of proceeds) of 5%, could create barriers for participation,[8] especially for developing countries.

Critics also argue that the market-based approach may incentivize countries to lower their climate ambitions, allowing wealthier nations to continue high emissions while purchasing[9] credits from less ambitious countries.

Additionally, the exclusion of cross-border carbon credits from electric power projects and concerns over the permanence of carbon offsets further[10] complicate the mechanism's effectiveness. The lack of support for developing nations in benefiting from international[11] carbon markets also remains a key issue.

The Paris Agreement's Credibility Mechanism also brings several positive aspects to the global carbon market. It has established an independent Supervisory Body to oversee carbon trading and created a centralized registry, enhancing transparency[12] and accountability. This mechanism allows both countries and private companies to work towards their Nationally Determined Contributions (NDCs) and net-zero targets. Project developers register their projects with the Supervisory Body, and projects must be approved by both the host country and the Supervisory Body before [13] issuing UN-recognized credits. This creates a centralized and coherent process. Additionally, the mechanism provides a potential source of climate finance for developing nations, as a portion of the proceeds is allocated to help cover their adaptation[14] costs.

## Carbon Offsetting and Reductions Scheme for International Aviation (CORSIA)

CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) has been criticized for several limitations. One major concern is that it excludes carbon emissions from domestic flights, which constitute around one-third of all aviation emissions.[15]

Furthermore, CORSIA only applies to international flights between participating states, with some countries, such as China, Russia, and the U.S., either exempt or unlikely to join due to socioeconomic or activity-based criteria.[16] In its initial phase until 2027, participation is voluntary, raising concerns about the program's efficiency and state's participation.[17] Despite being an offspring of the Paris Agreement, which does not directly include the aviation sector, CORSIA is less ambitious in carbon offsetting compared to both the Paris Agreement or EU targets.[18]

Furthermore, there is a risk of double counting emissions reductions, especially if credits from existing projects are accepted for compliance, as these could be counted both towards CORSIA and the Nationally Determined Contributions (NDCs) of countries.[19] However, CORSIA's three-year review cycle allows for flexibility and adaptation over time, which could address some of these challenges.[20]

## OECD/G20 Minimum Income Tax

The OECD global minimum tax also presents both positive and negative aspects. On the negative side, it tends to favor high-income countries, as the cost of implementing the rules is more manageable for them, while developing countries may struggle to meet their tax needs.[21]

Additionally, the minimum corporate tax rate of 15% is considered too low to ensure fair taxation of multinational corporations, and weak legal provisions allow for loopholes and carve-outs that undermine the concept of a global minimum tax. [22]

However, on the positive side, its Pillar 2 introduces mechanisms like the Qualified Domestic Minimum Top-up Tax (QDMTT), ensuring that at least 15% of a company's "excess profit" is taxed.[23] This incentivizes countries to reduce their Corporation Tax liabilities, possibly down to zero, while still collecting a 15% tax through the QDMTT, without harming their competitive position.[24] Furthermore, Pillar 2 aims to discourage the practice of profit-shifting to low-tax jurisdictions. [25]

## Multilateral Fund for the Implementation of the Montreal Protocol

The Montreal Protocol is widely regarded as one of the most successful multilateral environmental agreements, establishing global standards for compliance and raising awareness in low- and mid-income countries about ozone-depleting substances (ODS).[26]

Its Multilateral Fund (MLF) provides essential financial and technological support to assist developing nations in phasing out ODS in line with the Protocol's clear mandate.[27] The Fund is also praised for its strong monitoring and evaluation system ensuring transparency and accountability, with annual financial and progress reports, a project review process, project guidelines, development of annual business plans, preparation of periodic progress reports and tracking of project delays and finances.[28] However, the ambitious funding requirements necessary to continue the efficient phase-out of ODS can be challenging. [29] Despite these challenges, the Fund plays a crucial role in global efforts to protect the ozone layer.

