

## Introduction of mandatory digital waste tracking

<b>Lead department</b>	Department for Environment, Food and Rural Affairs
<b>Summary of proposal</b>	The proposal seeks to introduce a mandatory central digital waste tracking tool, requiring businesses to record all movements across the ‘full waste chain’.
<b>Submission type</b>	Impact assessment (IA) – 19 February 2026
<b>Legislation type</b>	Secondary
<b>Implementation date</b>	2026
<b>Policy stage</b>	Final
<b>RPC reference</b>	RPC-DEFRA-26127-IA(1)
<b>Opinion type</b>	Formal
<b>Date of issue</b>	31 March 2026

## RPC opinion

<b>Rating<sup>1</sup></b>	<b>RPC opinion</b>
<b>Fit for purpose</b>	The IA provides sufficient evidence and analysis for the RPC to be able to validate the EANDCB. The assessment of impacts on small and microbusinesses is sufficient. The Department has provided a comprehensive cost benefit analysis, in addition to satisfactory consideration of the rationale, options wider impact and monitoring and evaluation.

## Business impact target assessment

	<b>Department assessment</b>	<b>RPC validated</b>
<b>Classification</b>	Qualifying provision	Qualifying provision
<b>Equivalent annual net direct cost to business (EANDCB)</b>	£40.8 million	£40.8 million (2025 prices, 2026 pv)
<b>Business impact target (BIT) score</b>	N/A	
<b>Business net present value</b>	-£174.1 million	
<b>Overall net present value</b>	£172.1 million	

<sup>1</sup> The RPC opinion rating is based only on the robustness of the EANDCB and quality of the SaMBA, as set out in the [Better Regulation Framework](#). RPC ratings are fit for purpose or not fit for purpose.

## RPC summary

<b>Category</b>	<b>Quality<sup>2</sup></b>	<b>RPC comments</b>
EANDCB	<b>Green</b>	The Department has sufficiently set out the assumptions, data, and calculations behind its estimates of the impact of the proposal to validate the EANDCB. The IA has accurately classified the business impacts as direct and indirect in line with RPC guidance.
Small and micro business assessment (SaMBA)	<b>Green</b>	The Department has provided an adequate SaMBA, with a qualitative assessment of the potential impact on small and micro businesses. This could have been improved by the inclusion of a monetised estimate of the impact on small and micro businesses.
Rationale and options	<b>Satisfactory</b>	The Department set outs a sufficient rationale, based on the need to reduce waste crime and support regulatory activities. The IA does well to set out the longlisted options that were not fully assessed in this IA, in addition to the three options under consideration.
Cost-benefit analysis	<b>Good</b>	The IA provides a clear description of how the cost and benefits were estimated, with a good level of detail on the assumptions used. The Department has also used a sensitivity analysis to test key assumptions.
Wider impacts	<b>Satisfactory</b>	The IA briefly considers the competition and innovation impacts. The Department could have included other wider impacts, such as the possible distributional impacts.
Monitoring and evaluation plan	<b>Satisfactory</b>	The assessment includes a satisfactory M&E plan, with a potential methodology evaluation questions and clear timeline. This could be improved by considering potential risks and external factors.

<sup>2</sup> The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. The definitions of the RPC quality ratings can be accessed [here](#).

## Summary of proposal

The UK waste sector lacks a unified digital tracking system, creating inefficiencies, enabling waste crime, and hindering progress towards a circular economy. Over 190 million tonnes of waste are produced in the UK each year but there is currently no single or comprehensive way of tracking it. The government is committed to moving towards a more circular economy, keeping resources in use for as long as possible, extracting maximum value from them, minimising waste and promoting resource efficiency. This therefore requires turning waste that does end up being produced into a resource. To do this, the Department for Environment, Food and Rural Affairs (Defra) are proposing a Digital Waste Tracking (DWT) system, to help regulators in the waste industry ensure they have the information about what waste is being produced and where it ends up.

