

DPA

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Model of financing, fee structure and distribution of costs

Dansk Producentansvar, December 2022

DPA is short for Dansk Producentansvar (Danish Producer Responsibility). DPA oversees administrative tasks associated with the rules on producer responsibility under the Danish environmental law regarding electrical and electronic equipment, batteries and accumulators, vehicles, single-use plastic products and packaging, as well as payment of scrapping premium for vehicles.

Producer responsibility rests on the principle that each producer or importer assumes a life-cycle based responsibility for their products - from design until the products have reached their end of life and must be managed in an environmentally correct manner. The purpose is to promote a circular economy where production and environmental treatment must take place with the highest possible consideration and recovery of hazardous, but also valuable resources contained in this type of products. Producers and importers are in the following referred to as *producers* as the rules applying to both types are the same. The following abbreviations are used: WEEE for waste electrical and electronic equipment, BAT for batteries and accumulators, ELV for end-of-life vehicles, and TPF for tobacco product filters.

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DPA's finance model

This document describes DPA's financing, distribution of costs and the principles for budgeting behind the fees levied to cover DPA costs incurred under the producer responsibility system.

Approval of cost apportionment

DPA administers the rules on producer responsibility for the statutory areas of electrical and electronic equipment (WEEE), batteries and accumulators (BAT), end-of-life vehicles (ELV), and tobacco product filters (TPF), including operation of the producer register. DPA is financed through fees paid by producers registered in the register. As the four schemes are self-financing, revenues and expenses for the four schemes must balance.

In addition to the areas of producer responsibility, DPA oversees the ELV scrapping system and payment of scrapping premiums for vehicles. The operating costs relating to this are covered by capital transfers from the Danish Environmental Protection Agency based on an operating budget approved by the DPA Board. Financing of this system is not described further in this document, as it only deals with the financing of the areas of producer responsibility.

After a thorough analysis of the costs incurred by the four schemes, the DPA Board has decided that overheads are distributed as follows: 75% for WEEE, 15% for BAT, 5% for ELV, and 5% for TPF.

Calculation of fee rates

Fee rates are calculated once a year by DPA after the end of the reporting period 31 March. At present, no separate fee rate is calculated for TPF. Fees for DPA are included in an overall rate levied by the Danish Environmental Protection Agency and transferred to DPA. The capital transfers relating to TPF are based on the capital requirement appearing from the latest approved operating budget in DPA for this area.

Approval of fee rates

The fee rates are approved by the DPA Board and the Danish Environmental Protection Agency. The fee rates for WEEE, BAT and ELV are published on the DPA website.

Cost apportionment relating to allocation scheme

Producers who put EEE for households and/or portable batteries on the market are subject to allocation. DPA carries several costs associated with the allocation of producer's obligation to collect and environmental treatment of WEEE and waste portable batteries from the municipal collection sites. It has been estimated that costs associated with allocation account for 20% of DPA's total operating budget for WEEE and portable batteries, respectively. This 80/20 distribution has been decided by the DPA Board. At the moment, no allocation fee is calculated for ELV or TPF.

Budgeting

DPA's cost budget is prepared in the fourth quarter each year based on developments in the current year's cost level and expectations for new activities for the next year. The budget is made for one calendar year at a time and is normally presented for approval at the last board meeting of the year. DPA being a non-profit organisation, revenues are decided in relation to the expected cost level.

Capital requirement

The capital requirement consists of the capital to finance the operation of DPA in a 12-month period, i.e. the costs appearing from the approved operating budget of DPA. To this are added reserves divided into two types:

- a. Reserves for possible winding up of DPA
- b. Reserves for financing of staggered invoicing

The total capital requirement must be deducted from the deposited capital (equity capital) which is available at the start of the operation period (at the time of calculation). The capital requirement is calculated with this model:

$$\text{Capital requirement} = (\text{capital requirement for period} + \text{reserves}) - \text{equity capital}$$

The components are described below.

Expected capital consumption for the year

The expected capital consumption for administration of the statutory schemes WEEE, BAT, ELV and TPF for the next 12 months is stated with the budgeted costs broken down on the four schemes. Individual operating budgets have been established for WEEE, BAT, ELV and TPF. The operating budgets rest on a cost distribution adopted by the DPA Board, where joint costs are distributed with 75% for WEEE, 15% for BAT, 5% for ELV and 5% for TPF. In addition to the capital requirement derived from the operating budget, there is also a capital requirement for reserves. These reserves are described below.

Reserves for winding up of DPA

Reserves for winding up are the funds required should DPA cease. In such case, DPA must be able to comply with its liabilities in a winding up period. A winding up period is expected to have a duration of 6 months. The cost level from the latest approved budget is used as basis for the calculation: a 50% share of this budget corresponds to a 6-month operating period. However, with a possible deduction of costs for IT development. IT costs may be deducted since normally no IT development would be launched in case DPA is to be wound up. Reserves for winding up are adjusted and specified individually for each financial year in the DPA annual accounts.