## Green Climate Fund

The Green Climate Fund (GCF) has faced criticism for its slow decision-making and disbursement processes, which create significant challenges, especially for the most vulnerable countries.[30] The application-based approach it uses for allocating resources lacks a clear strategy or formula to target funds effectively towards countries with the greatest vulnerability to climate impacts or climate needs.[31] The GCF further demonstrates unpredictable funding allocations and a burdensome application process, especially for climate vulnerable countries, which creates difficulties in accessing support.[32] Additionally, its role within the broader climate finance landscape is unclear, as it lacks a focused strategy and instead seemingly attempts to take on a "do it all" approach.[33] This, along with ongoing challenges in mobilizing ambitious donor contributions, further complicates its effectiveness in addressing global climate needs.[34]

## GEF Trust Fund

The Global Environment Facility (GEF) plays a crucial role in addressing environmental challenges, but it faces several limitations and opportunities for improvement. On the negative side, the total committed funds for GEF projects remain small compared to the ambitious goals of combating climate change, and there is a need for more ambitious funding.[35] A more systematic approach to engaging recipient countries is essential, as each country has unique needs and challenges in implementing climate conventions.[36] This necessitates tailored strategies and clear plans for scaling up, fostering dialogue, and enhancing stakeholder engagement.[37]
Moreover, the GEF's administrative processes can be slow, with project approvals sometimes taking years.[38] On the positive side, the GEF offers countries flexibility in choosing from various projects and programs, partnering with 18 agencies to develop and implement initiatives.[39] It also provides predictable and transparent environmental financing, serving as an umbrella fund that has the potential to addresses cross-cutting issues across multiple conventions. Involving the private sector more actively by raising awareness and adapting to its fast-paced nature could further enhance GEF's impact.[40]

# Insights Gained from the Examples

To design a successful mechanism for the Fee, the key lessons from the MEA's are:

- Ensure ease of access for beneficiaries of the fund while maintaining compliance with the fund's treaty goal and commitments;
- Have broad enough to support the achievement of the goals, but narrow enough to set a clear mandate for receiving funds and keep a focused strategy;
- Allow for the coexistence of multiple financial instruments without jeopardizing their feasible administration;
- Establish an independent Supervisory Body that enhances the possibilities of both countries and private companies to work towards their contributions and goals;
- Set a periodical review cycle to allow for flexibility and adaptation over time;
- Have a strong monitoring and evaluation system to ensure transparency and accountability. Some tools that can be used to that end are:
  - o annual financial and progress reports,
  - o a project review process,
  - o project guidelines,
  - o development of annual business plans,
  - o preparation of periodic progress reports and tracking of project delays and finances

That should be done while maintaining a reasonable time-frame for the decision making process.

**Three main conclusions derive from the analysis of those examples:**

1 There is no one solution: each financing mechanism is shaped in its own way

2 All solutions have strengths and limitations. Most negative criticism is applicable just to the specific context of its respective agreement, and the Fee has been designed - and the model now proposed - to enhance positive and avoid negative aspects.

3 Each MEA requires tailor-made solutions: (i) to try to balance the up and downsides (ii) towards the most positive outcome possible.

Building on these insights from the MEAs, we must acknowledge that the issues with plastics are highly complex, and this should lead to the establishment of a very broad Global Plastics Treaty. Therefore, to ensure the success of its financing mechanism, a tailor-made solution must be created that strongly incorporated the Fee into the treaty.

# Proposed Model

The proposed model refers to the design and main provisions of the Fee and encompasses three interconnected pillars:

**Pillar 1:** The design of the Fee
**Pillars 2 and 3:** The “How to” Mechanism, including how to: (i) integrate the Fee into the treaty; (ii) implement the Fee.

This paper does not address the specificities of text and language to be adopted in the treaty for none of the pillars.

## Pillar 1: Design of the Fee

The Fee must be designed to **complement** rather than replace other sources of financing. Thus, the provisions relating to the Fee are to come alongside other fundings and other funding sources. This is consistent with the Compilation Draft Text,[41] and earlier drafts,[42] which also propose that the Fee is implemented as **a financing instrument** to help with closing the financing gap, and not as a control measure to reduce or discourage the demand for primary plastics.
The design refers solely to the main characteristics that the Fee should have. How to bring such design to practice through the different legal instruments (treaty, annex to the treaty, conference of the parties, and governing body) composes pillar 2.

