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Reforms to the Packaging Waste Recycling Note (PRN) and Packaging Waste Export Recycling Note (PERN) Systems and Operator Approval

Summary of consultation responses and government response

Date: 28 October 2022

We are the Department for Environment, Food and Rural Affairs. We're responsible for improving and protecting the environment, growing the green economy and supporting our world-class food, farming and fishing industries.

We work closely with our 33 agencies and arm's length bodies on our ambition to make our air purer, our water cleaner, our land greener and our food more sustainable. Our mission is to restore and enhance the environment for the next generation, and to leave the environment in a better state than we found it.



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Introduction

Background

The consultation on reforms to the Packaging Waste Recycling Note (PRN) and Packaging Waste Export Recycling Note (PERN) system, and operator approval, ran from 26 March to 21 May 2022. This consultation was published alongside the [government response to the 2021 consultation on introducing Extended Producer Responsibility \(EPR\) for packaging](#), which outlined our plans to continue with the PRN/PERN system until at least 2026 to 2027.

Under this approach, producers will be required to meet their packaging recycling obligations for all packaging (household and non-household) by obtaining PRNs/PERNs to cover costs related to the recycling of this waste. Producers of household packaging waste will also make a separate payment to local authorities¹, via the EPR Scheme Administrator, to cover the costs of managing the collection and sorting of this packaging. This will ensure that producers are contributing financially to the management of both household and non-household packaging waste they place on the market.

The aim of this consultation was to seek views on several technical and administrative amendments to the way in which the PRN/PERN system operates. These are intended to address some of the issues identified in the current system, including PRN/PERN price volatility, a lack of transparency, and the potential for fraudulent issuing of PRNs/PERNs.

The consultation included the following proposed areas for reform:

- reporting requirements on the sale of PRNs/PERNs
- reporting requirements on how the revenue from PRN/PERN sales is used.
- timeframes for the trading of PRNs/PERNs
- the introduction of a 'technical competence' test for compliance scheme operators and accredited reprocessors and exporters
- the interface with the introduction of Deposit Return Schemes (DRS) for drinks containers

The consultation also sought additional views on other proposed changes to the PRN/PERN system, including:

- the introduction of a compliance fee for producers that fail to meet their obligations

It is intended that any proposals taken forward from this consultation will be introduced as part of our legislation introducing wider producer responsibility reforms, with the Producer Responsibility Obligations (Packaging Waste) Regulations 2007 and the Producer

¹ References to local authorities include local councils in Northern Ireland.

Responsibility Obligations (Packaging Waste) Regulations (Northern Ireland) 2007 remaining in place until revoked by the new packaging Extended Producer Responsibility Regulations.

Respondents

In total, 129 separate responses to the consultation were received. This comprised 105 responses submitted via the Citizen Space online questionnaire and 24 responses submitted by email.

A breakdown of the respondents is provided in the table below. A list of respondent organisations is provided in Annex A. This excludes individuals who responded and respondents who requested anonymity.

Table 1. Responses by respondent type

Respondent Type	Number of responses	Percentage of total responses
Business representative organisation or trade body	30	23%
Charity or social enterprise	2	2%
Consultancy	4	3%
Distributor	1	1%
Individual	4	3%
Local government	11	9%
Other	25	19%
Packaging designer, manufacturer or converter	4	3%
Product manufacturer or pack filler	22	17%
Reprocessor or exporter	14	11%
Retailer (including online marketplaces)	8	6%
Waste management company	4	3%

Analysis of responses

The majority of responses were analysed using key themes. These were used to categorise all the text responses, both structured responses and where e-mailed responses were not structured but contained text the analysts felt was relevant to the questions posed by the consultation. A particular focus was given to the responses of key stakeholders. Selected quotes from organisations are reproduced in the report where the responses reflect wider themes or the sentiment of other respondents.

The report uses the following terminology to describe the frequency of responses to individual questions:

- predominant: >80% of respondents
- majority: 50-80% of respondents
- mixed or range: when there is no majority
- large minority: 20-50% of respondents
- small, some, a number: <20% of respondents

The following section contains a full summary of the responses, structured in line with the consultation document.

Summary of responses

Data reporting (Questions 5 to 6)

Question 5: Mandatory monthly reporting for reprocessing or export data

Q5. Do you agree or disagree with the introduction of mandatory monthly reporting for reprocessing or export data?

