

Introducing a Deposit Return Scheme in England, Wales and Northern Ireland

Response to Defra consultation by Wildlife and Countryside Link
and Northern Ireland Environment Link

May 2019

Wildlife and Countryside Link and Northern Ireland Environment Link are the largest environment and wildlife coalitions in England and Northern Ireland. Combined, we bring together over 100 organisations to use their strong joint voice for the protection of nature. Our combined members campaign to conserve, enhance and access our landscapes, animals, plants, habitats, rivers and seas. Together we have the support of over eight million people in the UK and directly protect over 750,000 hectares of land and 800 miles of coastline.

This response is supported by our member organisations listed below:

- A Rocha UK
- The Angling Trust
- Association for the Protection of Rural Scotland
- Bat Conservation Trust
- Born Free Foundation
- Butterfly Conservation
- Campaign to Protect Rural England
- ClientEarth
- Environmental Investigation Agency
- Friends of the Earth England, Wales and Northern Ireland
- Greenpeace
- Institute of Fisheries Management
- Marine Conservation Society
- Salmon and Trout Conservation
- Wildlife Gardening Forum
- Wild Justice
- The Wildlife Trusts
- WWF
- Whale and Dolphin Conservation

Wildlife and Countryside Link and Northern Ireland Environment Link is working in partnership with:

- Green Alliance
- Keep Britain Tidy

EXECUTIVE SUMMARY

The UK Government's recent declaration of a climate emergency and the Committee on Climate Change's new 'Net Zero' report show that the tide is turning, with major environmental crises no longer being ignored at the highest level. If the UK Government is to prove that these are more than hollow words, it must focus on addressing major environmental problems at root. In the case of the single-use packaging crisis, we must build a system focused on packaging waste prevention, with a wholesale transition to re-usable alternatives and closed-loop recycling.

The environment sector welcomes the long overdue and timely attention to resources, and the opportunity to address the shortcomings of a packaging system regarded as inefficient at best and broken at worst. We are gratified that the Government recognises that a major overhaul is needed and plans to properly embed concepts such as the polluter pays principle and extended producer responsibility in UK packaging legislation.

At the same time, we believe improvements are still needed. It remains unclear how the warm words on waste minimisation and resource efficiency in the Resources and Waste strategy will translate into action on the ground. Questions remain about whether the consultations' proposals will add up to a coherent, sustainable system.

In examining the four consultations¹, we have noticed several recurring shortcomings. These are:

- **Reduction is too often ignored:** We cannot recycle our way out of the current packaging crisis, which requires a reduction-led strategy to phase out all non-essential, single-use packaging and a transition to a refillable, reusable society. We believe the Government must do much more to first prevent waste generation and reduce harm, as dictated by the waste hierarchy. An obvious place to start would be to set legally binding reduction targets.
- **It is not just about plastic:** All materials have environmental consequences and we need to revolutionise the packaging system as a whole rather than focusing on substituting one single-use material for another. We believe, for example, that the implementation of a tax on plastic, rather than all materials, could lead to perverse shifts to avoid the tax, with negative environmental consequences. Likewise, a Deposit Return Scheme (DRS) should include all materials to prevent all forms of litter and ensure all drinks containers are properly collected so material can be used again.
- **Government policy must address the unchecked introduction of non-conventional plastics:** We are particularly concerned that the reforms will not prevent like-for-like substitutions with biodegradable, bio-based and compostable plastics. These plastics do not solve the problems associated with pollution in marine, terrestrial and aquatic environments, and we should not be searching to create material that is safe to litter. Their rise could justify greater use of single-use plastic packaging and so detract from the need to reduce, while also complicating existing collection and recycling systems.
- **All the UK Governments and Government departments must work together:** There is inconsistency across UK Governments and Government departments that is proving extremely unhelpful and could risk the effectiveness of all proposed schemes. For example, given the current political context and lack of legislative mechanisms, the plastic packaging tax must extend to Northern Ireland or risk it becoming a dumping ground for the industry to sell off remaining stocks of plastic products. Any DRS in England, Wales and Northern Ireland must also match the criteria and timelines of the Scottish scheme. In England specifically, we are concerned that the Department for Business, Energy and Industrial Strategy (BEIS) has been promoting bio-based and compostable plastics as a solution to the marine plastic crisis, at the same time as Defra's consultations suggest they should be avoided. Unlike other recent Government strategies in England, including the Clean Growth Strategy and the Industrial Strategy, the foreword for the Resources and Waste strategy was from the Environment Secretary, and not the Prime Minister. We worry that this signals a lack of buy-in from other departments to some of the contents of the strategy and resulting consultations.
- **Behaviour change is not guaranteed:** The overhauls rightly aim to fairly and effectively distribute responsibility, but there is little to encourage people to do the right thing, apart from through the proposed DRS. Charging for single-use cups, for instance, which is being explored in Scotland, is still disappointingly absent in the rest of the UK. The extended producer responsibility (EPR) reforms will also see producers paying to landfill recyclable waste if people choose not to recycle it. This is clearly a shortcoming, and indicates the need to reopen the discussions on variable charging. This is a common feature in many societies with low waste generation and high recycling. Consulting on this now is the best way to lay the groundwork for introduction once all citizens have access to high quality, consistent services.

¹ As well as this consultation on Extended Producer Responsibility, the UK Government is consulting on a tax on plastic packaging, a Deposit Return Scheme (for England and Wales) and consistency in household and business recycling collection (for England).

DETAILED RESPONSE

Our approach

8. Do you agree with the basic principles for a DRS?

Yes

We support the basic principles. We would suggest adding a further four principles:

- **That there is a requirement for all data relating to the deposit system to be completely transparent.** It has been consistently identified, including within the report by Defra's Voluntary and Economic Incentives Working Group, that waste data is opaque and inaccurate. It is critical to the operation and success of the deposit system that there is accurate data collected at every stage in the process and that this is made publically available.
- **That the Government and the DMO designs a system that seeks to be carbon neutral.** With the Government's ambition for England, Wales and Northern Ireland's deposit system to be world-leading and the undeniable realities of climate change, we have a responsibility and an opportunity to design a system that reduces carbon emissions not just through increased recycling generally but through a stated ambition to reduce emissions across the system as a whole. This could include:
 - Making sure that operational tenders are awarded to companies who are actively working to reduce their own carbon footprint, in order to increase the wider positive impacts of the UK's deposit system
 - Within the framework of competition and EU laws, prioritising UK-based recycling to reduce transportation of materials, as well as to boost productivity and create jobs
 - Requiring transport partners to have EURO 5-6, EURO V-VI emissions standards as minimum
 - Prioritising compacting RVMs to minimise transport needs for collections (one compacted bag of PET equals two non-compacted, with aluminium often being as high as one to three)
 - Maximising backhauling potential not only with larger retailers, but also by including networks of community resource organisations who are already running some of these logistics
 - Detailed planning for the size and capacity of handling centre equipment such as balers, sorters and air pressure machines in order to maximise energy efficiency.
- **That any infrastructure built to support the system is built on brownfield land first.** A positive outcome of a UK-wide deposit system would be increased investment in waste management infrastructure. However, any developments should follow the brownfield first policy, in order to minimise the impact on local communities and the environment.

- **That the system should follow the waste hierarchy of reduce, reuse and recycle.** Modulated fees within the deposit system should be used to encourage design for recyclability and reuse, as well as to reduce any unnecessary or difficult to recycle packaging or components, such as PVC sleeves, inks/dyes or straws.

Materials in scope

An effective DRS that seeks to reduce littering, create greater opportunities for closed loop recycling and drive up recycling rates should include all pre-sealed drinks containers, with no limits as to size or material, as well as refillable bottles where these are used. The application of modulated producer fees should disincentivise the use of more harmful materials and product designs and discourage producers from switching materials to avoid paying producer fees.

Modulated fees can help streamline packaging to become easily recyclable within a closed loop system and take into consideration wider environmental impacts such as the carbon intensity of production and reward producers for choosing more sustainable options, such as reusable/refillable bottles.

In reference to questions 9a-f and 10a & b, we would warn that if products are excluded by materials, whatever those materials are, there's a risk that producers seeking to evade producer responsibility would shift to these materials. This market distortion has been experienced in other countries, such as in Germany when deposit return was first introduced in 2003. Confusion around regulations for which materials were included in the system, and which retailers had to accept, created a market distortion. This situation was exacerbated by the fact that there was no central operator and therefore no confidence that deposits paid out to customers would be reimbursed promptly, or indeed at all.

