



WHITE PAPER:
**THE FUTURE
OF FILTRATION**

NAVIGATING THE POST-COPII LANDSCAPE:
SPECIALTY LEADERSHIP, REGULATORY DEFENCE,
AND THE SUSTAINABILITY IMPERATIVE

Date: 22 March 2026



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What COP11, EU TED revision, UN plastics discussions, and EPR schemes really mean for filters.

How RRP, HTP, specialty filters, capsules, and flavour accessories are reshaping consumer expectations.



EXECUTIVE SUMMARY

THE SPECIALTY MANDATE

As 2025 closes, the global filter and tobacco landscape has been fundamentally reshaped, and with it, the role of specialty filter innovation. The regulatory pressure is real, but it has also created a clear mandate: the industry needs next-generation materials, sustainable design, and advanced filtration solutions. The companies that can deliver these will define the next chapter.



The regulatory conversation, however, continues to evolve:

- WHO documentation continues to describe filters as “**single-use plastics**” that do not eliminate harm, make smoking **more palatable**, and may help **young people start**.
- COP11 delegates instead strengthened **article 18 (Environment)** and **article 19 (Liability)**, creating a path for governments to charge tobacco companies for **environmental damage and cleanup** costs from cigarette butts.
- The WHO Technical Report 2025 references filters within the broader ‘endgame’ package, though the proposal lacked sufficient consensus to advance at COP11. Some Latin American delegations expressed support, but practical and economic barriers remain significant obstacles to adoption.
- In parallel, the EU has accelerated a very aggressive revision of the **Tobacco Excise Directive (TED)**, including a proposed “**super-tax**” on **Heated Tobacco Products (HTP)** and steep hikes on combustibles and other Reduced Risk Products (RRPs).
- The proposed **TED revision is aligned with the EU Cancer Plan’s ‘Tobacco Endgame 2040’ initiative**, which envisions drastic excise increases on all tobacco products, including HTPs and RRP.
- **The proposal did not secure adoption, reinforcing the window for innovation-led solutions.**

For the industry, this means:

- The **cost of using wrong materials will potentially rise sharply** (through EPR schemes, plastic-related taxes, and liability exposure).
- The world is splitting into **three very different realities:**

Highly regulated mature markets (West, parts of Asia): declining combustibles, rising HTP, and intense pressure on sustainability and product features (flavours, capsules, design).

High growth and emerging markets (East & South): large, resilient combustible volumes with **down trading**, strong demand for **flavour and capsules**, and a growing role for **independent local manufacturers**.

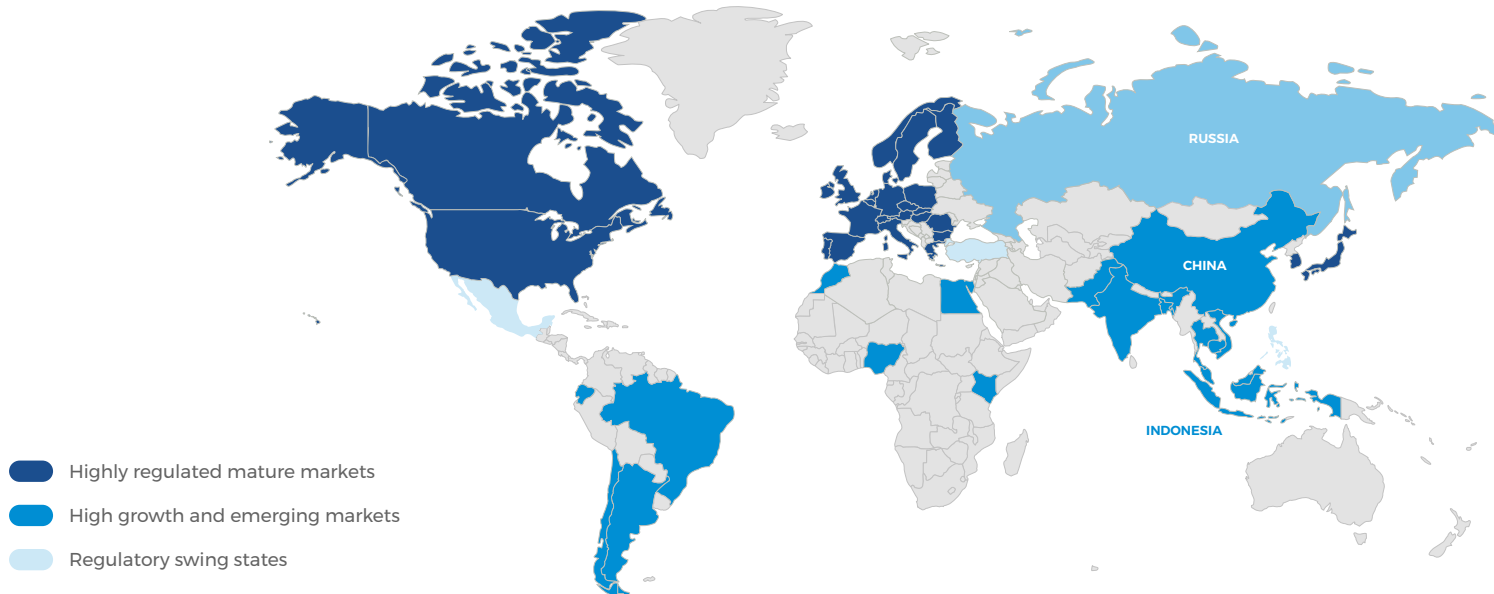
Regulatory swing states (e.g., Turkey, Mexico, the Philippines), where regulation can change more unpredictably.