A total of 122 respondents provided responses to Question 5. 85% responded “Agree”, 8% responded “Disagree” and 7% responded “Neither agree nor disagree”.

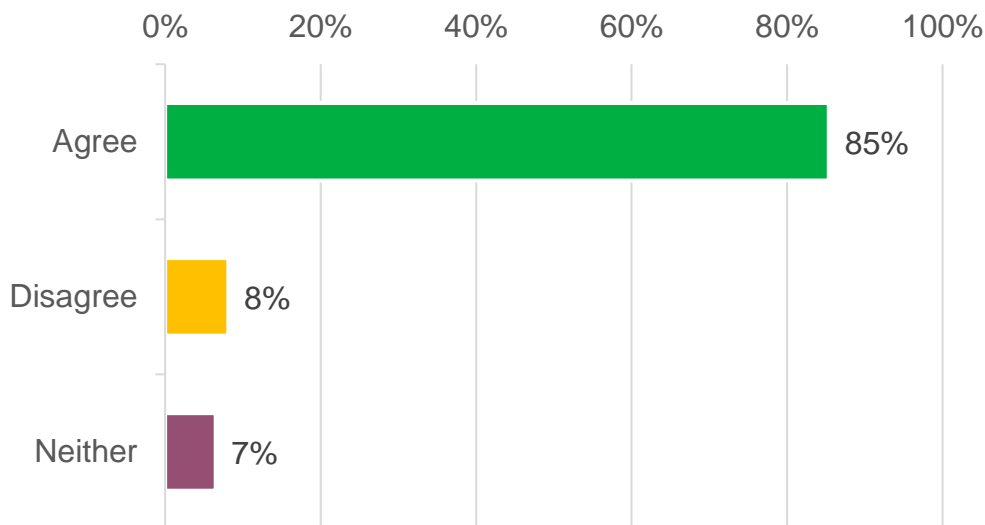


Figure 1. Responses to Question 5

A **predominant** number of respondents agreed with the proposal to introduce mandatory monthly reporting for reprocessing and export data. This included a majority of all respondent types.

115 respondents provided further reasoning for their response. Of those that agreed with this proposal, a majority commented that this should improve the transparency of the market and provide more accurate information on PRN/PERN availability, which would reduce price volatility. A large minority highlighted the importance of enforcement and penalties to ensure compliance with the monthly reporting regime. Some commented on

the additional administrative burden this would place on reprocessors and exporters and difficulties in reporting the data on time, particularly for exports, which would impact the accuracy of the data. Some suggested a 'lag period' of 21 days should be introduced to give producers time to collate and report the required data.

Of those that disagreed with the proposal, the majority commented that this would place a significant administrative burden on reprocessors and exporters, particularly for smaller companies. A large minority of these respondents also highlighted difficulties in receiving and reporting this data on time, particularly for exports. A large minority also suggested that this proposal would give producers an unfair advantage over reprocessors and exporters.

Question 6: Mandatory monthly reporting of PRN/PERN price and revenue data

Q6. Do you agree or disagree with the introduction of mandatory monthly reporting of PRN/PERN prices and revenue data?

A total of 122 respondents provided responses to Question 6. 61% responded "Agree", 16% responded "Disagree" and 22% responded "Neither agree nor disagree".