TABLE 2: Design for the Plastic Pollution Fee (the Fee)

| Nature | Purpose | Who pays and how much | What/Who can benefit | Where in the MEA it is foreseen | Obligations to companies | Process to receive funds | Relationship with non-party States |
|---|---|---|---|---|---|---|---|
| Mandatory | Fill the funding shortfall of US$350-500 billion (at least US$25 to 35 billion per year in the timeframe 2026-2040) for low- and mid-income countries to meet the treaty's goals related to waste management, upstream transitions to a circular economy, legacy plastic cleanup, just transitions, and mitigating health impacts | Producers of primary plastic polymers pay US$60-90 per tonne produced. | Low- and mid-income countries receive the redistributed share (e.g. 90%).<br>There is a (e.g.) 10% retained share to be kept by the country collecting the fee, to cover administrative costs. | • Body of the treaty text<br>• Annex of the treaty | Indirect, via the fee collecting system to be implemented by each signatory country. | (i) Application before the Governing Body.<br>(ii) Analysis of suitability regarding eligibility and compliance with the purpose of the Fee.<br>(iii) Assessment of compliance for future revenue distribution. | Border control duties on the same amount to be charged upon importation of plastic polymers or products coming from countries not adhering to the Fee. |

# Pillar 2: Addressing the Fee in the Treaty

The Fee should **not** be left to a future Protocol to the Treaty for two main reasons:

- A Protocol starts a new negotiation process, which all parties may not agree to, creating an even greater financing gap;
- It would further delay filling the financial gap.

The provisions relating to the Fee would, then, come in the body of the treaty and, only a minority of them, in an annex to the treaty. More specific and technical provisions are to come from the Conferences of the Parties and/or the governing body at a later stage.

This distributed approach provides security for the Fee's design and allows flexibility as the Fee's implementation evolve.

All features of the Fee's design (table 2 and complementary provisions) should be provided within the **body of the Global Plastics Treaty**, as follows:

## NATURE: mandatory

The Fee must be mandatory for each party of the treaty to guarantee – together with the choice of a charge per tonne produced – a level playing field for all polymer producers, as well securing a predictable financing to fill the financial gap for developing countries to meet the treaty's goals.
Exemption for small producing countries can be considered.
Voluntary additional payments can be allowed.

## OBLIGATION GENERATED: Immediate to States; Mediate to companies

Although the fee will ultimately be charged from the producers of primary plastic polymers, the obligation under the treaty falls on each of the Parties (the States), to establish and collect the Fee using its legislative, regulatory, and administrative measures.

## RETAINED AND REDISTRIBUTED SHARES: Percentiles and beneficiaries / eligibility criteria

The recommendation is to set the 90-10% ratio for retained and redistributed shares already in the body of the treaty. Low- and mid-income countries as beneficiaries should be secured already in the body of the treaty.

Alternatively, the approach of the Draft Compilation Text (1 July 2024) could be adopted. It includes a straightforward provision (para 9) imposing an obligation on Parties to establish the Fee on polymer producers; and mandating the governing body, at its first session, to develop the modalities and procedures, including to redistribute revenue to the Financial Mechanism. Hence, the elements such as the fee level and the retained/redistributed share would not be set in the treaty but determined at a later stage.

## OWN FINANCIAL AUTHORITY

The Fee revenue would be allocated to a newly established dedicated fund.

It may be reassessed by a COP of the Plastic Treaty to join another fund, such as GEF, after 2040 (or later depending on the delay past 2026) and if the other fund is positively evaluated and remains mandatory after the pilot phase.

The Fee is to remain mandatory and with a fixed value. Voluntary contribution to own or other administrative authorities can exist as complementary to the fee.

## and LINKAGE WITH THE FINANCIAL MECHANISM

The newly established dedicated fund could come together with a voluntary trust fund and/or an existing fund, similar to the United Nations agreement on biodiversity beyond national jurisdiction (BBNJ Agreement). The Fee revenue could be linked to the financial mechanism, whatever the format of the mechanism.

## EARMARKING PROVISIONS

The provision is to ensure that the Fee's revenue is effectively used to address the unique costs of ending plastic pollution, in an inclusive and fair manner. A similar earmarking provision is included in OP9bis of the Compilation Draft Text, and in Article 52.6 of the BBNJ Agreement.

However, governance and distribution of Fee revenue is not to be defined in the treaty, but by the governing body afterwards.

## RELATIONSHIP WITH NON-SIGNATORY COUNTRIES: use of border control duties

To level the playing field and prevent free riding from non-signatory countries, charges could be applied to polymer and plastic products imported into a signatory country when originating from a non-signatory country.