Within this three-speed world, there are three strategically interesting clusters:

1. Indonesia – A structural revolution: premium kretek is collapsing, independents in the low price SKM and SKT tiers are winning, driven by capsule flavours and “value-for-money” propositions.

2. Russia – A resilient, rewired market: stable volumes, strong capsule & superslim segments, and a rapidly growing HTP ecosystem, now led increasingly by local champions.

3. China – The immovable giant: 2.45 trillion sticks, essentially volume stable but premiumising, with moving towards higher quality products and, maybe over time, more environmental scrutiny.



SECTION 1:

THE REGULATORY ENVIRONMENT

1.1 A Shifting Global Rulebook

1.2 WHO FCTC COP11 – From Filter Bans to Liability

1.3 The European Theatre – TED Revision, Taxes, and Product Standards

1.4 Environmental Legislation, UN Plastics, and EPR – The New Cost of Doing Business

1.1 A Shifting Global Rulebook

Regulation has moved beyond simple excise hikes. Policymakers now directly target:

- **Product design features:** filters, flavours, capsules, super-slimes, “attractive features”.
- **Environmental externalities:** litter, microplastics, and lifecycle carbon emissions.
- **Long term “endgame” concepts:** generational bans and tobacco free targets.

Regulators increasingly require verifiable environmental and chemical safety data.

There is a shift from “*Can we supply filters?*” to “*Can we supply the right kind of filters with the right data so our customers can still sell legally and profitably?*”

Filtrona aims to continue to be the leader in specialty filters.



1.2 WHO FCTC COP11 – *From Filter Bans to Liability*

Before COP11

The lead up to COP11 (November 2025) brought heightened regulatory scrutiny to the filter sector:

- Under Agenda Item 4.3 (Environment), WHO backgrounders advocated treating filters as single-use plastics and called for banning filters entirely to:

Reduce the palatability and appeal of cigarettes.

Remove misconception that filters remove harm.

- WHO communications emphasised that filters “do not eliminate harm” and may make it easier for new or young users to start.
- “Endgame” discussions (enabled by article 2.1 FCTC) now included generational bans, making it illegal for anyone born after a specific date to purchase tobacco.

What actually happened in November 2025

- The proposed global filter ban was not adopted.

Many delegations highlighted the risk of illicit trade spikes and socio-economic impact, including farmers and legitimate factories. (The proposal was raised by the WHO Secretariat and some Parties but did not achieve the consensus required for adoption.)

Instead, the conference:

- Strengthened article 18 (Environment), explicitly linking filters to toxic waste / microplastics.
- Operationalised article 19 (Liability), encouraging governments to seek financial compensation from tobacco companies for environmental damage and cleanup costs. Article 19 enables civil and administrative liability actions, potentially opening the door for national- or city-level lawsuits, similar to environmental litigation trends in plastics and chemicals.