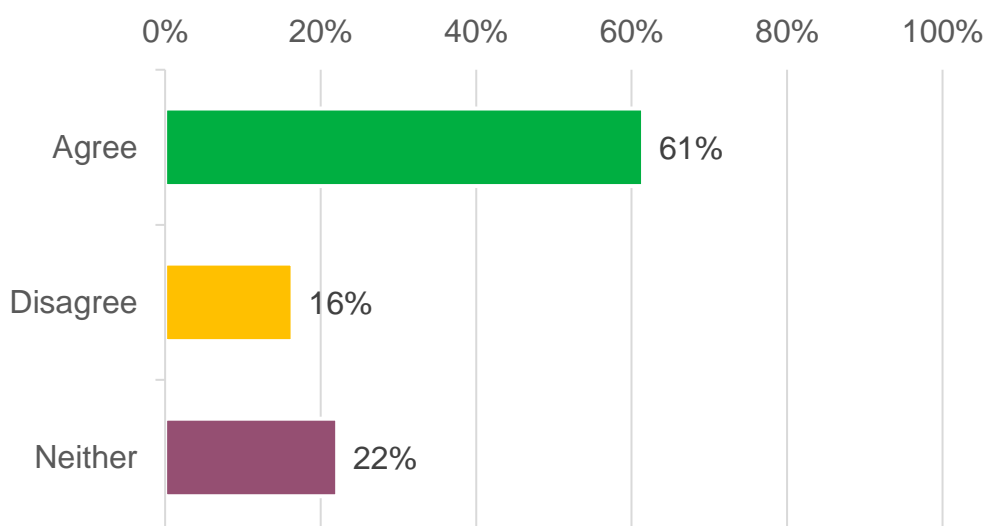


Figure 2. Responses to Question 6

A **majority** of respondents agreed with the proposal to introduce mandatory monthly reporting of PRN/PERN prices and revenue data. This included a majority of respondents from business representative organisations and trade bodies, local government and product manufacturers. A majority of respondents from waste management companies disagreed with this proposal.

117 respondents provided further reasoning for their response. Among respondents who agreed with this proposal, a majority said that this would improve transparency and provide more accurate data about PRN/PERN prices for producers and compliance schemes. A large minority said that this would reduce price fluctuations and result in producers paying fairer prices for PRNs/PERNs.

Of the respondents that disagreed with the proposal, a majority said that this would place a significant additional administrative or cost burden on businesses to comply with this reporting. A large minority responded that this information was already available through online trading platforms and so this additional reporting was unnecessary, though some noted that this only captured a small number of transactions. A large minority also disagreed with this proposal on the basis that it interfered with the operation of the PRN/PERN market, though did not provide any further explanation.

Among respondents that neither agreed nor disagreed with the proposal, a majority agreed that this reporting would improve market transparency. However, a large minority of these respondents also expressed concerns about the additional burdens this would place on businesses. Across all responses, a large minority highlighted the need to ensure confidentiality of data to protect commercially sensitive information. Some also suggested that monthly reporting was too frequent, particularly for revenue data, and that this information should instead be reported on a quarterly basis or annually in arrears.

Government response

Based on the responses to the consultation, and broader stakeholder engagement, we intend to progress with the proposal to introduce mandatory monthly reporting for both reprocessing and exports tonnages data and PRN/PERN price data. This data will be reported to the regulators, who will collate, process and anonymise the data before publishing the aggregated tonnages and price averages. This will ensure that commercially sensitive data is protected.

We recognise that this additional reporting is a new administrative burden for reprocessors and exporters, particularly for smaller companies. However, as accreditation will remain voluntary, only reprocessors and exporters who wish to issue PRNs/PERNs will be required to undertake this reporting.

These reforms will be introduced as part of our wider packaging EPR Regulations.

Revenue reporting (Questions 7 to 8)

Questions 7 and 8: New categories for revenue reporting

Q7. Do you agree or disagree with the proposed approach to revenue reporting for reprocessors and exporters?

A total of 122 respondents provided responses to Question 7. 73% responded “Agree”, 11% responded “Disagree” and 16% responded “Neither agree nor disagree”.