Retailers understood that they only had to accept containers in the exact shape and size that they themselves sold drinks in. Since cans come in standardised shapes and sizes, they stopped selling products in cans in order to avoid paying out the deposit to customers. This caused the can market to collapse, with sales going from 7.7 billion cans being sold annually to just 600 million.

Although this specific issue is unlikely to arise, it illustrates the potential risks associated with a less inclusive or poorly designed system.

9. Should the following materials be-in scope of a DRS:

a. PET bottles

Yes.

PET bottles are one of the primary packaging choices for soft drinks in the UK, with the British Soft Drinks Association (BSDA) reporting that 72% of overall soft drink packaging in 2017 was PET. However,

what this equates to in terms of units is difficult to assess, as the BSDA chooses to report its figures in volume (litres) of drinks rather than units put to market.²

In September 2018, CPRE undertook a month-long Green Clean across England, working in partnership with volunteers across its county network. At each litter pick, volunteers collected every bottle, can and carton separately and then counted and quantified them in terms of size, recording them on a specific form. In total, 11,212 bottles, cans and cartons were found of all materials and all sizes. Plastic bottles made up 35% of the total, with 10% of these classified as small bottles (below 500ml), 71% medium sized (500ml), 10% were large (501ml-1.5l), and 9% were considered extra-large (>1.5l).³

In Keep Britain Tidy's 2018 national litter survey of England, surveyors recorded litter at over 7,000 sites across the country and the results were published in a report issued in late 2018.⁴ The survey reports the presence or absence of defined litter types and gives an assessment of the extent of littering across England. The third most commonly found littered item (after cigarette litter and confectionary packaging) were soft drinks containers found on 52% of sites. In addition, for the first time our surveyors also counted pre-specified litter types at over 4,000 sites across England. This data has not yet been formally published but of the 5,711 drinks containers recorded (an average of 1.3 drinks container per site), 2,166 were plastic bottles of which 13% were greater than 1 litre in volume.

Work undertaken on behalf of Common Seas by Eunomia Research & Consulting estimates 351ktpa waste generation from beverage bottles, which are primarily PET, across the UK. Assuming a 3% littered rate, an average bottle weight of 35g, and 80% capture by a well designed DRS system, the introduction of a DRS system across the UK could capture approximately 650,000 bottles every day.

Every litter pick undertaken by volunteers finds a significant volume of bottles, cans and cartons and no doubt this will be evidenced in other submissions made by the Marine Conservation Society and Surfers Against Sewage, amongst others.

b. HDPE bottles

Yes.

HDPE is a highly recyclable material and collecting it via a deposit return system, where the majority of it will be separated at the point of collection, will provide a higher quality of material by avoiding contamination. Therefore you are more likely to achieve closed loop recycling by collecting HDPE bottles through DRS.

Although not a heavily littered item, HDPE containers are still found in the environment and applying a redeemable deposit at the point of sale would all but eradicate this.

² http://www.britishsoftdrinks.com/write/MediaUploads/British_Soft_Drinks_Association_BSDA_Annual_Report_2018.pdf

³ <https://www.cpre.org.uk/magazine/out-and-about/item/5000-green-clean-2018-results>

⁴ <https://www.keepbritaintidy.org/news/survey-reveals-litter-increase>

As milk is typically sold in HDPE, excluding this material is linked to the question of whether milk should be included. There are arguments for excluding milk (rather than broader dairy-based drinks), but we are on balance not convinced by them. If a decision is made to exclude milk itself, it will be important to ensure clear regulations for dairy-based drinks. When deposit return was first established in Germany, producers extracted the water from milk to create sports drinks, and sold them as milk-based products in order to avoid paying the producer fees.⁵

This same logic applies to setting exclusions for any type of drink. For example, if we were to set arbitrary cut-off points (like ABV percentages) some manufacturers will be likely to amend their ABV to avoid participation.

c. Aluminium cans

Yes.

Including aluminium in a DRS is the most important step towards achieving high recycling rates for aluminium packaging, as drinks cans make up the vast majority (68%) of aluminium packaging placed on the market. Based on experience in other countries, including Finland, Norway and Lithuania, a well run DRS could collect around 95% of cans for high quality recycling. This compares to a UK can recycling rate of 72% today, a quarter of which is material currently harvested after incineration and therefore not currently suitable for closed loop recycling back into cans, meaning that the true figure for separately collected aluminium can fit for closed loop recycling is 53%.

It is significant that so many aluminium cans are 'lost' to incineration, as aluminium is a CO₂-intensive material to produce. Even though aluminium survives incineration to some extent, some material is inevitably oxidised and lost. The estimates vary, but the European Aluminium Association, for instance, says that 10-15% of material from cans in particular is lost when they are incinerated. Material that survives the incineration process cannot currently go through a closed loop recycling process to be made back into packaging.

CPRE's Green Clean found that aluminium cans are a highly littered item, making up 50% of the total containers collected. 18% of these were small cans (<330ml), 29% were medium sized (330ml), and 53% were large (>330ml).

d. Steel cans

Yes.

The same logic as outlined for HDPE applies to steel cans.

e. Glass bottles

Yes.

⁵ <https://suessigkeiten-shop.com/produkt/action-energy-drink-24x250ml-im-karton><https://suessigkeiten-shop.com/produkt/action-energy-drink-24x250ml-im-karton/f>

In light of the Scottish Government's decision to include glass within Scotland's DRS - on the grounds of environmental gains from emissions reductions and prevention of glass littering the environment - and the importance of having a harmonised system across all UK countries, it is logical that the system for England, Wales and Northern Ireland also includes glass.

Whilst PET and HDPE containers cause proven problems in aquatic environments, glass is the most deadly container packaging on land. Glass drinks packaging is excluded from the standards and codes of practice that state where impact resistant glass should be used, meaning that broken or damaged glass packaging presents a tangible danger to people and wildlife.

CPRE's Green Clean found that glass bottles were 14% of the total collected. 25% of these were small (<330ml), 42% were medium sized (400-750ml), and 33% were large (>750ml).

It has been suggested by the drinks industry that glass should be excluded from a UK-wide DRS. This is despite a Coca-Cola representative stating at a conference on 13 February 2019:

"We use more glass than we use of anything else and we sell twice as many cans as we do plastic bottles."

We would suggest that if the world's largest drinks manufacturer uses glass bottles as its primary packaging, then the UK's deposit system should seek to collect all of that glass.

The reason many companies are lobbying to have glass excluded is because it is costly to collect it via a DRS and this is a cost they would like to avoid. Glass has a much lower value in comparison to PET and aluminium - the current purchase prices are £907.5 for aluminium, £177.5 for clear PET, £27.50 for colored PET and £10 for mixed glass - so whilst it may be a popular choice of packaging for producers, it doesn't suit them within the framework of a proper circular economy.

The UK's deposit system should require producers who are choosing to use glass to pay the full recovery costs for this packaging. If glass was excluded, it would continue to be littered, causing environmental damage that would not be covered by any complementary payments made by drinks producers via EPR for waste collection.

Furthermore, to retrofit a deposit system to take glass can be extremely costly, as was recognised by Scottish Government in their announcement on deposit return - a reality which caused them to approve the inclusion of glass within Scotland's system.

In Lithuania where 'strong alcohol', mainly sold in glass, has been excluded from the system, there is a lot of public pressure to include it. The system operator reports that if this goes ahead, it is likely to require further investment in the system to increase the collection capacity. If all pre-sealed drinks

containers had been included within the system from the start, these additional costs and system adjustments could have been avoided.

10. Should the following materials be-in scope of a DRS:

a. Cartons e.g. Tetrapack

Yes.

As stated at the start of this section, it is crucial to include all possible materials within the scope of a DRS, particularly the harder to recycle and more environmentally harmful materials such as cartons. Modulated producer fees can ensure that these more complex materials are only used where essential for the products' shelf life and help stimulate innovation towards alternatives that can be closed-loop recycled.

Modulated fees can also reflect the additional costs associated with many carton-based drinks containers, in that in addition to the harder-to-recycle composite material used they often have additional components such as foil closures and plastic straws in plastic sheaths attached with glue to the body of the carton. This approach to the design of the container results in a range of issues post-consumption.