Implications for the industry

- The risk has shifted from prohibition to liability.
- Demand for plastic-free filters with credible, third-party data becomes a defensive necessity, not a CSR nice-to-have. Nonetheless, at COP11, the WHO Framework noted the need for a cautious and evidence-based approach to biodegradable cigarette filters, highlighting the importance of avoiding unintended greenwashing effects.
- Customers increasingly expect suppliers to provide not just compliant materials, but also documentation that can be used to defend against Article 18/19 exposure.
- Filtrona’s ECO Range™ offers customers a proactive route to support their sustainability commitments.

1.3 The European Theatre – *TED Revision, Taxes, and Product Standards*

The EU remains the most aggressive regulatory arena in the world.

TED Recast & “Super-Taxing” Reduced Risk Products

- **On 16 July 2025**, the European Commission proposed a major recast of the Tobacco Excise Directive (TED).
- The core elements now being sharpened by the Danish Council Presidency’s **December 2025** draft include:
 - **Cigarettes:** ~140% increase of minimum excise.
 - **Fine-cut tobacco:** ~260% increase of minimum excise.
 - **Heated Tobacco Products (HTP):** a proposed “super tax” jump from ~€155/kg to ~€360/kg minimum excise.
 - **Other RRP**s (e-vapor, pouches) also pulled further into the tax net.
- Since **early 2026**, negotiations have continued under the Cypriot Council Presidency, with Member States divided on the scale and structure of minimum rates, particularly for HTPs and other reduced-risk products.
- **In February 2026**, the European Economic and Social Committee (EESC) issued an opinion supporting an update of the Directive but warning that abrupt or excessive tax increases the risk of fuelling illicit trade, undermining competitiveness, and distorting harm-reduction incentives. The opinion emphasised proportionality and the need to preserve Member State flexibility regarding taxation methodology (e.g. weight-based vs unit-based approaches).
- **As of Q1 2026**, the TED recast remains under negotiation in the Council and has not yet been finalised. Adoption requires unanimity among Member States, and implementation timelines are likely to extend toward 2028, depending on political compromise.

The stated political objective is a “tobacco-free generation by 2040”. The likely outcomes include:

- **Surging illicit trade:** experience from France (where illicit accounted for around 40% of consumption in 2024) and elsewhere shows that extreme tax rises shift volume to untaxed channels, not away from consumption.
- An estimated **€19.4bn of lost tax revenue** across the EU due to illicit flows and cross-border shopping.
- **Pressure on innovation hubs**, as high excise on RRP’s reduces consumer switching from combustibles to RRP’s, undermining the public health rationale and the economic case for harm-reduction products.

Product Standards & Design Restrictions

Parallel EU and national regulations are increasingly targeting:

- Flavours in combustibles and sometimes HTPs
- Capsules and other “attractive design features”
- Pack formats, slimness, and colours

An increasing number of Member States are exploring restrictions on filter material composition (e.g., degradability criteria, restrictions on polymer blends).

For Filtrona, mature European markets will not be where volume comes from, but where margin and know-how are forged:

- Complex compliance requirements around material choice, recyclability, and chemical composition.
- High demand for premium HTP and specialty filters that can still operate within tight design rules.

1.4 Environmental Legislation, UN Plastics, and EPR – *The New Cost of Doing Business*

The environmental agenda is now fully embedded in tobacco regulation.

UN Plastics Treaty & Global Plastics Narrative

WHO and FCTC actors are aligning with UN Plastics Treaty negotiations, framing cigarette butts as:

- A major source of microplastic and chemical pollution.
- A form of “toxic tobacco waste” that must be eliminated or dramatically mitigated.
- Several negotiating blocs are advocating for tobacco filters to be named explicitly in treaty annexes as priority plastic pollutants.

Extended Producer Responsibility (EPR) & the EU SUP Directive

Under the Single Use Plastics (SUP) Directive, EU member states are rolling out EPR schemes that:

- Charge manufacturers and importers for litter cleanup and waste management.
- Push companies toward plastic-free alternatives, such as non-woven cellulosic materials that replicate the feel and draw of acetate.
- Alongside the EU’s framework, other countries also have EPR standards in place, and further regulatory developments are expected, implying short- and long-term risks.