**First alternative to the Model**

### Annex to the Treaty

The Annex of the Global Plastics Treaty may develop a simplified procedure for amendments. The following provisions could be brought into the Annex to ensure the Fee's core is preserved, while some flexibility is allowed:

#### RETAINED AND DISTRIBUTED SHARES

#### EARMARKING PROVISIONS

Alternatively to the preferred option above, in which those provisions are brought in the body of the treaty, and on the terms specified above.

#### SOME DEFINITIONS

Such as of "primary" polymer production. Alternatively, the governing body could be the one to define what constitutes "primary" polymer production.

## Periodic Review and Assessment:

Periodic review and assessment should be considered and led by the **COPs and Governing Body** to ensure the treaty's ongoing effectiveness and relevance.

The COPs and the Governing Body should determine the periodical re-assessment and be responsible for the review.

The Review should serve the purpose of periodic assessment and adjustments. However, those bodies could also serve as alternatives to the preferred model presented above, as follows:

**Second alternative to the Model**

## MODALITIES AND PROCEDURES

Such as a minimum level for developing country. Parties, fee level and basis, and transparency.
The governing body could also ecomodulate the Fee level, depending on the type of polymer(s).
Parties could agree to regularly notify the governing body on their Fee procedures and collection, and their use of Fee revenue while exchanging best practices.

## RETAINED VERSUS REDISTRIBUTED SHARES

Another option is to have the governing body determine the share of revenue retained by the Party imposing the Fee (retained share) and the share that must be redistributed through the Financial Mechanism (retained share) could be higher for developing countries. This approach could also allow the division between retained and redistributed shares to vary over time more easily. In either way, the existence of the division between a retained and a redistributed share must be foreseen in the body of the treaty.

## SOME DEFINITIONS

Such as of “primary” polymer production. Alternatively, the governing body could be the one to define what constitutes “primary” polymer production. As an alternative to bringing it in the Annex.

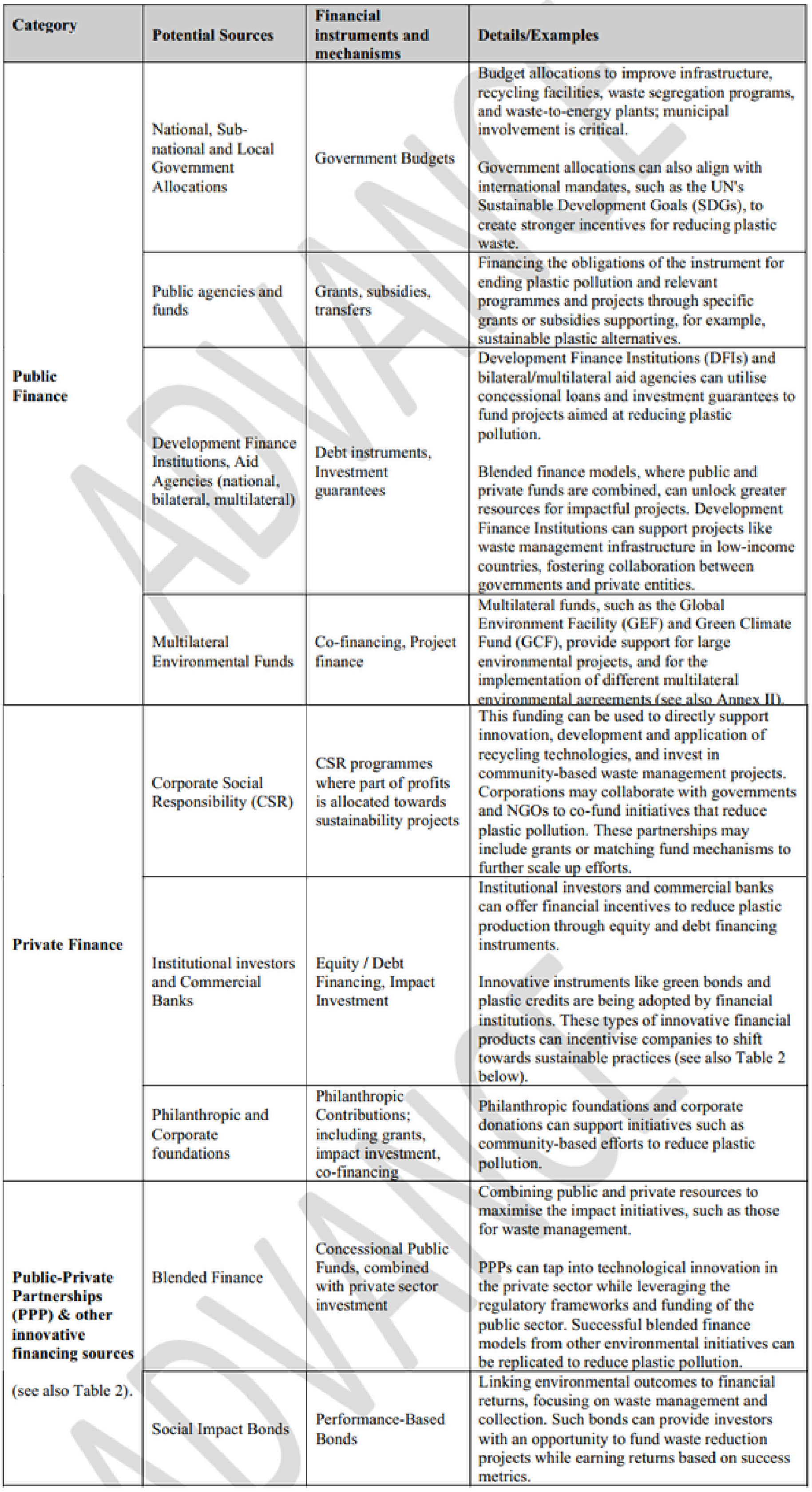
## GOVERNANCE AND DISTRIBUTION OF FEE REVENUES