Deposit return was introduced in New South Wales in December 2017, and one of the materials it accepts is cartons, or liquid paperboard. This is beyond what's included in the older Australian deposit return systems.⁶ In addition, a number of Canadian states also include juice cartons in their systems, for example, Nova Scotia and British Columbia.⁷ Therefore it is possible for existing collection technology to deal with this type of packaging easily within modern deposit systems.

Additionally, cartons are commonly littered. Although not littered in as high rates as PET, glass and aluminium, cartons used for juices are often found on litter picks. On CPRE's Green Clean, cartons were 1% of the materials found littered which, although comparatively low, is still substantial when this is considered on a national scale.

b. Pouches and sachets, e.g. for energy gels

Yes.

Pouches and sachets are an extremely damaging material due to being made of composite materials that are difficult to separate for recycling and cannot be closed-loop recycled. Due to their light-weight and generally small size they are also likely, if littered, to be blown into hard to reach places such as waterways, drains, bushes and fields where they will cause well-documented harm to wildlife and leak harmful chemicals into the soil and water.

⁶ <https://www.epa.nsw.gov.au/your-environment/recycling-and-reuse/return-and-earn>

⁷ <https://divertns.ca/recycling/what-goes-where/beverage-container-recycling>; <https://www.return-it.ca/beverage/products/>

As stated above, it is crucial to include all materials within the scope of a DRS, particularly the harder to recycle and more environmentally harmful materials such as pouches and sachets. Modulated producer fees can ensure that these harmful materials are only used where essential for the product's shelf life and help stimulate innovation towards alternatives that can be closed-loop recycled.

If the UK Government decides to exclude cartons, pouches and sachets from its DRS, it must make sure that the full net costs of these products are covered through the proposed EPR reforms, with a view to discouraging their use as a packaging choice by manufacturers.

11. If a DRS were to be introduced, should provisions be made so that glass bottles can be re-used for refills, rather than crushed and re-melted into new glass bottles?

Yes.

One of the Westminster Government's stated intentions within the Resources and Waste Strategy is to reduce the use of packaging and to improve resource efficiency overall. A world-leading DRS in the UK could incentivise the reuse of glass bottles via refill, beginning a necessary shift towards a culture of reuse.

Overall, the Government should be striving to create a resource and waste management system in line with the waste hierarchy: reduction, reuse and then recycling, so all new policies should be considered within this framework.

As glass bottles can be washed and reused up to 50 times, whilst a PET bottle can only be reused up to 25 times, it is better to pursue a refill system for glass over plastic.⁸ In doing so, this reduces the average CO2 emissions per bottle in circulation because fewer new bottles have to be manufactured. The process of washing and sterilising existing bottles is more environmentally friendly in terms of CO2 output than the production of new, single-use bottles. The production of a one litre single-use plastic bottle produces 55 gramm more CO2 than refilling a glass bottle.⁹

Modulated producer fees can be set to reward those producers who lead the way towards a reduction in packaging by opting for refillables and incentivise more companies to follow their example.

This is a tried and tested model in other countries. For example both Germany and the Netherlands have well established deposit systems for refillable glass bottles and Oregon, USA have recently begun trialling this system after the deposit system there led to an emerging refills market among brewers.¹⁰

⁸ <https://www.telegraph.co.uk/news/2018/03/03/return-milkman-glass-bottle-photo-special/glass-bottles-are-collected-rinsed-reused-average-50-times-meaning/>; <https://medium.com/@liveworkgermany/the-german-pfand-bottle-recycling-system-how-does-it-work-and-is-it-effective-436972a2e0a3>

⁹ <https://www.spiegel.de/wirtschaft/service/mehrwegflaschen-einwegflaschen-im-pfandflaschen-wirrwarr-a-1031491.html>

¹⁰ <https://www.oregon.gov/deq/recycling/Pages/Bottle-Bill.aspx>

Drinks in scope

12. Should the following drinks be in-scope of a DRS:

a. Water

Yes

b. Soft drinks (excluding juices)

Yes

c. Juices (fruit and vegetable)

Yes

d. Alcoholic drinks

Yes (all)

e. Milk containing drinks

Yes (all)

f. Plant-based drinks (such as soya, rich almond and oat drinks)

Yes

g. Milk

Yes

h. Other (please state which):

All types of soft and alcoholic beverage should be included within a UK-wide DRS. The system is currently the most efficient collection system for drinks packaging. Therefore, it shouldn't focus on type of beverage but simply include every pre-sealed drinks packaging container that is put onto the market.

In countries with older deposit systems, such as South Australia and some US states, the legislation relates only to certain types of beverage that were available at the time the law was drafted. This means the deposit system now excludes certain beverages, such as water, energy drinks and fruit juices. In turn, the systems are not as effective as they could be at reducing litter and boosting recycling and they are more confusing for consumers. The relevant Governments are also continuously lobbied by groups who want the system to be extended to reflect the modern reality.

An approach focused on packaging, rather than product, also protects the system from attempts by producers to evade its scope. For example, when milk-based products were excluded from the German system, producers added a fraction of casein to their formula for a soft drink, undetectable in terms of

taste, which it was then argued made it a milk-based drink and was therefore exempt from the deposit system.

The system also shouldn't make a false distinction between soft and alcoholic drinks in terms of what should be included within the system. Both types of beverage use valuable packaging that can be collected and recycled most effectively via a deposit system. CPRE's Green Clean found packaging for every type of beverage.

The UK should design a system that is future-proof, with every type of container included in the system, regardless of its content.

Disposable, single-use cups

13. Do you think disposable cups should be in the scope of a DRS?

a. Disposable cups made from paper with a plastic lining (such as those used for coffee)

No

In a circular economy, there is no place for a single-use cup. As disposable cups are filled at the point of purchase, meaning viable reusable alternatives are available, the Government's aim should ultimately be a complete phase out of single-use cups in the form of a ban on the sale of single-use cups in the UK.

In line with the principle of reduction outlined in question 8, in the first instance Government should introduce a charge for single-use cups at the point of sale to encourage reduction in their use, with application across all cups with plastic linings and not just exclusively applicable to cups designed for hot drinks. This includes single-use cups that are classified as 'biodegradable', 'oxodegradable' or 'bioplastic'. Our view, as outlined in our submission to the Treasury's call-for-evidence on single-use plastic, is that these materials should be treated in the same way as any traditional polymer plastic, especially as they cannot be closed loop recycled (so in many ways are worse than traditional plastics).¹¹

While there were discussions within Government regarding the introduction of a 'latte levy', the idea was disappointingly scrapped, meaning another 2.5 billion cups will enter the waste stream by this Autumn's Budget. However, in the interim, Scotland have committed in principle to introducing a charge.¹² The Treasury has committed to revisiting this levy if industry cannot be shown to have made significant improvements within one year, and it would be entirely inconsistent with the principles and desired outcomes stated within this consultation, those on extended producer responsibility and a plastic packaging tax and the Resources and Waste Strategy to continue to allow their sale unchecked.

For further information on this question please refer to our response to Q34 in our response to the EPR consultation.

¹¹

<https://www.wcl.org.uk/docs/Wildlife%20and%20Countryside%20Link%20submission%20to%20tackling%20the%20plastic%20problem%20consultation.pdf>

¹² <https://www.bbc.co.uk/news/uk-scotland-scotland-politics-47292029>

b. Disposable cups made of plastic (such as those used in vending machines)

No

As stated above, in a circular economy, there is no place for a single-use cup. As disposable cups are filled at the point of purchase, meaning viable reusable alternatives are available, ultimately the Government's aim should be for a complete phase out of single-use cups in the form of a ban on the sale of single-use cups in the UK.

In the first instance, this should be delivered through a charge for single-use cups at the point of sale to encourage reduction in their use. This should apply across all cups with plastic linings and not be exclusively applicable to cups designed for hot drinks. This includes single-use cups that are classified as 'biodegradable', 'oxodegradable' or 'bioplastic'.

For further information on this question please refer to our response to Q34 in our response to the EPR consultation.

Material and financial flows in a DRS

14. Do you agree with the proposed material flows as described above?

Yes

The material flow follows best practice in other effective deposit systems.

We would also like to see concrete proposals for how to ensure the majority of these valuable materials are recycled within the UK. The deposit system will deliver a reliable high volume, high quality flow of materials, which in turn should attract investment in improved and additional recycling facilities across each home nation.

In Norway, the steady flow of PET to the main sorting centre has meant that Infinitem, the system operator, has invested in a PET recycling plant right next to it, allowing the materials to be recycled without any further CO2 emissions from transport.

