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# Investments in the Waste & Resources Sector

Insights for Investors and Developers

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The transition from linear to circular business models is creating a new wave of innovation, investment, consolidation and opportunity within the waste and materials management sector.

Increasing activity across the investment cycle - including greenfield developments, mergers, acquisitions, and refinancing of existing assets - is being driven by:

- a regulatory landscape which increasingly seeks to address carbon targets and preserve material resources;
- growing demand for responsible and sustainable investments; and
- increasing circularity of business models driven in part by consumer demand.

A recent Eunomia report for the European Commission outlined that over £14 billion is needed in Europe to meet the EU circular economy recycling objectives by 2035, around £2 billion of which is required in the UK.

To fully realise the investment opportunities presented, it is essential to understand and adequately assess the complexities of the markets in which these infrastructure assets operate.

Here we provide introductory insights into five key considerations that every investor should consider when investing in waste and materials management infrastructure.

## Investor Checklist

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1. Feedstock
2. Competition
3. Price
4. Output Market
5. Regulation

# 1. Feedstock

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Robust assessment must be made of the quantity of waste or recycle feedstock within an appropriate catchment of the target facility. It is essential to also understand the suitability of the material for the facility's treatment process, for example, the composition, CV, and specification being targeted.

Once waste feedstock availability is determined, the contractual situation needs to be understood – i.e. who owns and controls the material, and what is the nature and commercial strength of any supply agreements.

Once a baseline has been established to understand the current market situation, consideration also needs to be given to the future supply of feedstock. Changes in both quantity and composition of feedstocks must be understood.

Future feedstock trends will be driven by the regulatory landscape, brand commitments and consumer behaviour impacting on:

- the quantity and composition of materials placed on the market;
- the proportion and types of the waste being recycled;
- the collection systems in place; and

# 2. Competition

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No investment can be considered secure without a robust assessment of the competitive environment. This starts with an appraisal of existing competitor infrastructure and market activity. The future competitive landscape must also be understood, through an assessment of potentially directly competing facilities in the development pipeline, including the likelihood of each competitor facility coming to fruition. Furthermore, consideration should be given to any alternative market disruptors, including emergent technologies.

## 3. Price

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Pivotal to the bankability of a waste/ resources infrastructure project are the operation's income streams and liabilities. A good understanding is needed of the market price points for both inputs and outputs, and how these are affected by contracting arrangements. Price trajectories are also crucial, not only in relation to contract indexation, but also taking into account informed predictions of changes to future market supply and demand.

## 4. Output Market

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Beyond prices, it is also crucial to consider the overall market security for process outputs. All 'throughput technologies' must be able to ensure that process outputs or products can find the right home – at the right price – for the duration of operations. Understanding how markets are likely to change in future is thus essential in order to futureproof a facility. Furthermore, early identification of future market shifts can create real opportunities, allowing first-mover advantages.

## 5. Regulation

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The policy environment is not stagnant and many facilities are supported by government policy and regulation. Whilst policies can create investment opportunities, there are also risks associated with changes in the future. Advice should be sought on how policy is expected to change, and what that might mean for waste infrastructure and processing operations.

# About Eunomia

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Eunomia is an independent consultancy dedicated to adding value to organisations through the delivery of improved outcomes. We are commercially astute, and combine market knowledge, operational experience and policy expertise, to offer strategic and creative solutions.

From this holistic viewpoint, we are uniquely well placed to offer a suite of services to support you in assessing waste and resources industry investment and development prospects, including:

- market and industry insights into waste operations, the changing policy landscape, and market dynamics to identify key opportunity market sectors and geographies;
- commercial reviews of investment opportunities;
- vendors and acquirers' side due diligence on existing or proposed facilities, and multiple facility portfolios;
- feedstock supply and demand assessments;
- gate fee assessments and forecasting;
- data room reviews;
- contract reviews and advice.

**Contact our team to discuss how we can meet your market assessment and commercial due diligence needs.**



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