

Introducing a Deposit Return Scheme on beverage containers

Lead department	Department for Environment, Food & Rural Affairs
Summary of proposal	A proposal to introduce a deposit return scheme (DRS) for drinks containers. A DRS is a system that encourages the return of the packaging to collection points through the incentive of a refundable deposit paid by consumers at the point of purchase.
Submission type	Impact assessment (IA) – 05/01/2021
Policy stage	Consultation
Legislation type	Secondary legislation
Implementation date	2024
RPC reference	RPC-DEFRA-4342(2)
Opinion type	Formal
Date of issue	5 March 2021

RPC opinion

Rating ¹	RPC opinion
Fit for purpose	<p>The IA is now fit for purpose, after being revised in response to the initial review notice (IRN) issued by the Regulatory Policy Committee (RPC).</p> <p>As originally submitted, the IA was not fit for purpose because it did not include the consideration of a non-regulatory option and had an insufficient small and micro business assessment (SaMBA). The IA now includes details of the alternatives to regulation that were considered. It also includes an explanation of voluntary initiatives already in place and why they do not meet the policy objectives. More detail has been added to the SaMBA around how small and micro businesses (SMBs) will be compensated. The RPC commends the Department for the good research and analysis in the IA.</p>

¹ The RPC opinion rating is based on the rational, appraisal of options, identification of impacts and quality of the SaMBA, as set out in the [better regulation framework](#). The RPC rating will be fit for purpose or not fit for purpose. Informal submissions will not have a rating and are not for publication.

RPC summary

Category	Quality	RPC comments
Rationale and options	Satisfactory	As originally submitted, the IA did not provide a clear rationale that regulation is needed to increase the recycling rate. The IA now includes a narrative on why an industry led voluntary scheme would not achieve the policy objectives. As originally submitted, the IA did not discuss why alternatives to regulation would not achieve the policy objectives. The IA now provides a clear narrative on non-regulatory options.
Identification of types and areas of impacts	Satisfactory	The Department has identified and monetised the main impacts of the policy. At final stage, the IA should seek to monetise impacts on demand and consumers. The final stage IA should also include impacts on the hospitality sector, civil society organisations (CSOs) and online retailers.
Small and micro business assessment (SaMBA)	Satisfactory	As originally submitted, the SaMBA was not sufficient. The SaMBA now includes a discussion on why SMBs should not be exempt from the policy. It also explains that evidence will be gathered during consultation on the number of SMBs affected.
Cost-benefit analysis	Good	The RPC commends the Department for its research and analysis at this stage. At final stage, the IA should more clearly set out where impacts fall and should include more evidence where possible on the impact of the Covid-19 pandemic.
Wider impacts	Satisfactory	The consideration of wider impacts is satisfactory at this stage, but the final stage IA should include costs to consumers. The IA would also benefit from including a discussion on the potential effects of the policy on trade and investment, innovation, competition, and equity and distribution.
Monitoring and evaluation plan	Good	The IA includes a good commitment to monitoring and evaluation at this stage. As final stage, more detail could be included in the IA itself.

Response to initial review

As originally submitted, the IA was not fit for purpose for two main reasons:

1. The IA did not consider alternatives to regulation or fully justify why regulation was needed to achieve the policy objectives.
2. The SaMBA was insufficient as there was a lack of information to assist consultees on how SMBs will be compensated.

The Department has now:

1. Included details of the non-regulatory options considered.
2. Provided further explanation in the SaMBA on how reimbursement to SMBs will be calculated.

Summary of proposal

This IA supports the second consultation on introducing a deposit return scheme on drinks containers. The IA states that this is the first in a trio of IAs relating to major reforms to the waste sector, although the other two were submitted for RPC scrutiny before this one. The other two cover introducing consistent municipal recycling collections in England and reforming the current packaging producer responsibility scheme.

The proposal is to introduce a DRS to increase the recycling of drinks containers, reduce litter, produce higher quality recycling, and increase domestic reprocessing capacity through providing a stable and high-quality supply of recyclable waste materials. The intended effect of introducing a DRS is to change behaviour of consumers, producers, and retailers to increase the recycling of empty drinks containers and reduce litter.

Drinks containers covered by the preferred option are plastic bottles, steel cans, aluminium cans, and glass bottles. Drinks containers in-scope of the DRS would need to be returned by consumers to DRS return points for the deposit to be refunded. If consumers chose not to return their drink container to a return point, they could still place it in their household kerbside recycling collection, but they would lose their deposit. The preferred option proposes to appoint a Deposit Management Organisation (DMO) whose role it would be to set up and manage the operation of the DRS.

Rationale and options

Rationale

As originally submitted, the IA did not provide a clear rationale that regulation is needed to increase the recycling rate. The IA now includes a narrative on why an industry led voluntary scheme would not achieve the policy objectives, explaining that separate voluntary initiatives would create inconvenience for consumers, thereby limiting the effectiveness on reducing recycling rates and litter.