Governance and distribution could be tailored to ensure that the redistributed Fee revenue is used for its intended purpose. This is important not only from a general good governance perspective, but also for transparency and traceability. This approach could also include processes and criteria for allocation into each of the activities in the earmarking provisions.

# Pillar 3: Implementing the Fee

## At the National Level - funding sources

The first step that ensures implementation of the Fee is to find the appropriate way to incorporate it into national provisions. Different funding sources are available, all of which meet at the national level. This was also agreed and summarized during the Bangkok meetings:



ADVANCE

| Category | Potential Sources | Financial instruments and mechanisms | Details/Examples |
|---|---|---|---|
| Public Finance | National, Sub-national and Local Government Allocations | Government Budgets | Budget allocations to improve infrastructure, recycling facilities, waste segregation programs, and waste-to-energy plants; municipal involvement is critical.<br>Government allocations can also align with international mandates, such as the UN's Sustainable Development Goals (SDGs), to create stronger incentives for reducing plastic waste. |
| | Public agencies and funds | Grants, subsidies, transfers | Financing the obligations of the instrument for ending plastic pollution and relevant programmes and projects through specific grants or subsidies supporting, for example, sustainable plastic alternatives. |
| | Development Finance Institutions, Aid Agencies (national, bilateral, multilateral) | Debt instruments, Investment guarantees | Development Finance Institutions (DFIs) and bilateral/multilateral aid agencies can utilise concessional loans and investment guarantees to fund projects aimed at reducing plastic pollution.<br>Blended finance models, where public and private funds are combined, can unlock greater resources for impactful projects. Development Finance Institutions can support projects like waste management infrastructure in low-income countries, fostering collaboration between governments and private entities. |
| | Multilateral Environmental Funds | Co-financing, Project finance | Multilateral funds, such as the Global Environment Facility (GEF) and Green Climate Fund (GCF), provide support for large environmental projects, and for the implementation of different multilateral environmental agreements (see also Annex II). |
| Private Finance | Corporate Social Responsibility (CSR) | CSR programmes where part of profits is allocated towards sustainability projects | This funding can be used to directly support innovation, development and application of recycling technologies, and invest in community-based waste management projects. Corporations may collaborate with governments and NGOs to co-fund initiatives that reduce plastic pollution. These partnerships may include grants or matching fund mechanisms to further scale up efforts. |
| | Institutional investors and Commercial Banks | Equity / Debt Financing, Impact Investment | Institutional investors and commercial banks can offer financial incentives to reduce plastic production through equity and debt financing instruments.<br>Innovative instruments like green bonds and plastic credits are being adopted by financial institutions. These types of innovative financial products can incentivise companies to shift towards sustainable practices (see also Table 2 below). |
| | Philanthropic and Corporate foundations | Philanthropic Contributions; including grants, impact investment, co-financing | Philanthropic foundations and corporate donations can support initiatives such as community-based efforts to reduce plastic pollution. |
| Public-Private Partnerships (PPP) & other innovative financing sources<br>(see also Table 2). | Blended Finance | Concessional Public Funds, combined with private sector investment | Combining public and private resources to maximise the impact initiatives, such as those for waste management.<br>PPPs can tap into technological innovation in the private sector while leveraging the regulatory frameworks and funding of the public sector. Successful blended finance models from other environmental initiatives can be replicated to reduce plastic pollution. |
| | Social Impact Bonds | Performance-Based Bonds | Linking environmental outcomes to financial returns, focusing on waste management and collection. Such bonds can provide investors with an opportunity to fund waste reduction projects while earning returns based on success metrics. |

