

Finance Bill 2021: Plastic Packaging Tax

Link policy briefing

Part 2 of The Finance Bill (Clauses 42–85) introduces a Plastic Packaging Tax. It is intended to increase the proportion of recycled content in plastic packaging and to stimulate increased levels of recycling and collection of plastic waste.¹

This is a welcome policy response to the urgent need to tackle plastic pollution. Our countryside and beaches are littered with plastic and there are approximately 51 trillion microscopic pieces of plastic, weighing 269,000 tons, in our seas.² In addition, the UN has reported that resource extraction and processing causes 90% of global biodiversity loss and water stress, as well as 50% of overall carbon emissions.³ In 2016, plastics production alone accounted for 6% of total global carbon emissions and, based on projected growth, it is estimated this could increase to 13% by 2040.⁴

Background

The government has stated that the Plastic Packaging Tax will help “deliver a fairer and more sustainable tax system”. At Budget 2020, it was announced that the rate of the tax will be £200 per tonne of plastic packaging which does not contain at least 30% recycled plastic. This tax will be applied to plastic packaging which has been manufactured in, or imported into, the UK. Following the introduction of the tax, the government has stated that they will keep the rate and the 30% recycled plastic threshold under review to ensure the tax remains effective in increasing the use of recycled plastic.

Wildlife and Countryside Link (Link) is the largest environment and wildlife coalition in England, bringing together 58 organisations to use their strong joint voice for the protection of nature. We have previously responded to Treasury consultations on the proposed plastic packaging tax in 2019 and 2020, these responses are available at:

- [Plastic Packaging Tax Consultation response, May 2019](#)
- [Plastic Packaging Tax Consultation response, August 2020](#)

While we welcome the introduction of the Plastic Packaging Tax, and the long overdue attention to resources, there are a number of areas where the policy falls short. Ministers must also demonstrate that this tax is a first step in a wider strategy for reducing resource use.

¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/934566/Plastic_packaging_tax_-_summary_of_responses_to_the_consultation_on_policy_design.pdf

² <https://www.sas.org.uk/our-work/plastic-pollution/plastic-pollution-facts-figures/>

³ UN International Resource Panel, 2019, Global resources outlook 2019: natural resources for the future we want

⁴ WWF Report 2019 - Solving Plastic Pollution Through Accountability

Points to highlight:

1. The 30% level of recycled content is not sufficiently ambitious

The 30% target does not go beyond Business as Usual in many cases. Many businesses are already committing to levels of recycled content beyond 30%. The tax should not simply catch a few laggards. To encourage real change, it should be designed to cover a much wider group of producers. To show leadership in this area, we propose that the government stretch their ambition and implement a higher recycled content target, as well as differentiated thresholds for specific materials to boost recycled content for materials where it is more readily available.

Some materials, such as polyethylene terephthalate (PET) are readily and widely recycled, and it is relatively easy to achieve high percentages of recycled content in PET bottles and containers. So, the threshold for PET could be higher, especially when the upcoming Deposit Return Scheme provides an additional stream of plastic bottles for recycling.

In examples of higher recycled content, Innocent Drinks bottles have been made from 100% recycled content since 2007.⁵ The supermarket chain Aldi has committed to ensuring all its packaging is made from 50% recycled material by 2025⁶ and the Co-op already use almost 40% recycled content in own-brand packaging.⁷ Last year, Coca-Cola Great Britain announced that all plastic bottles across all its core brands made in Great Britain are now made with 50% recycled plastic.⁸

These examples highlight the need for the government to show leadership in this area. We propose they do this by stretching their ambition and implementing a higher recycled content target, as well as differentiated thresholds for specific materials to boost recycled content for materials where it is more readily available. We would also welcome a clear roadmap for increasing the thresholds over time. This would provide certainty for business, enabling the investments needed to increase recycled content to be made with confidence. A precedent for this would be the Fuel Duty Regulations where the tax increased over time.

2. The tax is set at a low level compared to the EU's plastic packaging tax

The EU has announced a new plastic packaging tax, which came into effect from January 2021. This tax, levied in the form of EU Member State contributions, is set at €800 (around £685) per tonne for non-recycled plastic packaging, dwarfing the £200 per tonne set for the current UK Plastic Packaging Tax proposals. The amount owed by each Member State is calculated according to the weight of non-recyclable plastic packaging placed on each Member State's market, so the tax is comprehensive and economy-wide.