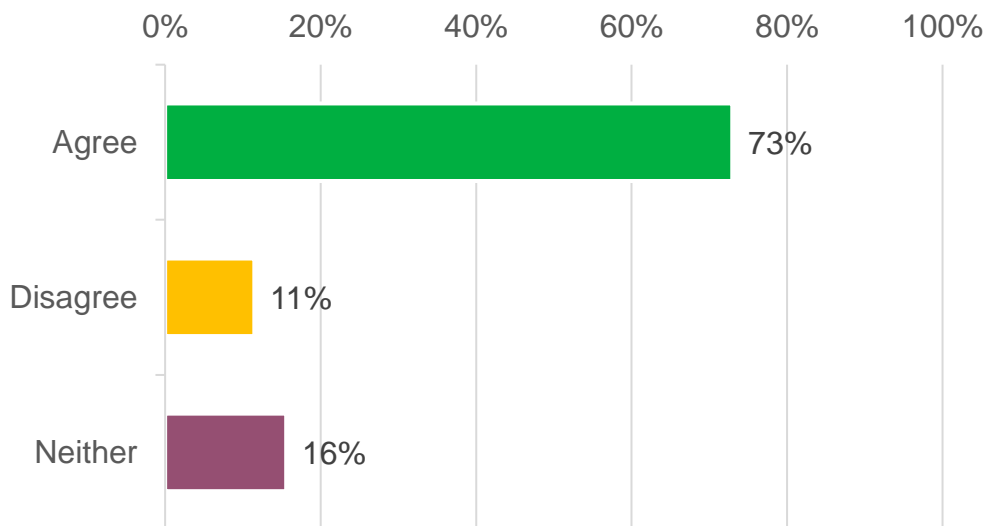


Figure 3. Responses to Question 7

A **majority** of respondents agreed with the approach to revenue reporting for reprocessors and exporters put forward in the consultation. This included a majority of respondents from business representative organisations and trade bodies, local government, product manufacturers and reprocessors and exporters. Responses from waste management companies were more mixed.

112 respondents provided further comments on their response. A majority of those who agreed with this proposal said that it would improve transparency into how PRN/PERN revenue was spent by reprocessors and exporters. However, a large minority of these respondents expressed concerns about the additional administrative burden the frequency of this reporting would place on reprocessors and exporters. A large minority also said that improved enforcement and auditing would be required to ensure that the data submitted was accurate.

Among respondents who disagreed with this proposal, a large minority suggested that it would be difficult to ensure that the information provided in this reporting was accurate without introducing additional enforcement or auditing. A large minority also expressed concerns about the administrative burden on reprocessors and exporters to meet these additional reporting requirements. Some respondents questioned whether it was necessary to amend the current reporting categories.

Across all responses, many comments put forward other suggestions for changes or improvements to this proposal. Some of the most common suggestions included: a change to quarterly, bi-annual or annual (rather than monthly) reporting; removing or refining the proposed 'Comms' category, as the EPR Scheme Administrator should be responsible for organising communications campaigns; and retaining the current 'retained for future investment' category.

Q8. Please suggest any other categories or sub-categories that you think should be included.

A total of 83 respondents provided responses to Question 8. The most common suggestions were:

- reinstate the ‘retained for future investment’ category
- include a category for ‘costs of compliance’ with the Regulations, including costs incurred for accreditation, reporting and administration
- additional sub-categories under the ‘Infrastructure’ category, including ‘processing capacity’, ‘mechanical and chemical recycling’ and ‘materials and formats’
- changes to the ‘Comms’ category to reflect the role and remit of the EPR Scheme Administrator

Government response

Based on the responses to the consultation, and broader stakeholder engagement, we intend to amend the categories for revenue reporting in line with the proposals laid out in the consultation. These reforms will be introduced as part of our wider packaging EPR Regulations. We are not taking forward the additional suggested categories at this stage as they did not relate directly to activities that would help build capacity within the system or the development of new markets (for example, the ‘costs of compliance’ category). Additional sub-categories may be added at a later date.

Timeframes (Questions 9 to 13)

Question 9: Reduced timescale for PRN/PERN trading

Q9. Do you agree or disagree with the proposal to reduce the timescale over which PRNs/PERNs can be traded?

A total of 123 respondents provided responses to Question 9. 52% responded “Agree”, 30% responded “Disagree” and 18% responded “Neither agree nor disagree”.