Table 3: National funding sources
Table retrieved from UNEP/PP/INC.5/5, 17 October 2024, p. 3-4

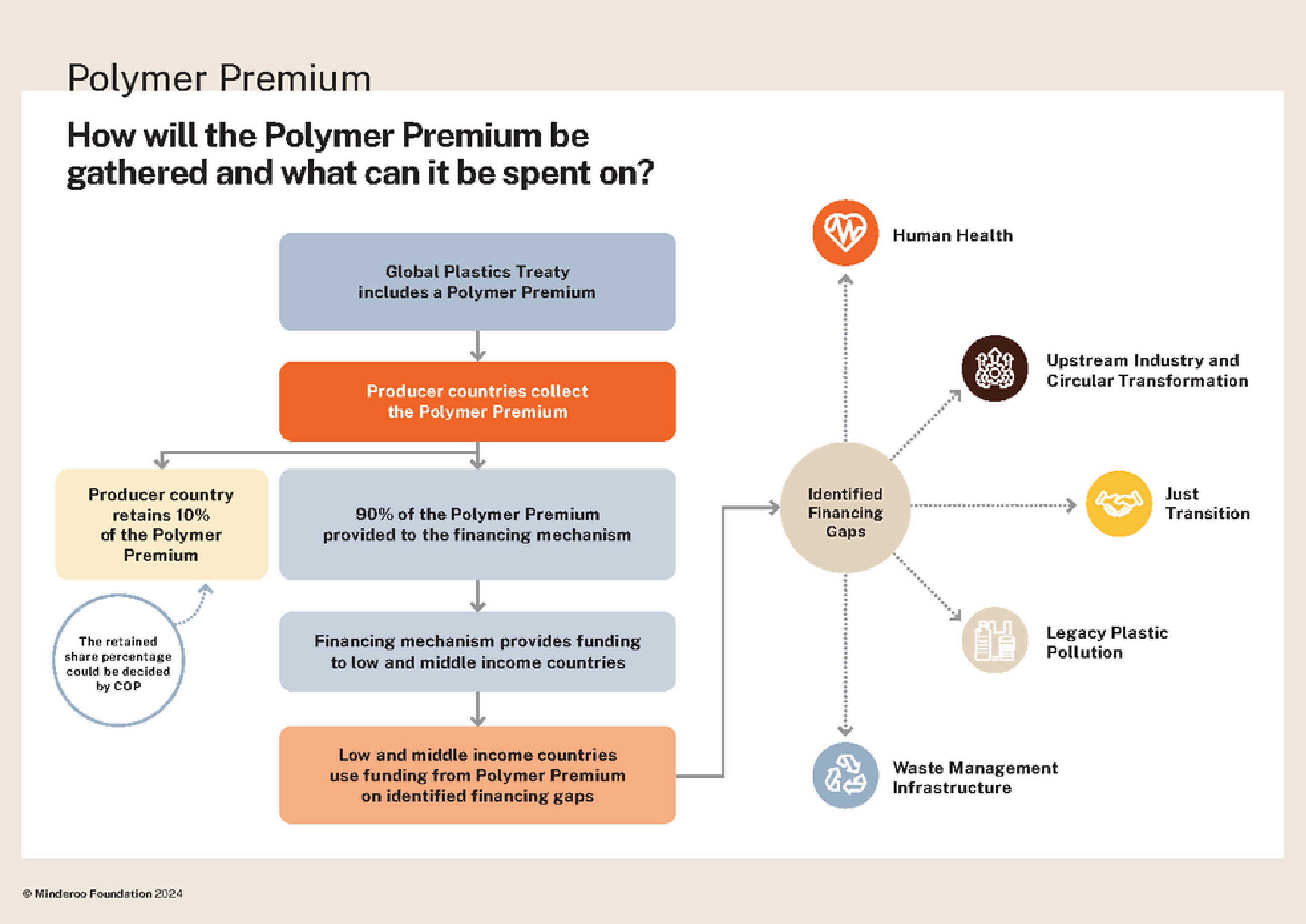
# Pillar 3: Implementing the Fee

## At the National Level - national legislation and governance

Considering that each producing country would impose the Fee, based on its own legislative, regulatory, and administrative system, the national particularities and regulatory/governance mix would be taken into account when establishing the Fee. It is feasible to integrate them, and different possibilities are available. For how to integrate it in the broader financing strategy, it is further detailed in the report "Funding the Implementation of the Plastics Treaty – The Central Role of the Plastic Pollution Fee". An example of a national analysis that can be done is offered in the report "How to Incorporate a Plastic Pollution Fee into Brazilian Law?" [43]

