

FNade's position on the consultation on a simplified set of European Sustainability Reporting Standards (ESRS)

25 September 2025

Summary

The new definition of “recovery” proposed under the European Sustainability Reporting Standards (ESRS) excludes energy recovery from waste, limiting recovery strictly to material loops such as reuse, repair, and recycling. This exclusion represents a major conceptual break and fundamentally downgrades waste incineration with energy recovery (Waste-to-Energy – WtE) in the waste hierarchy.

Currently, WtE qualifies as a recovery operation (R1) under the EU Waste Framework Directive if efficiency thresholds are met. This status, recognized for over 15 years across EU Member States, allows WtE facilities to report themselves as recovery in sustainability disclosures. The ESRS definition would force their reclassification as disposal, contradicting EU law and undermining the established hierarchy that ranks energy recovery above landfill.

The consequences of this exclusion are significant:

- It disregards WtE's role in the circular economy, undermining EU and national targets for landfill reduction and waste recovery.
- It creates regulatory inconsistency with the Waste Framework Directive, which explicitly includes energy recovery as a form of recovery.
- It removes incentives for technological innovation in decarbonisation, hydrogen production, and carbon capture.
- It sends a negative signal to investors, despite the urgent need for modernisation and efficiency upgrades in aging facilities.

Maintaining WtE as recovery is essential. These facilities complement recycling by treating non-recyclable waste and sorting rejects, while producing renewable energy that replaces fossil fuels and strengthens energy security. They also recover valuable materials such as metals and bottom ash for reuse, contribute to public health by destroying pathogens, and align with circular economy principles that include both material and energy recovery.

Excluding energy recovery from ESRS recovery would create legal contradictions, weaken environmental goals, and harm investment. Recognising WtE as recovery ensures consistency with EU law, supports the circular economy, and contributes to climate and energy objectives.

The new definition of “recovery” proposed by EFRAG under the ESRS¹ explicitly excludes “energy recovery from waste” and focuses solely on material loops (reuse, repair, recycling, etc.), marking a major conceptual shift. The explicit exclusion of energy recovery fundamentally repositions waste incineration with energy recovery (Waste-to-Energy – WtE) facilities within the waste treatment hierarchy.

¹ European Sustainability Reporting Standards

Indeed, WtE is considered a recovery operation (R1) under the Waste Framework Directive (2008/98/EC) if the facility exceeds a set threshold of energy efficiency. This classification allows such facilities to claim “recovery” status in their sustainability reports. This classification, applied across the 27 EU Member States for more than 15 years, has proven effective and benefits from a mature technical framework. With this new ESRS definition, these facilities would have to be reclassified as “disposal” or “waste treatment operations” in such reports, despite producing energy, in contradiction with the waste treatment hierarchy principle enshrined in the Waste Framework Directive.

The potential consequences of this exclusion are multiple:

- **Non-recognition of WtE’s role in the circular economy:** By excluding energy recovery, the new ESRS classification overlooks the essential contribution of WtE facilities. This approach risks undermining the achievement of targets, sending a negative signal, and ultimately proving counterproductive for reducing municipal and similar waste, particularly with regard to the EU target of 10% municipal waste going to landfill by 2035. It also contradicts the French target of 70% recovery of non-recyclable waste and undermines the recognition of these activities as an integral part of the circular economy.
- **Inconsistency with the waste treatment hierarchy:** The Waste Framework Directive places energy recovery above disposal, recognising its essential role in residual waste treatment and contribution to energy security. Excluding energy recovery from the ESRS recovery definition would create a regulatory contradiction.

Article 3(15) of the Waste Framework Directive states:

“Recovery: ‘recovery’ means any operation the principal result of which is waste serving a useful purpose by replacing other materials which would otherwise have been used to fulfil a particular function, or waste being prepared to fulfil that function, in the plant or in the wider economy”.

Annex II of the Waste Framework Directive provides a non-exhaustive list of recovery operations, explicitly including energy recovery.

Furthermore, Article 4(1)(d) of the Waste Framework Directive specifies in the waste hierarchy: “(d) other recovery, e.g., energy recovery;”

- **Loss of incentives for the energy transition:** By marginalising WtE facilities, technological innovation efforts (combined heat and power, decarbonisation of urban and industrial heat networks, CCUS, hydrogen production) that directly contribute to carbon neutrality objectives are discouraged.
- **Negative signal for investors:** Excluding energy recovery from the scope of “recovery” affects the recognition of WtE’s role in sustainability reports, while these aging facilities require significant investments to modernise existing equipment, maximise energy performance, and develop the necessary capacities in France.

For all these reasons, it is paramount to maintain WtE facilities classified as R1 within the notion of “recovery”, in order to recognise their strategic role in the circular economy, energy transition, and secure treatment of non-recyclable waste. Several benefits demonstrate this:

- **Complementarity with material loops:** WtE facilities do not replace recycling; they treat the non-recyclable fraction of waste as well as sorting rejects, ensuring continuity of the circular loop.

- **Recovery of energy resources:** Energy produced by WtE facilities is considered recovered and renewable. It can replace fossil energy use and contributes to territorial and European energy security.
- **Alignment with circular economy principles:** WtE allows extraction and recovery of various materials present in treated residual waste, including ferrous and non-ferrous metals (copper, aluminum, zinc), precious metals (silver, gold), and bottom ash recovered in construction. Moreover, circularity is not limited to materials; it also includes recovery of energy generated by thermal waste treatment processes, an essential resource for society.
- **Contribution to public health:** WtE ensures health safety by destroying pathogens and organic pollutants in residual waste, preventing their dispersion into the environment.
- **Consistency with the waste treatment hierarchy:** Excluding WtE from “recovery” would create regulatory inconsistency and undermine ESRS credibility vis-à-vis existing European regulatory frameworks.

Energy recovery from waste, when meeting the R1 energy efficiency criterion, constitutes a legitimate recovery activity that:

- Complies with the waste treatment hierarchy
- Generates documented environmental benefits
- Contributes to energy security
- Supports the circular economy

Its exclusion from the ESRS definition for “recovery” would create a major regulatory inconsistency and undermine the achievement of European environmental objectives. It is therefore essential to maintain energy recovery within the scope of ESRS recovery activities.

FNADE, the French federation for waste management and environmental services, is the professional organisation representing the private resource and waste management industry. As a major player in the circular economy, the waste industry produces recycled materials, fertilisers and green energy, substituting natural resources and fossil fuels. It provides solutions to major environmental and climate challenges.

FNADE in figures: 269 private member companies; 54 669 employees in France; 11,8 billion in revenues; ~1,1 billion in investments. FNADE is a member of FEAD, the European Waste Management Association.

FNADE's EU Transparency Register number: 232455019331-89.