The Department proposes three options in this Impact Assessment (IA):

- **Option 1:** Do minimum (baseline).
- **Option 2:** Implement a Waste Tracking service that requires all permitted receiving sites to submit data electronically on all waste received at their sites in near real time.
- **Option 3 (Preferred):** Provide a central digital Waste Tracking service and mandate its use.

These options have both been subject to a monetised appraisal, with Option 3 'Provide a central digital Waste Tracking service and mandate its use' being selected as the Department's preferred option.

## EANDCB

The IA's evidence and analysis of direct impacts on business is sufficient and the RPC can validate the EANDCB figure presented.

The Department's EANDCB estimate is £40.8m (2025 prices, 2026 present value (pv) base year) over 15 years, based on the assumption that the transitional admin costs and increased software costs will outweigh the administrative time savings benefits going forward. This has been estimated using the monetised costs and benefits estimated in the IA's cost benefit analysis, bringing out the specific direct impacts on businesses.

### Direct/indirect impacts

The Department has correctly identified which of its estimated impacts are direct and indirect, with familiarisation and other transition costs, software costs and benefits from removing returns all contributing to the EANDCB. The IA does well to clearly set out which impacts have been considered direct and indirect by the Department in a table, including a justification of why each impact has been handled as it has.

The IA helpfully considers why the business service cost charge should not count as a business cost. As this maintenance charge is classified as a statutory tax or fee it has correctly been excluded from the EANDCB calculations. The cost is still described in the IA to give an indication of what the cost of this service charge would be.

## SaMBA

The Department has provided a good small and micro business impact assessment (SaMBA), with a qualitative assessment setting out how smaller businesses could be affected. The Department uses the SaMBA to show that 71.5% of the businesses in scope are micro sized, with a further 21.5% being small businesses. As a result exempting small and micro businesses would result in large scale data gaps and weak waste crime detection, and therefore failing to meet the policy objectives. This justification is sufficient. Despite this, the IA does well to make the case for some areas where exceptions from the requirement would be permitted, including litter and incidental waste.

The IA states that costs to businesses will broadly be fixed, such as software, transition and service charge costs. This means that small and micro businesses are likely to face a disproportionate impact as these costs will represent a larger share of their turnover. The Department has provided a summary of the costs an individual small or micro business could face, both with and without an exemption, however the assessment would be improved by the inclusion of an estimate of the overall impact on these businesses through the calculation of a small and micro business NPV.

The assessment has provided a good summary of potential mitigations, such as the phased approach not requiring small and micro businesses to comply until 2027. The IA also could have been improved by providing a consideration of the potential impacts on medium sized businesses.

## Rationale and options

The IA's rationale for intervention is based on providing agencies the ability to prioritise regulatory activities, tackle waste crime and support a shift to a circular economy. The Department also discusses the different market failures that intervention could address, such as the information failure caused by insufficient data held by authorities to plan investment or investigate waste crime, and the coordination failure caused by fragmented data across various systems leading to inefficient compliance activity. The rationale for intervention would be improved by using evidence or specific examples of the issues that have arisen as a result of the fragmented data system. The Department also could have considered approaches taken in other countries with similar systems.

The Department presents three options: Option 1 is the department's baseline scenario, Option 2 would implement a waste tracking service that requires all permitted receiving sites to submit data electronically on all waste received at their sites in near real time, with Option 3 going further and providing a mandatory central digital waste tracing service. Option 3 is the Department's preferred option. In

addition to this, the IA does well to set out the longlisted options that were not fully assessed in this IA, including details on the critical success factor assessment that resulted in options being advanced to the shortlist.

## Cost benefit analysis

The IA includes a monetised cost-benefit analysis which sets out the potential impact of the proposed options on businesses, government and wider society. Options 2 and 3 have been assessed against Option 1, the 'Do Nothing' baseline scenario, with an NPV of £172.1m (2025 prices, 2026 present value (pv) base year) over a 15-year appraisal period. This is based on initial transition costs to businesses, government capital costs and businesses service charge and software costs being offset by benefits including time savings for businesses.