## Channel Fee Revenue to Low- and Mid-Income Countries

The second essential step in ensuring appropriate implementation is to guarantee that the fee is adequately distributed to the beneficiaries.



Polymer Premium

**How will the Polymer Premium be gathered and what can it be spent on?**

Global Plastics Treaty includes a Polymer Premium

Producer countries collect the Polymer Premium

Producer country retains 10% of the Polymer Premium

The retained share percentage could be decided by COP

90% of the Polymer Premium provided to the financing mechanism

Financing mechanism provides funding to low and middle income countries

Low and middle income countries use funding from Polymer Premium on identified financing gaps

Identified Financing Gaps

Human Health

Upstream Industry and Circular Transformation

Just Transition

Legacy Plastic Pollution

Waste Management Infrastructure

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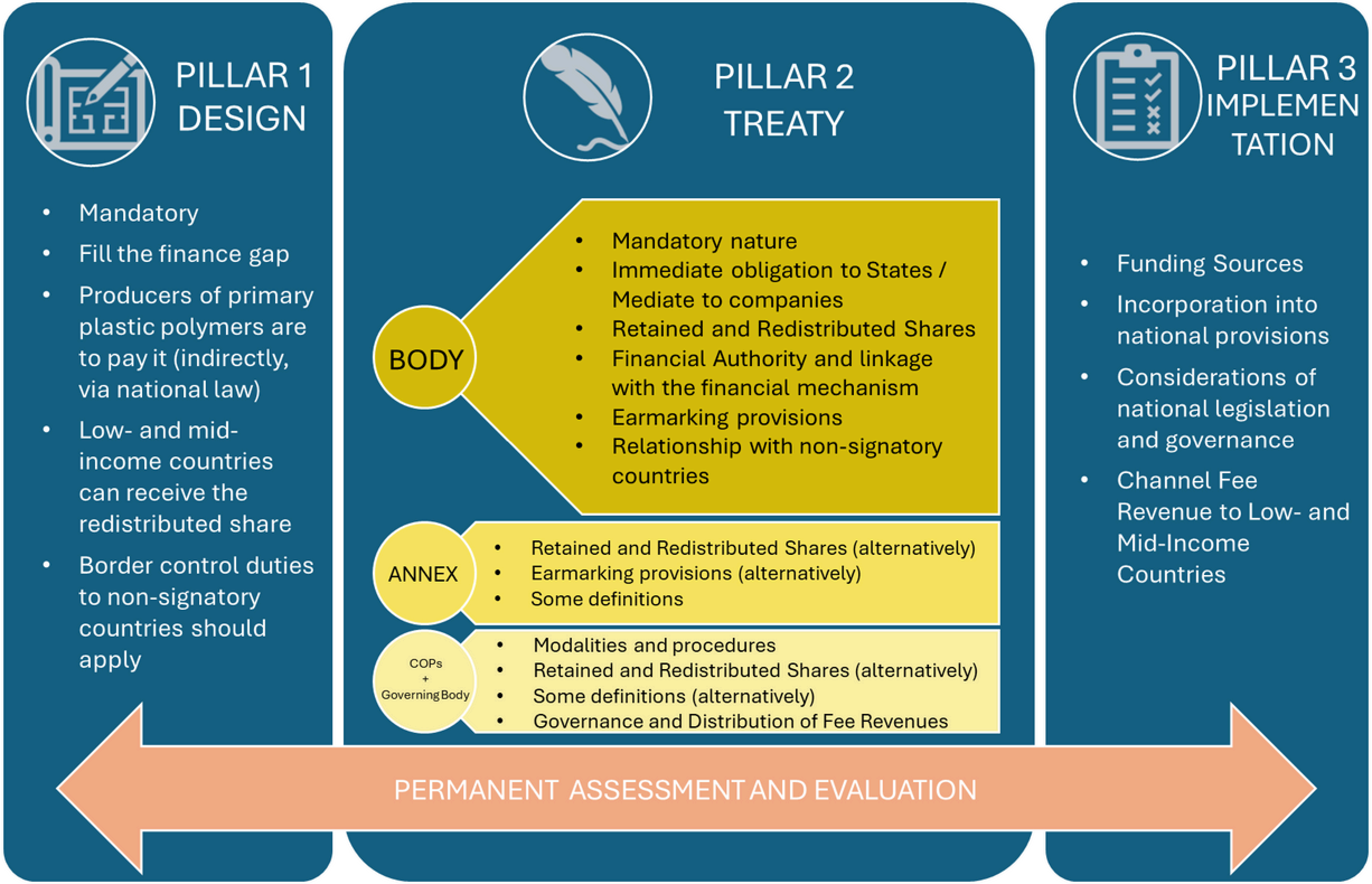
# Summary of How to Incorporate the Fee Into the UN Global Plastics Treaty