Options

Three policy options are appraised alongside the do-nothing option. As originally submitted, the IA did not discuss why alternatives to regulation would not achieve the policy objectives. The IA now provides a clear narrative on the non-regulatory options that have been tried and considered and explains why these do not sufficiently address the problem under consideration.

Identification of types and areas of impacts

The Department has identified and monetised the main impacts of the policy and has provided a summary of the previous consultation. However, the IA would benefit from including more responses from businesses on what they expect the impacts of the regulation to be. The Department should seek further responses from affected businesses through this consultation.

Impact on demand

As part of the consumer impacts section, the IA briefly explores whether the introduction of a deposit would affect the demand for drinks sold in the containers in scope of the policy. At final stage, the IA should provide evidence on whether demand is affected, perhaps by using international comparisons.

Manual take-back costs

The IA provides a narrative on the exemptions that might be applied for and states that further evidence on manual take-back costs will be sought through consultation. The IA should also set out how the Department sought to fill the evidence gap to calculate the number of bottles per day at which a reverse vending machine (RVM) would be economically viable and whether further evidence will be gathered. The opportunity cost of storage space associated with manual take-back should also be tested at consultation.

Impacts on the hospitality sector

The IA now explains how the hospitality sector will be affected by the policy. At final stage, the IA should monetise impacts (such as familiarisation costs) on businesses as consumers of drinks containers.

Impacts on civil society organisations (CSOs)

The IA refers to potential financial benefits to the third sector and states that this will be explored further in the consultation. At final stage, the IA should use existing international evidence and evidence gathered through the consultation to monetise impacts on civil society organisations.

Online retailers

It is not clear in the IA whether or how online retailers will be affected by the policy. At final stage, the IA must clearly explain the scope of the policy regarding online retailers and monetise the impacts of them being included or excluded.

DMO impacts

At final stage, the impacts on the DMO such as revenue received from various streams and the costs of compensating retailers should be covered in the costs and benefits section of the IA. The final stage IA must also make it clear which impacts

are considered direct business impacts and which are indirect (such as the benefit to producers of unredeemed deposits lowering their fee).

SaMBA

As originally submitted, the SaMBA did not explain why an exemption would not be appropriate for SMBs and did not provide details on how SMBs will be compensated. The SaMBA now explains why small and micro businesses cannot be exempt and provides justification that 34.3% of retailers in scope are small and micro businesses so an exemption would reduce the effectiveness of the policy in meeting its objectives. The IA also now states that further evidence will be sought through consultation on the number of SMBs affected. At final stage, the IA must include this in a breakdown of affected businesses by size, in line with the RPC's SaMBA guidance and checklist².

The RPC recognises that the DMO will be responsible for determining the handling fee and compensation but at final stage, the SaMBA must include any impacts that may still fall to SMBs. This should include whether familiarisation costs will be covered by compensation, as stated in an earlier section in the IA.

The IA states that views will be sought through consultation on whether producer fees should be waived or reduced for small producers to minimise the impact on these businesses. The impact on these businesses should be clearly set out in the SaMBA at final stage alongside details of mitigations considered.

Cost-benefit analysis

The IA draws on a good level of research and presents a thorough analysis at this stage. At final stage, the IA should make it distinct (particularly in the summary pages) where each of the impacts falls in society, clearly setting out any economic transfers.

The RPC is pleased to see that the IA acknowledges the Covid-19 pandemic and notes that the Department welcomes views through consultation on how to factor this into its analysis. At final stage, the Department should seek to factor in the impacts of the pandemic in line with the RPC's short guidance note³.

Wider impacts

Consumer impacts

The IA seeks a view from the RPC on the inclusion of possible time costs of consumers affected by regulation. Consumer impacts are in scope of IAs and the RPC welcomes the narrative on possible consumer impacts at this stage. However, from the narrative and evidence provided it does not seem likely that the impacts are negligible as the IA suggests. At final stage, the RPC would expect these impacts to be monetised where possible. The final stage IA should also consider the impact on

² <https://www.gov.uk/government/publications/small-and-micro-business-assessment-samba-guidance>

³ <https://www.gov.uk/government/publications/rpc-short-guidance-note-assessing-covid-19-restrictions-related-impacts-in-ias-january-2021>

consumers of queueing to return containers and the impact on those not returning containers that are affected by increased congestion in shops.

Other wider impacts

At final stage, the IA should include evidence of whether this measure would affect trade and investment. It should also include consideration of the impacts on competition, innovation and equity/distribution.

Monitoring and evaluation

The IA refers to the evaluation plan that the government has committed to as part of the Resources and Waste Strategy, stating that the evaluation plan covers the DRS. The IA states that the policy will be reviewed after 5 years, in 2029. At final stage, more detail on the monitoring and evaluation plan should be included in the IA itself.

Regulatory Policy Committee

For further information, please contact regulatoryenquiries@rpc.gov.uk. Follow us on Twitter [@RPC_Gov_UK](https://twitter.com/RPC_Gov_UK), [LinkedIn](#) or consult our website www.gov.uk/rpc.