Such investment in home-based infrastructure makes the system more efficient, creates jobs, reduces carbon emissions and provides greater accountability that materials are actually recycled to the right standard. In addition, it is easier to audit whether the social and employment standards of the industries involved match our own standards.

15. Do you agree with the proposed financial flows as described above?

Yes

We agree that revenue from the sale of materials collected via the DRS should remain within the Deposit Management Organisation (DMO).

We also agree that any unredeemed deposits should remain within the DMO. However, the system must be designed so that there is no perverse incentive for the DMO to design and operate an inefficient system that is difficult for consumers to use, as this could reduce the number of returns made, increasing the number of unredeemed deposits and in turn reducing the amount producers are required to pay in fees.

The producer fees should also reflect the true costs of using particular types of packaging - ie. producers should be subject to modulated fees that mean they pay more for less resource efficient packaging choices.

There is also the opportunity to reflect in the financial modelling the large amount of money that accrues quickly within the deposit system, described as the 'value chain storage'. Infinitum, the Norwegian system operator, described it as:

When a DRS is launched, the value chain storage (VCS) will build up. The VCS is the sum of objects with deposit (cans and bottles) that we will find at the wholesaler, in shops and in people's homes at all times. This is a stable volume in a stable market. The absolute majority, 80-90% of this storage, is in people's homes. In the Norwegian market, which, in this respect is probably similar to the UK market, the VCS represents about 2.5-3 months sales.

- *Sales of cans and bottles, also including the mentioned VCS, are reported by producers/importers, and deposit paid into the DRS*
- *Producers/importers in turn get the deposit money back from wholesalers/retail*
- *Retail get their deposit back when consumers buy beverages*
- *Outgoing deposit is reimbursed to retail by the DRS only after the consumers have emptied their cans and bottles and brought them back to the shop. Until then, the deposit paid into the system, in practice by consumers when buying beverages, rest with the DRS*

In consequence, cash builds up in the DRS until the market is «in balance», i.e. when the collection rate has reached a stable level. This may take from one to three years. The initial cash flow may be used for necessary investment in production facilities, etc.

The effect described above is experienced both when the system is launched and, when up and running, in case of an increased deposit level.

In a balanced market, i.e. when sales volumes and collection rate are steady, it is a matter of setting the producer fee at the right level for the DRS to cover

- *running cost of operations*

- *investments (quite moderate)*
- *a decent cash balance*

This seems to be a very important phenomenon to note when considering the financing of initial set up costs.

Overlap with the packaging producer responsibility system

16. Should producers obligated under a DRS be:

a. **Exempt from obligations under the reformed packaging producer responsibility system for the *same* packaging items?**

Yes

As a DRS scheme can be seen as a form of producer responsibility, we do not see a need to 'double-charge' producers. However, this is subject to the following conditions being met:

- The DRS is designed to ensure full cost recovery from drinks producers for their packaging
- Any drinks containers that are excluded from the DRS are subject to modulated producers fees to drive improved product design, reuse and recyclability
- Any secondary packaging used in the delivery of drinks containers to consumers that is not included in a DRS, such as plastic wrap, is subject to modulated fees that disincentivises its use, for example, packaging around multi-packs.
- Funds raised by a DRS through unreclaimed deposits are required to fund system improvements and increase return rates, so as to prevent producers profiting from an inefficient system
- The deposit management organisation (DMO) in a DRS is subject to meeting legally binding targets on return, recycling and reuse rates

17. If producers were obligated under both a DRS and a reformed packaging producer responsibility system for the same packaging items, how could we effectively ensure that they would not be unfairly disadvantaged by a 'double charge'?

See our response to question 16.

It is better for transparency and consistency that producers of beverages are included in just the deposit system.

Deposit Management Organisation (DMO)

18. Do you agree that the DMO should be responsible for meeting high collection targets set by government?

Yes

It is critical to the success of the DRS that the Governments responsible for UK-wide systems set a high collection target. The target should mirror those set by other countries where successful deposit systems are in operation. For example, the Norwegian Government requires 95% of all drinks container packaging to be collected.

In turn, the DMO should be legally obliged to meet these targets and face financial penalty if they don't.

On the understanding that it may take the system up to two years to reach full potential, initial targets for the first two years should also be set. In Lithuania, which launched its deposit system in 2016, the target for the first year was 55%. The success of the system was such that it exceeded that target, with 74.3% reported at the end of the first year. By the end of 2017, the system recorded a 91.9% return rate.

The Scottish Government has also stipulated that under its new system the target will be 90% after two years, which it would be appropriate and possible for a UK-wide system to match.

19. Should the DMO also be responsible for meeting high recycling targets set by government?

Yes

Collection rates within the UK are often presented as recycling rates. However, the two are often very different, largely due to standard collection methods leading to contamination, which in turn has led to a high level of materials exported for 'recycling' in other markets.

The high quality of materials collected by the DRS will mean that this discrepancy will all but disappear in terms of drinks container packaging. However, the DMO should still be required to provide evidence that the materials it collects are being recycled correctly - ie. not being sent for incineration and classed as 'energy from waste' or downcycled into non-food grade products.

20. Should unredeemed deposits be used to part-fund the costs of the DRS system?

Yes

As detailed at 15, we agree that unredeemed deposits should remain within the system, on the condition that stringent collection and recycling targets are set to ensure there is no perverse incentive for the DMO to design and operate an inefficient system. A DRS should not be difficult for consumers to use, as this could reduce the number of returns made, increasing the number of unredeemed deposits and in turn reducing the amount producers are required to pay in fees.

Setting high targets should ensure this doesn't happen but an additional check could be to stipulate that unredeemed deposits are ring-fenced within the system to support system improvements, such as IT system upgrades or additional infrastructure. The money could also support targeted communications campaigns to increase consumer engagement with the system. In Norway, Infinitum has used data from the system to identify that energy drinks were having a lower return rate than other product lines and

they developed a specific public campaign about that to encourage an increase in return rates. In Estonia, the system operator is obliged to spend a proportion of their turnover on public engagement and advertising.

Such an approach would bring drinks producers in line with all those covered by EPR, where a certain percentage of the payments are set to be used for litter campaigns and clear up initiatives. It would ensure that drinks producers are not avoiding their responsibility for the c.5% (depending on targets) of containers that remain in the environment, alongside encouraging them to make system improvements to increase collection rates.

21. If unredeemed deposits are not used to part-fund the costs of the DRS system, do you agree they should be passed to government?

No

The main risk if unredeemed deposits are passed to the Government, is that the incentive for the Government to set ambitious targets and hold the DMO to account is removed. Unfortunately, precedent elsewhere has proven this to be the case. For example, in Connecticut, USA, the law was changed in 2009 to allow the state to keep revenue from unredeemed deposits. Since then, the system has become increasingly inefficient, as its core purpose has shifted to becoming a revenue raising opportunity for the state.¹³

Whilst we would not presume that any Government in the UK would purposefully pursue this, unredeemed deposits cannot be at risk of becoming relied upon by the public purse, a risk that may occur particularly in financially difficult times. The deposit is a financial incentive that seeks to make the polluter pay where they don't do the right thing, it cannot become an environmental tax.

22. Do you have alternative suggestions for where unredeemed deposits could be allocated?

We are not aware of any alternative suggestions that we would support. Ultimately, we want to ensure the unredeemed deposits are kept in the system and require the DMO to use them to fund system improvements and increase return rates.

Diverting unredeemed deposits to environmental or similar purposes has the potential for outside organisations to effectively benefit from a lower return rate, and is therefore not advisable. A better option for supporting environmental causes is through donation options at the point of return, as discussed widely in the consultation document. For example, charities could benefit from DRS when people choose to donate their deposit, or third sector/community groups act as return points.

23. If the scheme is managed by the DMO, which of the following bodies should be represented on the management board:

Industry (drinks producers)

¹³ <https://www.wnpr.org/post/has-connecticuts-bottle-bill-changed-environmental-law-cash-cow>

Trade associations representing those hosting return points (e.g. retailers, small shops, transport hubs)
Other (please specify) - representative NGOs

The purpose of the DMO management board is to ensure the DRS is legally and financially sound, as well as operationally efficient. The nature of the system requires market competitors to work together on a joint endeavour, where in any other context they individually work to maximise their own interests. To balance this situation, we propose that the DMO management would consist of:

- 45% drinks producers
- 45% relevant trade associations (representing those hosting return points)
- 10% relevant NGOs (representing environmental and social issues (such as poverty, consumer rights, disability))

24. Should there be government involvement in the set-up/running of the DMO body?

No

All UK Governments should remain separate from the system, so that they can ultimately hold the DMO management board to account.