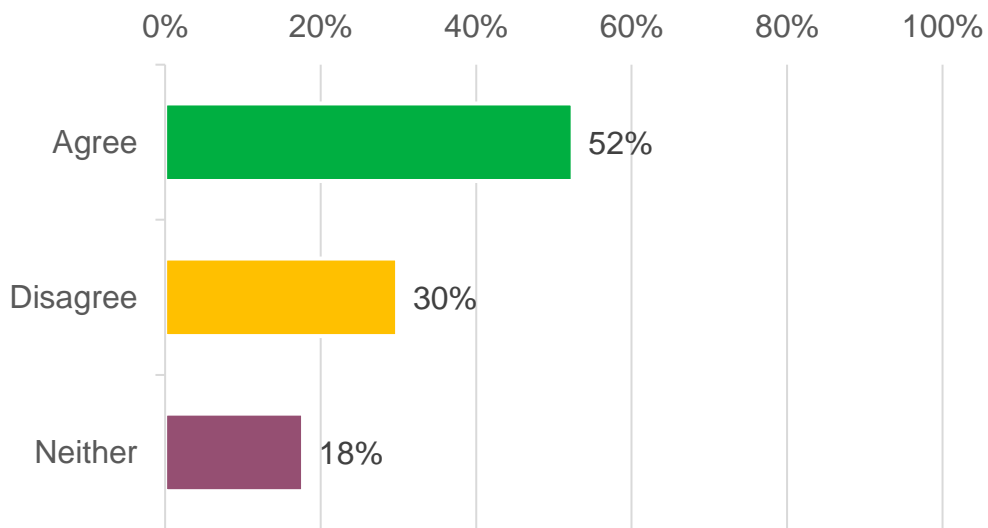


Figure 4. Responses to Question 9

A slight **majority** of respondents agreed with the proposal to reduce the timescale over which PRNs/PERNs can be traded. This included a majority of respondents from business representative organisations and trade bodies, local government, product manufacturers and retailers. A majority of respondents from waste management companies and ‘Other’ respondents (which included several producer compliance schemes) disagreed with this proposal, while responses from reprocessors and exporters were more mixed.

108 respondents provided further comments on their response. A large minority of respondents who agreed with this proposal suggested that this would prevent market manipulation by reprocessors and exporters withholding PRNs/PERNs until prices are higher, which would reduce price volatility overall. A large minority of these respondents expressed a preference for a quarterly, rather than monthly, time limit for the trading of PRNs/PERNs. This was due to factors such as material processing times and the time taken for exporters to obtain evidence that recycling has taken place, with some respondents suggesting that a monthly time limit could have unintended consequences on market functioning.

Among respondents that disagreed with this proposal, a majority said that this intervention was unnecessary or would not have the desired effect of reducing price volatility, and could instead introduce new and unintended consequences such as increasing price volatility. A large minority of these respondents disagreed with this proposal on the basis that it interferes with the functioning of the free-market system and would disrupt the balance between supply and demand. A large minority also said that this would unfairly benefit producers and compliance schemes over reprocessors and exporters. A large minority highlighted the difficulties with meeting this reduced timescale for trading due to issues with operational capacity and material processing times.

Questions 10 and 11: Extended flexibility of the compliance period

Q10. Do you agree or disagree that there should be a mechanism for extending the compliance period for the trading of PRNs/PERNs?

A total of 123 respondents provided responses to Question 10. 54% responded “Agree”, 29% responded “Disagree” and 17% responded “Neither agree nor disagree”.

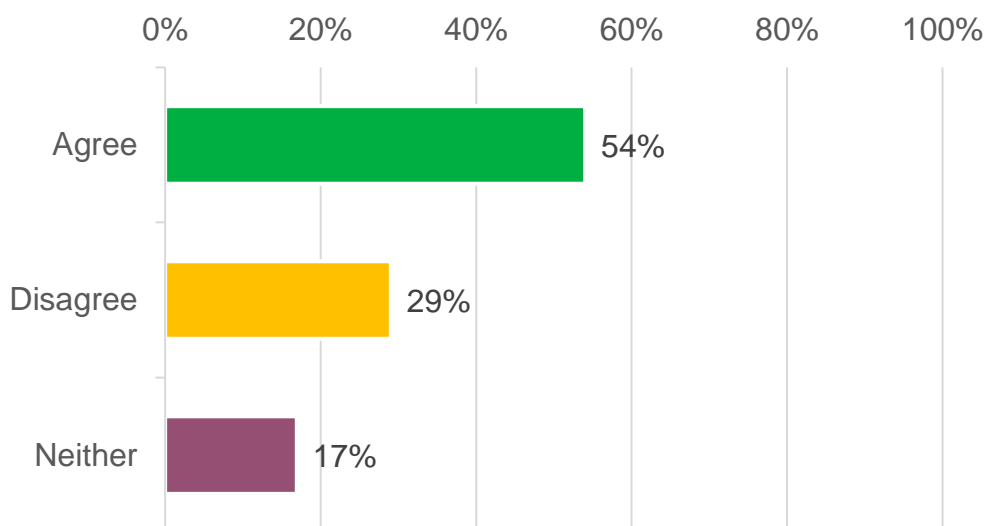


Figure 5. Responses to Question 10

A slight **majority** of respondents agreed that there should be a mechanism for extending the compliance period for the trading of PRNs/PERNs. This included a majority of respondents from business representative organisations and trade bodies, product manufacturers, retailers and packaging designers. The majority of reprocessors and exporters disagreed with this extension mechanism, and responses from local government and waste management companies were more mixed.