Sustainability Agenda

MNCs have set ambitious climate targets (e.g. carbon neutral Scope 1+2 by 2025 and Net Zero by 2040), but:

- This creates a competitive opening for suppliers who can already provide granular, verified data on:

Biogenic CO₂ emissions (from biomass, paper, and board).

Carbon removals (forests, crops, and land use changes).

FLAG (Forest, Land, and Agriculture) emissions and removals.

For example, PMI published its latest Climate Transition Plan (CTP) in November 2025 and is committed to an absolute reduction of 27.5% in its Scope 3 industrial greenhouse gas (GHG) emissions by 2030 and a 33.3% absolute reduction in Scope 3 FLAG (forest, land and agriculture) emissions.

Direct Impact and Opportunities

- Material choice (tow type, plug wrap, bio based non-wovens) now directly influences:
 - EPR cost exposure: the right material choices can deliver measurable savings.
 - Improve Scope 3 carbon performance and progress toward climate targets.
 - Verified, compliant materials provide a clear advantage.
- The ability to measure and report these impacts becomes as valuable as the physical filter itself.

SECTION 2:

PORTFOLIO INNOVATION AND CONSUMER EVOLUTION

2.1 The Rise of RRP's and Heated Tobacco Products - Where Value Is Migrating

2.2 Specialty Filters and Capsule Systems as the Engine of Affordable Premium

2.3 The Global Down Trading and "Value" Shift

2.4 Flavour Accessories and Evolving Regulation

2.1 The Rise of RRP and Heated Tobacco Products – *Where Value Is Migrating*

In many mature markets, “combustible” is no longer the growth engine. Instead, value migrates to **Reduced Risk Products (RRPs)**, especially **Heated Tobacco Products (HTP)** and **oral nicotine pouches**. Increasingly, regulatory pressure, ranging from emissions standards to material restrictions and pre-market authorisation frameworks, is becoming as significant a driver of RRP migration as consumer preference itself (while the burden on RRP is also increasing). The long-term contraction is structural, not cyclical: driven by demographic change, rising regulation, tax escalation, and partly the shift to RRP.



Key Characteristics:

Device & Consumable Complexity

- Multiple ecosystems (IQOS, Glo, Ploom, Lil, local systems) and their corresponding sticks (Heets, Fiit, Miix, Neostiks, etc.).
- Highly engineered filter segments with functions beyond simple tar/nicotine reduction:
 - Managing temperature and aerosol cooling.
 - Controlling airflow and draw resistance.
 - Incorporating functional segments (e.g. flavour, cooling, or filtration boost layers).

High Margin Technology

- HTP filters are a technology product, not a commodity.
- Customers will pay for differentiated sensory signature, lower defect rates, and compliance-ready materials.
- Evolving REACH/CLP rules and national chemical inventory updates may restrict certain adhesives, polymers or additives, creating supply-chain compliance risks for HTP components.

2.2 Specialty Filters and Capsule Systems as the Engine of Affordable Premium

Combustibles remain the dominant delivery system in most **emerging and high growth markets**, but consumer expectations demand “affordable premium” features.

Capsules as the Engine of “Affordable Premium”

- In Indonesia in particular, flavour growth is driven by capsule filters:
 - **Berry and Mango capsules** are consistently top performers, with retention rates up to 98% for successful new launches.
 - **New flavour territories are expanding:** Cola, Iced Tea, Coffee, Watermelon, energy drink inspired notes, and double capsule formats.
- The **price gap** between flavoured and plain sticks is now minimal:
 - In Indonesia, the gap is around **IDR 155/stick**, making capsules **a mass market feature** rather than a premium luxury.
- The expiration of a key flavour capsule technology patent held by V. Mane Fils, with the European patent (EP1906775B1) set to expire in June 2026 and related US patents following in 2027, is lowering the barriers to entry and increasing competitive intensity in the capsule segment, likely accelerating innovation and adoption in emerging markets. Filtrona fully respects the intellectual property rights associated with these patents.
- However, the long-term outlook is uncertain, as several jurisdictions, including the EU, Turkey and the Philippines, have already introduced restrictions on capsule cigarettes,

ranging from full prohibitions to targeted flavour bans, signalling potential spillover risk into currently permissive regions.