25. Do you agree with the government's proposals that a DMO would:

We have responded 'Yes' to 25a-e, as all of these functions are standard operating procedures for successful deposit systems in other countries. For certain questions we have provided further detail.

a. Advise government on the setting of the deposit level/s

Yes

The DMO should have accurate, publically-available data on how many drinks containers are being placed on the UK market, as well as data on how many of those are being returned via the DRS. If this data shows that the DRS is not achieving the return rates that it needs in order to meet the high collection targets set by the Government, it should be able to advise the Government that the deposit level should be raised as a way of increasing return rates. As with all economic incentives, they should be able to be fluid and respond to the situation they are designed to improve, rather than being set in legislation.

The Government should be able to veto the increase with good reason, such as if the deposit level risks being raised to a level that may inadvertently incentivise fraud.

The DMO could also work in setting an upper band which ensures deposits do not reach a level that incentivises fraud, i.e. the more a deposit is worth the more motive there is for fraud in the system.

b. Set producer/importer fees

Yes

They will have the best knowledge and access to the relevant information to enable an evidenced based setting of the producer/importer fees.

Producer fees should seek to represent the environmental costs of the packaging used, as well as the core recycling costs. The composition of the DMO board will be important in ensuring the system reflects the broader principles beyond recycling and efficiency.

c. Be responsible for tracking deposits and financial flow in the DRS – and ensuring those running return points are paid the deposits they refund to consumers

Yes

The DMO should have full oversight of the design and operation of the extensive IT system required to facilitate these essential processes. It should be required to reimburse those running return points any refunded deposits within an agreed timeframe set in consultation with those representing return points.

d. Set and distribute the handling fees for return points

Yes

e. Be responsible for ensuring that there are appropriate return provisions for drinks containers in place, and that these are accessible?

Yes

The DMO should ensure that at the very start of the design process the issue of accessibility is a priority.

f. Be responsible for maintenance of reverse vending machines (RVMs) and provision of bags/containers to those running manual return points

Yes

g. Own the material returned by consumers

Yes

h. Reimburse those transporting returned drinks containers to recyclers/counting/sorting centres – and manage these contracts

Yes

i. Fund counting sorting/centres – and manage the contracts for counting/sorting centres

Yes

j. Be legally responsible for meeting the high collection targets set by government for drinks containers within scope of the DRS.

Yes

k. Measure and report recycling rates to government

Yes

l. Run communications campaigns to aid consumer understanding of the DRS

Yes

Producers

26. Do you agree with our proposed definition of a producer?

Yes

This definition is helpful, as it makes it explicitly clear who is required to be part of the system and will hopefully reassure smaller retailers who have mistakenly been told they would be liable for some of the costs of the system.

27. Should there be a de minimis which must be crossed for producers and importers of drinks in-scope of a DRS to be obligated to join the scheme?

No

A UK-wide deposit system is an EPR policy for drinks container packaging. Therefore it isn't logical or helpful to exclude certain drinks producers from this system. It would undermine the principle of the DRS applying to packaging material and would be confusing for consumers if certain products were excluded.

29. If there is a buy back scheme for recycled materials, do you have evidence for how this could be effectively run?

We would support a buy back scheme that provided equal opportunities for all participating companies to purchase recycled materials to use in their beverage containers. This point was raised and supported at a meeting, organised by the Campaign to Protect Rural England, of small drinks producers on 23 April 2019, at which two Defra officials and one from HMT were present. Small producers reported that they already struggle to purchase recycled materials for their packaging, as it is often bought up by the larger companies. Therefore the option of a buy back scheme that allows for equal access to recycled materials is something that should certainly be investigated further, particularly in the context of other policies such as the proposed plastic packaging tax.

Set-up costs

30. In line with the principle of full net cost recovery, the government proposes that producers would cover the set up costs of the DMO? Do you agree with this proposal?

Yes

As the deposit system will effectively be owned by the drinks producers, it makes sense that they are liable for all the costs related to building and running it.

31. Should the DMO be responsible for co-ordinating the set-up of the DRS, including buying RVMs and an IT system?

Yes. As per our answer to 30.

Operational costs

32. Should producers of drinks within a DRS be responsible for DRS operational costs?

Yes. DRS is a form of EPR therefore the producers should be responsible for the full cost recovery.

Retailers / return provisions

33. Which of the following should be obligated to host a return point?

- a. Retailers who sell drinks containers in scope
- b. Transport hubs
- c. Leisure centres
- d. Event venues

We support the Scottish Government's position in terms of not exempting any retailers from being able to host a return point.

In terms of the options outlined in 33b-33d, there is a question here about the definition of obligated. They are either likely to have a retail function themselves or host a retail franchise. However, they shouldn't be penalised if there's no reason to host a return point or, for some other reason, it's not feasible.

That said, the types of locations represented by 33b-33d are all good places for return points to be hosted where possible. We would recommend an 'opt out' function for these locations, so that any place with a legitimate reason not to host a return point doesn't have to and avoids any type of penalty.

In terms of other locations, we would propose festivals and regular markets as other potential venues, where the level of footfall and drinks consumption warrants either a permanent or semi-permanent installation of return points.

34. What might the impacts be on those hosting:

- (a) Reverse vending machines?
- (b) Manual return points?

Hosting a return point can improve sales through encouraging greater footfall and creates a positive public image for businesses. Although a return and reward model, Mo Razzaq, a Glasgow retailer, has seen sales at his dessert bar increase by 22% since installing an RVM that gives dessert bar vouchers in exchange for empty bottles and cans.¹⁴

Scottish retailers who visited retailers in Norway with the Association for the Protection of Rural Scotland's *Have You Got the Bottle Campaign*, have since suggested that for manual handling of returns, some form of hand-held scanner that is linked to the DRS system might be a solution for avoiding accidentally accepting and paying out on non-valid containers that are not part of DRS system.

Any impact in terms of staff time or loss of floor space from hosting a reverse vending machine should be offset by the handling fees paid by the DMO to the retailer.

For smaller retail outlets, such as local convenience stores, the handling fee may make hosting a return point financially beneficial as the payment will cover staff costs but is unlikely to require any additional staff.

35. Are there any Health and Safety-specific implications that may be associated with hosting return points?

No.

Although there is work involved in maintaining RVMs and keeping hygiene standards up, any costs can be reflected in the handling fees.

36. Is there a de minimis level under which businesses who sell drinks in scope should be exempt?

Neither.

Retailers should as default be required to take part and to accept materials they sell. We support the Scottish Government's position that the starting point should be no exemptions for which retailers or venues can accept returns. In particular, this approach could provide the best possible coverage for rural areas and the highest number of return points creates an easy to use system for everyone.

37. Should a de minimis be based on:

N/A

38. Please briefly state the reasons for your response. Where available, please share evidence to support your view

The graph below outlines the relative performance of schemes based upon a return to retail obligation. The systems with the highest number of return locations yield the best return rates, which supports our view that consumers must be able to return their empties to as many places as possible. We suggest this

¹⁴ <https://www.betterretailing.com/bottle-return-trial-success>

should be done by assuming that all retailers are part of the system, and required to accept any materials they sell. However, the DMO could consider an 'opt-out' option for specific cases, such as a grouping of shops where an exception could be granted based on the availability of other return points in close proximity.