105 respondents provided further comments on their response. Of the respondents that agreed with an extension of the compliance period, a large minority said that this would reduce price volatility and mitigate against price rises that have been observed in the final months of some compliance years. However, respondents were split over whether this extension should only be applied in exceptional circumstances (such as during the Covid-19 pandemic) or whether this should be a permanent one-month extension of the compliance period, enabling PRNs/PERNs purchased in January to be ‘carried back’ to meet producer obligations in the previous calendar year.

A large minority of respondents who disagreed with this proposal said that this extension would only delay and possibly exacerbate the issue in the following compliance year, creating a rolling issue. A large minority also suggested that an extension of the compliance period was unnecessary alongside the other proposals, such as more regular reporting. Some disagreed on the basis that this would interfere with the functioning of the free market.

Q11. Please provide details of the conditions or criteria you think would be appropriate to trigger an extension of the compliance period.

A total of 96 respondents provided responses to Question 11. As in Question 10, a large minority of respondents suggested that this should be a permanent extension of the compliance period, allowing for PRNs/PERNs purchased in January to be ‘carried back’ to meet producer obligations in the previous calendar year. Conversely, some said that the extension should only be used in exceptional circumstances, such as a pandemic, geopolitical event or “act of God”, as a force majeure if producers are not able to meet their obligations. Some responded that the criteria would need to be clearly defined and set out in the Regulations to ensure they were applied consistently.

Question 12: Increased timescale for PRN/PERN trading

Q12. Do you agree or disagree with the proposal to increase the timescale over which PRNs/PERNs can be traded to a multi-year or rolling system?

A total of 122 respondents provided responses to Question 12. 9% responded “Agree”, 74% responded “Disagree” and 17% responded “Neither agree nor disagree”.

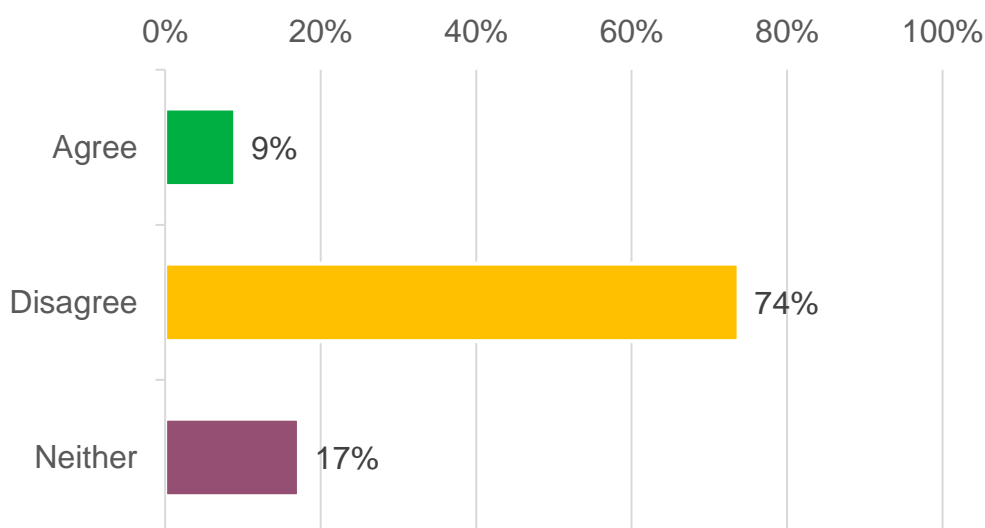


Figure 6. Responses to Question 12

A **majority** of respondents disagreed with the proposal to increase the timescale over which PRNs/PERNs can be traded to a multi-year or rolling system. This included a majority of respondents from business representative organisations and trade bodies, reprocessors and exporters, product manufacturers and waste management companies. Responses from local government and retailers (including online marketplaces) were more mixed.