Reserves for financing of staggered invoicing

Invoicing is staggered in relation to the DPA accounting year. The first months of the year are underfinanced until payment of the invoiced fees, and expenses are covered by the temporary reserves.

Invoicing cannot be made until the end of the reporting period (31 March) and calculation of the fee rates. When the fee rates have been calculated, they must be approved by the DPA Board and subsequently the Danish Environmental Protection Agency, whereafter DPA can start invoicing, which is typically carried out in September/October. To this should be added the time limit for payment before DPA receives the first payments. Reserves must as a minimum cover five months of operation of DPA. Thus, this reserve is calculated as 5/12 of the latest approved operating budget.

Deposited capital at the time of calculation (equity capital)

The division of the capital is carried out in a specification of the equity capital based on the specified equity capital in the latest approved annual accounts.

Capital requirement primarily covered by annual fees

The capital in DPA is primarily covered by the annual fees, while registration and administration fees only contribute marginally to the total revenues in DPA. Generally, DPA bases estimates of expected revenues from registration fees on revenues received from the registration fees the year before. For TPF, costs are covered by capital transfers from the Danish Environmental Protection Agency.

Revenues

DPA revenues are made up of fees. The following fees are levied:

- Registration fee
- Annual fee
- Case handling fee for special administrative services based on hours spent

Other revenues

- Capital transfers from the Danish Environmental Protection Agency to cover TPF costs; they are part of an overall fee levied by the Agency from producers.

Registration fee

Registration in the producer register triggers a one-off registration fee. The registration is linked to the producer's CVR/VAT number, and if this number changes, a new registration fee is levied. DPA levies registration fees for the statutory areas WEEE, BAT, ELV and TPF. The registration fee for the first product area amounts to DKK 1,000 excl. VAT, whereas each following product area triggers a fee of DKK 500 excl. VAT. If a producer has been deleted from the producer register due to non-performance of duties or at their own initiative, DPA will levy a new registration fee at the re-registration of the company.

Annual fee

A major part of DPA's revenues for WEEE, BAT and ELV originates from the annual fees. The fees are calculated from the producers' quantities in kilograms put on the market - and for ELV from the number of vehicles put on the market as reported to DPA in the reporting period (1 January to 31 March).

For TPF, DPA's revenues are a transfer of capital from the Danish Environmental Protection Agency which the Agency has charged from the producers. The transferred capital is to cover that part of DPA's costs which can be attributed directly to the TPF area, and which appears from the approved annual budget for a calendar year.

Basis for invoicing of annual fee

The current reporting period in which producers have reported quantities the preceding year is used to calculate the fee rate of the year.

Types of annual fee

Three types of annual fees exist for the statutory areas of WEEE, BAT and ELV: a general fee, an allocation fee and a minimum fee. The general fee is to be paid by all producers. Producers putting household equipment and/or portable batteries on the market must in addition to the general fee pay an allocation fee financing the DPA costs in connection with the allocation scheme.

Minimum fee

If the calculated annual fee does not exceed DKK 250 (per statutory area), a minimum fee of DKK 250 will be charged from the producer. Thus, a reporting of 0 kg also triggers a minimum fee.

Invoiceable hours spent on case handling

DPA can invoice producers and other originators for extraordinary case handling and external projects.

Calculation principles

The annual fee is found using the following calculation principles:

$$\text{Annual fee rate in DKK} = \frac{\text{Capital requirement for administration of scheme in DKK}}{\text{Total quantity put on the market in kilograms/units (for vehicles)}}$$

The fee rates for the three statutory areas of WEEE, BAT, and ELV appear from the below calculation forms:

Statutory area WEEE

$$\text{Rate for the general fee in DKK} = \frac{80\% \text{ of total capital requirement in DKK for WEEE}}{\text{Total quantity put on the market in kilograms}}$$

$$\text{Rate for allocation fee in DKK} = \frac{20\% \text{ of total capital requirement in DKK for WEEE}}{\text{Total quantity put on the market for households in kilograms}}$$

Statutory area BAT

$$\text{Rate for the general fee in DKK} = \frac{80\% \text{ of total capital requirement in DKK for BAT}}{\text{Total quantity put on the market in kilograms}}$$

$$\text{Rate for allocation fee in DKK} = \frac{20\% \text{ of total capital requirement in DKK for BAT}}{\text{Total quantity of portable batteries put on the market in kilograms}}$$

Statutory area ELV

$$\text{Rate for ELV in DKK} = \frac{100\% \text{ of total capital requirement in DKK for ELV}}{\text{Total number of units put on the market}}$$

The fee rates apply for one calendar year at a time.

Invoiceable hours spent on case handling

A man-year according to the Agency for Modernisation has 1,924 hours.

Source: <https://modst.dk/oekonomi/oeav/effektivt-aarsvaerk/>

The calculation of the hourly rate is calculated using the following formula:

$$\text{Hourly rate in DKK} = \frac{\text{Total operating budget in DKK for DPA for the producer responsibility system}}{\text{Total man-year in hours delivered by DPA in the producer responsibility system}}$$

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