<i>Jurisdiction (Population)^[1] Commencement Yr</i>	<i>Recovery rate</i>	<i>Retailer Obligation to provide space?</i>	<i>Retailer Obligation to provide refund / consumer education?</i>
<i>Newfoundland (0.5mill population) Commenced: 1997</i>	65%	No – 56 Depots	Yes
<i>Norway (5mill population) Commenced: 1999</i>	95%	Yes – 25,000 locations	Yes
<i>Israel (7.9mill population) Commenced: 2000</i>	77%	Yes – Return to retail; unknown no. of locations	Yes
<i>Denmark (5.6mill population) Commenced: 2002</i>	89%	Yes – 6,500 locations	Yes
<i>Germany (81.9mill population) Commenced: 2003</i>	96-98.5%	Yes – 135,000 locations	Yes
<i>Estonia (1.3mill population) Commenced: 2004</i>	79%	Yes – 570 locations	Yes
<i>Hawaii, USA (1.3mill population) Commenced: 2005</i>	68.4%	No – 72 Depots	No
<i>Netherlands (16.8mill population) Commenced: 2005</i>	> 95%	Yes – 4,300 locations	Yes
<i>Croatia (4.3mill population) Commenced: 2006</i>	Not Available	Yes – details unavailable	Yes
<i>Ontario (12.9mill population) Commenced: 2007</i>	82%	Yes – 825 locations	Yes
<i>Manitoba (1.2mill population) Commenced: 2008</i>	81%	Yes – Return to retail; unknown no. of locations	Yes

<u>Northern Territory, Australia – 2013</u>	<u>54.2%</u>	<u>No – 9 Depots</u>	<u>No</u>
<u>Lithuania (3mill population 2016)</u>	<u>(first Yr of Operation)</u>	<u>Yes – 1,000 locations</u>	<u>Yes</u>

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39. For consumers who would have difficulty returning empty drinks containers, what provisions could be put in place so that these consumers are able to return drinks containers and receive their deposit refund?

It is worth considering the principle that if someone is able to buy a drink, they should be able to return it. Therefore, in much the same way that grocery shopping has adapted to suit people’s needs, with a variety options available, including home deliveries, a UK-wide deposit return system should be set up to suit people’s needs and enable everyone to participate.

The best practice options for this include enabling returns via courier and food delivery services which can be equipped with scanners to enable them to return the customer’s deposit once the container is handed over.

As well as mobility issues, it is worth considering language, sensory or learning difficulties that may create a difficulty for people returning empty drinks containers. Overcoming this barrier will require provisions such as language options including British Sign Language, basic English and Braille available through reverse vending machines as well as consulting with disability rights groups when designing the front end of the system.

40. What provisions could be put in place for rural areas where there may be few small retail outlets spread over a wider area, in order to ensure that there are adequate return and collection facilities?

A similar principle to the above applies for rural areas in that if someone can purchase a beverage they can return it. For rural areas this may mean a reliance on return via home delivery, at local small shops or it may result in households storing up their empties to return during their next visit to a retail outlet. As the Scottish Government set out in their plans for a deposit return system, a return to retail, with no exemptions based on size, would ensure maximum coverage for rural areas.

In addition, a world leading system could enable communities to apply for their own RVMs to have in places that suit them and their needs, for example church or community halls, post-offices or car parks.

41. Do you have evidence that would help inform us about whether there is potential for siting RVMs outdoors e.g. in parks, at existing outdoor recycling centres, on high streets?

In terms of both accessibility and return rates, it's important that return points are as conveniently placed as possible. In US states with only designated non-retail drop-off points, return rates are low. For example, Hawaii's system is based on 'return to redemption centre', and achieves a return rate of only around 65%.

There are examples of RVMs in car parks in Estonia and Lithuania. They are housed in secure cabins and provide a return location for a large number of surrounding flats and offices. These can be difficult to maintain as the RVMs are sensitive to extreme temperatures, therefore we would advise a return to retail in the first instance. Where a kiosk or cabin RVM is required, we would advocate for these to utilise the roof space for solar panels to reduce the carbon impact of heating and cooling the space.

42. Should online retailers selling drinks in in-scope containers be obligated to pick up and refund DRS material?

Yes

Online (and other delivery) retailers should be required to take part in the deposit system if they sell drinks containers to the public. This happens successfully in countries such as Norway and Germany.

In practice, customers have a bag in which they collect their empty bottles and cans. This is then sealed (which addresses any concerns around hygiene both in the home and in the return vehicle) and tagged with a customer specific barcode, ready to return to the delivery person. The refund can be given electronically using the customer's online account. Where delivery tools vary, such as with Amazon, return via delivery may involve an innovative system of selecting 'collect empties' when ordering or creating a digital network where delivery drivers can see collections needed and add them to their routes.

The overriding principle in this area must be to ensure that online deliveries of drinks containers carry a deposit and where possible, return is made simple and flexible.

To minimise the environmental impact of using sealed bags for delivery returns, we recommend applying a charge and ensuring they are made from durable material that can be reused or, at a minimum, recycled. We would also urge the Government to consider options for reusable containers such as soft cases that fit together to limit empty space in vehicles, are lightweight and easy to wash and reuse.

43. Should there be a de minimis under which online retailers would not be obligated to pick up and refund DRS material?

No

45. Should certain businesses which sell drinks in in-scope drinks containers host return points, e.g. pubs, hotels, cafes? Please provide details.

Yes

Businesses which sell drinks in scope must be part of the system. We support the Scottish Government's position that the HORECA sector should be liable for paying the deposit but it's up to them how they do that, e.g. whether they pass on the deposit to customers or not, dependent on whether their business operates in a porous environment, where people often take drinks off the premises.

Arguably, those in the HORECA sector should receive a handling fee that is calculated using similar criteria to those paid to retailers.

46. Should there be an opportunity for retailers that don't stock drinks / those who may not be obligated to provide a return point to 'opt-in'?

Yes

On-trade Sales

48. How should a DRS account for 'on-trade' sites such as bars and restaurants?

See our response to question 45.

The deposit

49. What do you consider to be the optimum deposit level to incentivise return of drinks containers?

We believe that the 20p deposit proposed by the Scottish Government will be effective in providing a proper incentive for people to return drinks containers to the DRS, whilst not creating a perversely high incentive for fraud.

In August 2018, the Scottish *Have You Got The Bottle?* campaign gathered responses from 1,047 members of the public on their view of what the deposit level should be. Of the 935 respondents who put down a specified amount 66% chose a deposit level of 20p or higher showing public support for a deposit level between 15p-20p as suggested above. The full table of responses is shown below:

Amount of deposit on every drink container – Number of respondents

5p - 66

10p - 218

15p - 34

20p - 371

25p - 70

30p - 61

35p - 3

40p - 10

50p - 87

75p - 2
80p - 1
£1.00- 12
No amount specified - 112
Total 1,047

To future-proof the system, it should be possible to increase the deposit level in light of inflation or low return rates. Where this isn't possible, such as in certain DRSs in US states where the regulations fixed the deposit levels to 5c, the systems are not as efficient as they could be.

In July 2018, Pret A Manger increased the deposit level on water bottles sold in its outlets from 10p to 20p given the lower than expected return rates (although we note that single-retailer or single-producer schemes, like the old Barrs Irn Bru model, are inevitably less effective than a well-communicated national infrastructure).

50. Should the deposit level be a flat rate across all drinks containers covered by the DRS?

Yes

We support the Scottish Government's position of applying a 20p deposit to all drinks containers within the Scottish DRS.

Although there are arguments for setting a higher deposit level for larger containers, some countries with varied deposit levels are beginning to set a single deposit level for simplicity and from the perspective that all sizes are littered therefore you require the same incentive not to litter. This has happened in Estonia, where they have raised the deposit level and standardised it to improve return rates for all sizes. Their experience has shown that sales remain strong despite higher deposit levels.

51. Should there be an alternative deposit level for drinks containers in a multipack, rather than each container carrying the same deposit?

No

Varying the deposit level for drinks in a multipack would create market distortions. This is particularly important for sugary drinks and alcohol where only one deposit could lead to greater consumption of such drinks as they would appear cheaper than single items.

Applying a deposit to each container would also allow for each drink container to be returned individually allowing for more flexibility for consumers.

52. How do you think deposits should be redeemed? Please tick all that apply.

- a. Voucher (for deposit value, printed by the reverse vending machine or by the retail assistant at manual drop-off points) - available for cash at the till or customer service counter**
- b. Digitally (for example a digital transfer to a smartphone application)**

c. Cash

d. Return to debit card

e. Option to donate deposit to charity

In reference to 52c, cash should be given over counter only at manual return points and RVMs shouldn't give cash.

Mo Razzaq, convenience store retailer in Blantyre, Scotland installed a trial RVM in October 2018. During the first three months, the deposit from 22% of returned items was donated to local charities. This is in comparison to an average of 10% charity donations in countries where one large, national charity is the only option for donations. In the Scottish trial, customers selected six local charities, and could then choose each time which one they wished to donate to.

Sending material on for recycling and data recording

53. Should the DMO be responsible for ensuring that there is evidence that drinks containers have been recycled?

Yes

The DMO should also be required to show that the materials they've collected are properly recycled. This would be easier where the system incentivised UK-based recycling.