### Counterfactual

The IA does well to set out the counterfactual, using a baseline assessment to demonstrate the costs that would still occur without intervention. The Department estimates that the government would face IT set up costs for the system that it is already legally committed to, in addition to some transition and software costs faced by businesses as a result of this system. The impact of this scheme is uncertain, and so the IA does not include any quantified benefits for the baseline. The IA should do more to caution that benefits may be overestimated as a result of quantifying baseline costs of a new IT system but not the potential benefits.

### Evidence and Assumptions

The IA is based on a reasonable level of evidence. The data and assumptions used in the modelling are based on information from the Environment Agency, ONS, HMRC and surveys conducted by Defra. These have been clearly stated and sourced throughout the costs benefit analysis. The assessment would have benefitted from evaluating how the cost of waste crime may have changed since the 2018/19 Environmental Service Association (ESA) report.

As the Department anticipates the lifespan of the new IT system to be longer than traditional off the shelf systems, the IA uses a 15-year appraisal period rather than the expected 10. This is a reasonable analytical approach, however the IA should do more to evidence the claim that this IT system will have a longer lifespan.

### Methodology

The IA provides comprehensive detail on its monetised cost benefit analysis in Sections 8, 9 and 10, with further detail on some aspects in Annex 5. This covers individual sections discussing costs and benefits to government, businesses and society and the environment. This is then supplemented by a section considering the non-monetised benefits of the proposed options. The Department should be commended for the clarity and level of detail it has provided to set out its analysis, however could benefit from the inclusion of a detailed summary of analytical assumptions in an annex. The IA describes digital waste tracking as a 'foundational

enabler for circular economy reforms' and 'improved technology integration', however would benefit from attempting to describe the scale of this potential impact.

The IA provides a useful discussion of risks and uncertainties, and a sensitivity analysis to test the robustness of key assumptions. This includes testing the impact of varying levels of waste crime sensitivity and differing software costs. The Department has also applied a 15% optimism bias to all costs, with a higher 400% applied to highly uncertain software costs. The IA would be improved by clarifying the basis for the specific 400% figure. The Department also could have considered using a breakeven analysis to test waste crime sensitivity.

## Wider impacts

The IA provides a useful assessment of the potential competition impacts of the proposed reforms. This includes a discussion of the likelihood of the new regulations leading to a reduction in illegal activity, with more opportunities for legitimate businesses. This should also result in a level playing field for waste tracking businesses, with a greater scope for profit. The Department also considers the potential for increased economic barriers to entering the market, which may reduce the number of firms in the sector.

The IA could be improved by considering other wider impacts, such as the potential distributional effects of the policy. This could include the varying geographical impacts of a reduction in illegal activity.

## Monitoring and evaluation plan

The assessment includes a satisfactory plan for monitoring and evaluation. The Department has outlined how it plans on conducting a Post-Implementation Review (PIR) of the policy, set to take place 5 years after the legislation is implemented, in 2031. The plan sets out how the department intends to obtain different pieces of evidence to assess key objectives such as the impact of waste tracking on waste crime, as well as the impact on legitimate businesses. The Department also does well to commit to re-estimating the costs to business set out in this IA.

The assessment does well to consider potential unintended consequences, though this could be improved by including a discussion of the potential risks that could affect the evaluation exercise and possible effect of external factors on the proposed intervention.

## Regulatory Policy Committee

For further information, please contact [enquiries@rpc.gov.uk](mailto:enquiries@rpc.gov.uk). Follow us on X [@RPC\\_Gov\\_UK](https://twitter.com/RPC_Gov_UK), [LinkedIn](https://www.linkedin.com/company/rpc) or consult our website [www.gov.uk/rpc](http://www.gov.uk/rpc). To keep informed and hear our views on live regulatory issues, subscribe to our [blog](#).