Specialty Combustible Filter Features

- Recessed filters, firm filters, tube filters, and super slims allow low-price brands to present a premium look and feel without excessive cost.
- In Russia, “Compact” and “Queen size” formats (e.g. K. Ritter, LF Blossom) rely on:
 - Precise rod lengths.
 - Recessed tips.
 - Capsule integration.

For consumers, especially in price-sensitive segments, the experience (flavour, mouth fullness, draw, “coolness”) often matters more than marginal price differences.

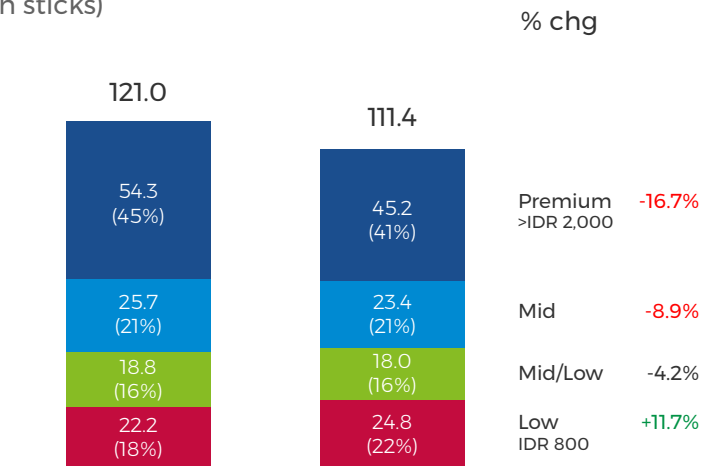
2.3 The Global Down Trading and “Value” Shift

Across geographies, sustained inflation and real income pressure are causing consumers to trade down:

In Indonesia:

- The “Low” price segment **grew by ~11.7%**.
- The “Premium” segment **declined by ~16.7%**.
- Similar patterns are visible in other emerging markets.

Volume Sales by Price Segment
(billion sticks)



This drives three technical requirements for filters:

1. COST EFFICIENCY

Materials, rod density, and tip length must be optimised for low unit costs.

2. PERCEIVED PREMIUM

Even low price brands need:

- Capsule or flavour delivery options.
- Firmness and visual cues (e.g. recess, laser perforation look).

3. SCALABILITY FOR INDEPENDENTS

Smaller manufacturers need “plug and play” filter and capsule solutions, not complex R&D programmes.

Filtrona’s modular approach enables faster go-to-market execution, allowing manufacturers to respond quickly to shifting consumer preferences while maintaining strict regulatory compliance.

2.4 Flavour Accessories and Evolving Regulation

As flavour bans tighten in some markets, the industry has responded with “flavour accessories”:

- **Cards** that infuse packs with menthol or fruit aromas.
- **Beads / balls and sprays** that add flavour to non-flavoured sticks.
- **Stones and other media** used in hookah or non-tobacco applications.

WHO analyses have documented over 120 distinct flavours in this accessory segment, from “Ice Coffee” to “Dragon Fruit.”



The 120 unique flavours found in flavour accessories (outer ring) classified into 13 main categories (inner ring)

Regulators are responding by:

- Expanding bans to cover accessories, not just tobacco products.
- Targeting “attractive features” more broadly (capsules, colours, format, etc.).
- EU-level discussions increasingly consider accessories and ‘presentation features’ within the scope of characterising flavour prohibitions, raising the likelihood of regulatory spillover into non-EU markets through supply-chain harmonisation.

Filtrona’s position:

Filtrona helps its customers navigate this evolving landscape by developing compliant flavour solutions that meet consumer demand for customisation while fully respecting applicable regulations.

Strategic approach:

- Focus on **integrated, compliant flavour solutions** in markets where they remain legal (e.g. capsule filters in Indonesia, Russia, parts of Africa and LATAM).
- Design filters that can be **quickly de-featured** (capsule removed, flavour segment swapped) if regulations change, protecting customers’ investments in base SKUs.
- Many markets now implement flavour bans with transition periods as short as three to six months, making rapid de-feature capability a critical form of regulatory readiness for brand owners.

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