Accountability for the whole system has to sit with the DMO and they should be subject to meeting legally binding targets on return, recycling and reuse rates.

54. In addition to reporting on collection rates, should the DMO also be obliged to report on recycling rates of in-scope drinks containers?

Yes

As mentioned above, accountability for the whole system has to sit with the DMO and they should be subject to meeting legally binding targets on return, recycling and reuse rates.

Transparency

55. How do you think transparent financial flows in a DRS could be achieved most effectively?

The financial flows should be published in an annual report and be available freely to the public.

The DMO

56. Would Environment Agencies in England, Wales and Northern Ireland be best placed to monitor/enforce a DRS covering England, Wales and Northern Ireland?

No

Our concern with this is that the Environment Agency doesn't have the resources for effective enforcement. The financial flows within the DMO will be significant and therefore comprehensive monitoring of its performance and practices will be essential.

57. How frequently should the DMO be monitored? (This monitoring would look at, i.e., financial accounts, material flows, proof of recycling rates, setting of deposit level (if done by the DMO))

Annually

58. How often should producers be checked for compliance with the DRS (if compliance is obligated)?

Annually

59. Should enforcement focus on:

All producers

60. Should any penalties (fines) on the DMO or producers/importers be set by the regulator appointed to monitor the DMO?

In principle we believe that fines should reflect the level of crime, however we do not have enough information to provide a definitive answer.

Fraud

61. Are there any points in the system which you think would be particularly susceptible to fraud?

If there is not a UK-wide system or a series of compatible systems across the UK, this could increase the risk of fraud.

It is generally reported that incidences of fraud occur from within the DMO itself, which is another reason why there needs to be stringent monitoring of the DRS.

For further information relating to fraud, please see our response to question 65.

62. Which labelling/markings on drinks containers in scope would best protect against fraud?

b. Marking indicating inclusion in DRS

c. Existing product barcode (containing DRS information when scanned)

We believe the default should be a label indicating a returnable item (as per the Norwegian PANT logo) plus a country-specific barcode. If a producer (including importers) is exempt from that, a higher producer fee per item sold in England, Wales and Northern Ireland would be applicable.

We do not think it is necessary to require a security logo in addition to an England, Wales and Northern Ireland specific barcode. Where this happens in countries such as Denmark, Germany and Michigan, it raises the complexity of the system and also drives up the costs for producers.

63. How could return via reverse vending machines (RVMs) best be protected against fraud? We are particularly interested in any evidence you may have to support suggestions.

The system operator will need to monitor unexpectedly high return volumes per location (e.g. be able to spot when an unusually high level of containers have been returned through a small local shop).

64. How could the process of manual returns best be protected against fraud? We are particularly interested in any evidence you may have to support suggestions.

Barcode scanners and sealed bags are proven to work in other countries.

Please see our response to question 43 in relation to limiting the environmental impact of sealed bags for manual returns.

Monitoring by the DMO for unexpected patterns will be crucial to mitigating fraud.

65. How could a DRS best protect against fraud across Devolved Administrations in the event of similar schemes with common underlying principles (but not one uniform scheme)?

Although there will always be a risk of fraudulent behaviour (as in any other system), mandatory labelling requirements could be introduced to help minimize this risk. In Estonia, packaging companies are required to register their packaging with the system operator and submit the package, EAN (barcode) and deposit label for approval so that they can be recognised by the RVM. Companies using an international barcode incur higher registration costs than those submitting a national barcode specific to Estonia, due to the risk that drinks containers purchased outside the country -- on which an Estonian deposit was not originally paid -- is refunded. Country-specific barcodes significantly reduce the scope for unauthorized claims, so producers opting for international codes pay higher fees to reflect the increased risk that a container purchased outside the country will be returned and wrongfully refunded.

A Eunomia report¹⁵ highlights the following example on this issue:

"In Estonia, the deposit system was initially set up without requiring producers to label beverages with country specific EAN codes. Without the introduction of deposit systems in other Baltic States some fraudulent activity started to take place, where individuals and larger organisations brought empty containers to Estonia to claim the deposit on beverages sold in other countries without the Estonian deposit. The issue was reported to the European Commission Environmental Inspectorate, who

¹⁵ <http://ec.europa.eu/environment/waste/packaging/cans/pdf/Appendix%205%20to%20Final%20Report%20-%20Stakeholder%20Workshops%20and%20Consultation.pdf>

undertook border surveillance to tackle the problem. Changes to the deposit system in Estonia were introduced in 2008. Producer fees were split depending on whether the products used a country specific or universal EAN code. Higher fees are charged when producers put a product on the market without a country specific EAN, thus incentivising them to introduce country specific EAN codes. Currently the EAN codes on products are divided 50:50 between national and universal codes.”

‘All-in’ option

66. Should drinks containers over a certain size, for example beer kegs and containers used for water coolers, be excluded from an all-in DRS?

No

In principle there should be no size limit on drinks containers as this risks market distortion (see examples of 3.01L) but if over a certain size, e.g. 3L, there may need to be a separate system that sets a higher deposit level to reflect the effort in returning and take back over the counter as RVMs are not normally set up to take anything over 3L.

67. If drinks containers over a certain size were excluded from an all-in DRS, what should the maximum cut-off size be?

There should be no maximum size cut-off but as mentioned in response to question 66, drinks containers over 3L may require a different front-end system setup including different deposit level and manual take back.

‘On-the-go’ option

68. Do you agree with our definition of ‘on-the-go’ as less than 750mls in size?

No

Our analysis shows ‘on-the-go’ is a fabricated description of products that no-one in retail had used prior to their efforts to limit a deposit return system. System operators from other countries often explain how arbitrary size restrictions limit the impact, efficiencies and effectiveness of deposit systems and provide loopholes for producers. Furthermore, an intended aim of the deposit system is to reduce littering of drinks containers, so restricting the system doesn’t make sense, particularly when litter picks, such as CPRE’s Green Clean, repeatedly show that all sizes of drinks containers are found.¹⁶

Currently, recycling facilities outside the home are poor but this does not create a need for an arbitrary size distinction for drinks that are classified as being consumed ‘on-the-go’. All sizes are littered. People consume smaller drinks at home and larger drinks out of the home, especially in summer.

¹⁶ <https://www.cpre.org.uk/magazine/out-and-about/item/5000-green-clean-2018-results>

It would be a missed opportunity to not include all sizes and would receive continued pressure from the public and environmental groups for the system to be extended.

In the Netherlands, they have a deposit system limited to certain sizes, though there they have targeted larger containers over 750ml. Research on this system has shown there would be a significant net gain and litter reductions if it was extended to an 'all-in' system. There is continuing public pressure there for this to happen.

Should the system in England, Wales and Northern Ireland be limited based on arbitrary size categories this would not have the greatest impact possible on littering and it would also be subject to continued pressure from the public and NGOs to expand the system to include all sizes.

We support the Scottish Government's position that its deposit system will include all sizes of drinks containers. It is clear from the analysis of the Scottish Government's consultation and the decision to not pursue an 'on-the go' DRS, that this model is not a popular proposition. 88% of respondents to the Scottish consultation said 'no' when asked whether Scotland's system should be limited to 'on the go'.¹⁷

69. Do you agree with our definition of 'on-the-go' as excluding multipack containers?

No

Juice cartons are often sold in multi-packs and are still consumed out of the home, for example in children's packed lunch boxes.

The exclusion of smaller beverages from the system when they're in a multi-pack highlights the arbitrary distinction being made as to people's consumption habits of smaller drinks.

70. Based on the information above, and where relevant with reference to the associated costs and benefits outlined in our impact assessment (summarised below), which is your preferred DRS option?

All-in

We would like to see a truly 'all-in' system that includes HDPE, cartons and pouches, alongside glass, aluminium and PET.

An all-in system is the best option for the environment, as it reduces more litter, improves recycling rates and improves the quality of a far larger volume of materials, alongside having the greatest impact on reducing carbon. A truly all-in system is also necessary to avoid market distortion.

¹⁷<https://www.gov.scot/binaries/content/documents/govscot/publications/consultation-analysis/2019/02/deposit-return-scheme-scotland-analysis-responses/documents/deposit-return-scheme-scotland-analysis-responses/deposit-return-scheme-scotland-analysis-responses/govscot%3Adocument/deposit-return-scheme-scotland-analysis-responses.pdf>

An all-in system is also the best option in economic terms, as the higher volume of materials going through the DRS means it's financially more viable, alongside creating job opportunities in an expanded, UK-based recycling sector.