## PILLAR 1 DESIGN

- Mandatory
- Fill the finance gap
- Producers of primary plastic polymers are to pay it (indirectly, via national law)
- Low- and mid-income countries can receive the redistributed share
- Border control duties to non-signatory countries should apply

## PILLAR 2 TREATY

BODY

- Mandatory nature
- Immediate obligation to States / Mediate to companies
- Retained and Redistributed Shares
- Financial Authority and linkage with the financial mechanism
- Earmarking provisions
- Relationship with non-signatory countries

ANNEX

- Retained and Redistributed Shares (alternatively)
- Earmarking provisions (alternatively)
- Some definitions

COPs + Governing Body

- Modalities and procedures
- Retained and Redistributed Shares (alternatively)
- Some definitions (alternatively)
- Governance and Distribution of Fee Revenues

## PILLAR 3 IMPLEMENTATION

- Funding Sources
- Incorporation into national provisions
- Considerations of national legislation and governance
- Channel Fee Revenue to Low- and Mid-Income Countries

PERMANENT ASSESSMENT AND EVALUATION

# Potential Implementation Barriers

**No significant barriers to implementation are identified.**

The mains sources of concern acknowledged throughout the negotiation process and learned from other experiences are addressed here and explained, namely, transposition into national law and compliance with both contributions to the fee and with the financed objectives.

## Compatibility with the World Trade Organization Regime

Furthermore, the Fee is fully consistent with World Trade Organization (WTO) Law, for various reasons, such as:

- So far, no action under an international environmental agreement and affecting trade has been challenged in the GATT-WTO system.[44]
- Compatibility of all the provisions of the example MEAs brought in this report were also analyzed and none posed a threat of non-consistency:

  o Some should not even be considered to concern trade, such as IOPC Funds, GEF, GCF, and OECD Minimum Tax, because they do notdirectly regulate trade. Furthermore, no actions were (yet) brought under the WTO regime for indirect trade impacts.
  Although their goals are very different to those of the Fee, the charging mechanism is very similar.
  For CORSIA and Paris Agreement 6.4, there is the additional aspect that carbon permits are not seen as goods under the WTO regime.[45]

  o The Montreal Protocol is the MEA example here that directly restricts trade. It is notable the high number of signatories, which diminishes the potential for conflicts related to it, thus probably contributing to the fact that no claims related to the Montreal Protocol were brought before the WTO. . However, the trade restrictions imposed by its Article 4 are included in the exceptions of Article XX of the WTO-GATT Rules.

- A measure (like a fee) is only inconsistent with WTO law if: (i) the measure violates a basic WTO obligation (like non-discrimination); and (ii) cannot be justified under an exception for measures pursuing health and environmental objectives (like the general exception). The Fee is not discriminatory and, in any event, justified.
- WTO law would also allow Parties to the treaty to impose border control duties, as suggested here for the Treaty.

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