⁵ <https://www.innocentdrinks.co.uk/blog/2007/september/our-brand-new-1>

⁶ <https://www.aldi.co.uk/about-aldi/corporate-responsibility/resources-for-our-products/product-packaging-and-waste>

⁷ <https://www.waitrose.com/content/dam/waitrose/Inspiration/About%20Us%20New/Waitrose%20Way/Waitrose%20Plastics%20Plan%20v2.pdf>

⁸ <https://www.circularonline.co.uk/news/50-of-plastic-used-in-coca-cola-european-partners-core-portfolio-now-from-recycled-sources/>

If the UK is serious about being a world leader on the environment, then the government should review the proposed levy and increase it to match the EU or more. This is all the more important given recent low oil prices which risk companies absorbing the cost of the tax due to cheaper virgin polymer costs. A higher levy or placing the tax on virgin plastic would reduce this risk.

3. Over 1 million tonnes of plastic packaging are predicted to remain below 30% recycled content per year

The Exchequer expects to receive £235m in the first year that the tax is introduced (2022-23) and £210m in 2025-26. At £200 a tonne, this equates to 1,175,000 tonnes of packaging remaining below the 30% recycled plastic threshold in 2022, and 1,050,000 tonnes still remaining below the threshold by 2025-26.

While HMRC estimate that the use of recycled plastic in packaging could increase by around an estimated 40%, they also acknowledge that the OBR have noted that estimates of behaviour change include a high degree of uncertainty.⁹ The government states that "consideration will be given to evaluating aspects including the rate, threshold and exemptions of the policy after at least one year of monitoring data has been analysed and collected",¹⁰ however it is unclear what ministers consider as a success for the policy and hence what circumstances would trigger a revaluation of the tax rate.

4. The government needs more ambitious action to reduce packaging waste across the board

With the environmental impact of resource use becoming ever clearer, the current tax raises the question of why only plastics? There is a need to bolster the recycled content of all packaging materials. All materials have environmental impacts throughout their full lifecycle, and we need to revolutionise the packaging system as a whole rather than focusing on substituting one single-use material for another¹¹. Therefore, the tax should be extended to include other packaging materials, or it will lead to perverse shifts to avoid the tax, with negative environmental consequences.

In general, policy should reflect the fact that 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. The government must do much more to first prevent waste generation and reduce harm, as dictated by the waste hierarchy.

Investment is needed to provide the infrastructure and incentives to deliver a shift towards reusable packaging. Loop¹² is an example of an online delivery service offering household brands in reusable packaging. And large retailers, such as Waitrose, with their Unpacked initiative,¹³ as well as more local businesses, offer refillable options. Government has an opportunity to signal that reuse should become the

⁹ <https://www.gov.uk/government/publications/introduction-of-plastic-packaging-tax-from-april-2022/introduction-of-plastic-packaging-tax-2021>

¹⁰ [Ibid](#)

¹¹ <https://eia-international.org/wp-content/uploads/Checking-Out-on-Plastics-2-report.pdf>

¹² <https://loopstore.co.uk/>

¹³ <https://www.waitrose.com/ecom/shop/featured/groceries/unpacked>

norm, rather than the exception, and fiscal policy can incentivise that shift. This will support the government's ambition to increase resource efficiency and minimise residual waste, as outlined in the 25 Year Environment Plan¹⁴ and in the more recent Waste Prevention Programme consultation.¹⁵ For more information on the Wildlife and Countryside Link Resources and Waste group's priorities, visit <https://www.wcl.org.uk/resourcesandwaste.asp>

Key recommendations

The Plastic Packaging Tax is a step in the right direction, but the government must do much more to reduce packaging waste. As a first step, Ministers should commit to:

- Set out a roadmap for increasing the £200 per tonne charge and the 30% recycled content threshold over time
- Include an early and rapid increase in the 30% threshold for recycled content, recognising that this level is rapidly becoming below business as usual
- Introduce differentiated thresholds for particular plastics, given that it is simple to include much higher proportions of recycled content for some plastics such as PET
- Publish a plan to expand the Plastic Packaging Tax to include other single-use packaging materials.

For questions or further information please contact:

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¹⁴ "A Green Future: Our 25 Year Plan to Improve the Environment"

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/693158/25-year-environment-plan.pdf

¹⁵ https://consult.defra.gov.uk/waste-and-recycling/waste-prevention-programme-for-england-2021/supporting_documents/Waste%20Prevention%20Programme%20for%20England%20%20consultation%20document.pdf