In light of the Scottish Government announcing their plans to include glass, PET and aluminium and steel cans, we believe the UK Government can improve on this and establish a truly world-leading system for England, Wales and Northern Ireland. However, at a minimum the system in England, Wales and Northern Ireland should include glass, PET and aluminium and steel cans to ensure the systems work across borders and prevent fraud.

Analysis of the Scottish consultation for deposit return shows that those opposed to an 'on-the-go' scheme were concerned that there is no way to define the term, and there are no such DRS models in other countries so there would be no example to assess. They were also concerned that a limited system would not be able to maximise the volume of material it collects. One of the main outcomes of a DRS will be better and more efficient separation of high-value recyclates than is possible through the existing kerbside scheme, so limiting the scheme solely to 'on the go' drinks containers while allowing some high-quality materials to end up in mixed recycling does not make economic sense, and the cost of establishing a system which targets only on the go materials cannot be justified.

There were additional concerns that a limited system would create consumer confusion, as people may not easily know which containers are included in the system. Also, if the scheme only targets containers of certain sizes, there's a risk that producers would simply change the sizes of their bottles and cans to avoid being in the scheme as has been seen in other countries (e.g. Germany, The Netherlands). It would also create an unfair price advantage for producers who were outside the scheme compared to those selling similar products who were in the scheme.

The Scottish Government's decision to opt for an 'all-in' system is a reflection of the clear evidence in favour of this model and we would urge you to learn from the research and work that has led them to this decision.

Summary of approach to Impact Assessment

71. Do you agree with our impact assessment?

I don't know / I don't have enough information

The results of the impact assessment correlate with research undertaken by Eunomia and commissioned by CPRE in 2010 which would suggest accuracy of results.¹⁸ However, we do not feel we're qualified enough to comment on the detailed work undertaken in the impact assessment but congratulate the thorough analysis that has evidently been undertaken.

72. Do you think more data is needed? If yes, please state where.

No

¹⁸ <https://www.cpre.org.uk/resources/energy-and-waste/litter-and-fly-tipping/item/1917-have-we-got-the-bottle?>

We have sufficient data - it is time for action to be taken.

75. The dual objectives of a DRS are to reduce litter and increase recycling. Do you wish to suggest an alternative model that would be more effective at achieving these objectives? If so please briefly describe it, making reference to any available evidence

No. A deposit return system is the most effective, tried and tested model for this. However, in terms of delivering the results that a DRS will deliver, we would suggest that the Norwegian environmental tax is a model that should be considered.

76. A potential option for introducing a DRS could be to start with the 'on-the-go' model, and then expand/phase roll-out to 'all-in'. Do you think this would be an effective way to introduce a DRS?

No

This would be a more expensive option and confusing for consumers. It makes more economic sense to create an effective and simple system from the start.

The Scottish Government took the decision to include glass within its DRS from the start on the basis that expanding a DRS to accept more materials is very costly. This same logic applies to the proposal of starting with a small system and then trying to expand it. The financial implications to the DMO are significant and should be a reason for this not to be an option.

Outcomes of what we are hoping to achieve

77. Do you think a DRS would help us to achieve these outcomes? Please briefly state the reasons for your response.

a. Reduction in litter and litter disamenity (include expected % decrease where possible)

Yes

The New South Wales EPA and National Litter Index report that rates of littering of Container Deposit eligible containers have reduced since the scheme commencement by 44%.¹⁹

We know from international experience that deposit return systems reduce the amount of beverage containers that are littered in the environment. A review of litter surveys conducted in the US found that drink container litter was reduced by 70% - 84% after the introduction of a deposit return system.²⁰

b. More recycling of drinks containers in scope of a DRS, especially those disposed of 'on-the-go'

Yes

¹⁹ <http://kab.org.au/wp-content/uploads/2018/01/KAB-NLI-Report-2016-17.pdf>

²⁰ <http://www.bottlebill.org/index.php/benefits-of-bottle-bills/litter-studies-in-bottle-bill-states>

A DRS will lead to more recycling of drinks containers within scope, without there needing to be a specific classification as to where they are consumed.

c. Higher quality recycling

Yes

Deposit return systems separate materials at source and avoid contamination, significantly improving the quality of recycled materials.

d. Greater domestic reprocessing capacity through providing a stable and high quality supply of recyclable waste materials

Yes

78. Do you think a DRS, as set out in this consultation, is necessary in helping us achieve the outcomes outlined above?

Yes

Alternative approaches

79. Do you think the outcomes of what we are hoping to achieve could be reached through an alternative approach?

No

As the report from Defra's Voluntary and Economic Incentives Working Group found, following its call for evidence, there is no viable alternatives to a DRS.

80. Do you think an alternative approach would be a better way of achieving the outcomes?

No

Other than the Norwegian tax model which created a DRS system, there is no other approach that has been proven to achieve the intended outcomes to the same success level.

81. Are there particular local authority considerations that should be taken into account when considering whether to implement either an "all-in" or "on-the go" model?

All sizes are littered and therefore all sizes create a cost for local authorities who have to clear them up.

Leaving the larger containers as litter or in kerbside recycling leaves councils with the bulkier items. This equates to higher volumes within collection systems - effectively they are collecting more air - which leads to higher costs. An 'all-in' system would enable cost savings for local authorities as kerbside recycling could potentially be reduced to a bi-weekly basis and there would be a substantial reduction in costs from street cleansing.

83. What benefits and/or disadvantages can a DRS provide to your local authority?

Research undertaken by Eunomia showed that there is a net gain for local authorities when drinks containers are removed from their collections, due to a cut in street cleansing costs and the opportunity to make recycling collections less frequently due to a reduction in volume.²¹

Furthermore, as the Government intends to offset any initial financial impacts on local authorities an 'all-in' model would be the most efficient use of resources.

Design of drinks containers

85. How should a DRS drive better design of packaging? Please select all that apply:

- a. Varying producer fees that reflect the environmental cost of the products that producers are placing on the market**
- b. An additional producer fee for producers using unnecessary and/or difficult to recycle packaging**
- c. Other (please specify)** - The DMO should have sign off on new packaging designs to ensure recyclability is considered in the design stage. This rule is in place in Norway and Infinitum (the system operator) have, for example, prohibited the selling of impractical bottle sleeves and certain types of glue on the grounds of being difficult to recycle.

Better design for packaging to enable refills in the first instance and the greatest possible ease of recycling is at the heart an effective deposit return system.

DRS is a form of producer responsibility and by applying modulated fees and allowing the DMO to sign off on new packaging design, the system can ensure responsibility is being applied to the design stage of the supply chain.

86. Who should be involved in informing and advising on the environmental cost of products? Select all that apply

- f. Other (please specify)**

An independent body advised by all of the above, plus NGOs and independent experts or academics.

It is vital that a comprehensive and holistic approach to calculating the environmental costs of products is taken and not a narrow understanding of recycling, therefore all relevant stakeholders should be involved.

DRS and other waste legislation

²¹ <https://www.cpre.org.uk/media-centre/latest-news-releases/item/4693-deposit-refund-system-could-save-councils-35-million-a-year>

87. Do you agree or disagree with our assessment of other waste legislation that may need to be reviewed and amended?

Agree

Waste carrier licenses may need to be adapted to ensure that the system can be innovative in how it utilises back-hauling and in how it ensures accessibility for rural areas or people who may struggle to reach return points for mobility reasons.

Further comments

89. Is there anything else we should be considering related to drinks container recycling and litter reduction which has not been covered by other questions?

We would also like to draw your attention to the possibility for the creation of ‘green jobs’ as a result of a deposit return system. CPRE’s report ‘From Waste to Work’ research showed the potential to create between between 3,000 and 4,300 full-time jobs.²²

Deposit return systems are a transformative approach to resources, waste and recycling and we are pleased that the Government is finally taking the steps to introduce this necessary system. As the amount of packaging that is consumed continues to grow, we need to continue with the ambition and plan for scaling up the refillable capabilities of a DRS in the future, beyond the basic glass refill model.

We would also like to draw your attention to the points made in our executive summary covering the four packaging and waste consultations to highlight our overarching principles for how these systems can work together to reduce the amount of packaging used, create systems for reuse and effectively recycle what is left to create a truly circular economy.

²² <https://www.cpre.org.uk/resources/energy-and-waste/litter-and-fly-tipping/item/2359-from-waste-to-work>