106 respondents provided further comments explaining their response. Of those who agreed with a multi-year or rolling compliance period, a large minority did so because it would help to prevent market manipulation by reprocessors and exporters withholding PRNs/PERNs until prices are highest. Some suggested this option would allow

reprocessors and exporters to better respond to market demands and reduce price volatility.

Among respondents who disagreed with this proposal, a majority said that the implementation of this option would be too complex to effectively administer and regulate. Large minorities of respondents who disagreed also said that this intervention was unnecessary or could lead to unintended consequences, such as increasing price fluctuations. A large minority of respondents who neither agreed nor disagreed with the proposal also said that it would be administratively complex.

Question 13: Preferred approach to PRN/PERN trading timeframes

Q13. Which approach do you believe is the most suitable for addressing the issues of price volatility in the PRN/PERN market?

A total of 123 respondents provided responses to Question 13. 14% responded “Option 1”, 43% responded “Option 2” and 3% responded “Option 3”. 11% said that all options could work, 20% said none of the above and 10% did not know enough to provide a view.

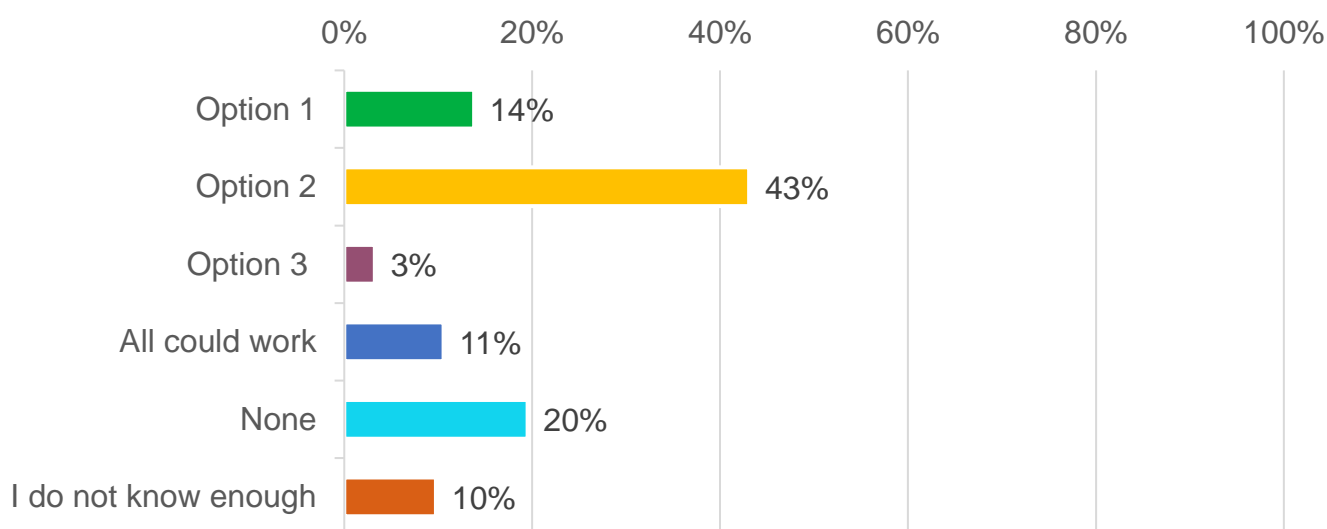


Figure 7. Responses to Question 13

There was no majority response to this question, but a **large minority** of respondents said that Option 2 (a mechanism for extending the compliance period for the trading of PRNs/PERNs) would be the most suitable for addressing the issues of price volatility in the PRN/PERN market. A majority of respondents from business representative organisations and trade bodies, packaging designers and ‘other’ respondents (which included several producer compliance schemes) answered Option 2, while a majority of retailers said that all options could work. Responses from other groups were more mixed.

101 respondents provided additional comments for their response. For respondents who preferred Option 1 (to reduce the timescale over which PRNs/PERNs can be traded), the most common reasons given were that this would improve transparency and data sharing, would prevent market manipulation, would be the best option for reducing price volatility,

or they disliked the other options. Some suggested that this could be combined with Option 2, with a mechanism to extend the flexibility of the compliance period under certain circumstances.

Of the respondents who preferred Option 2, a large minority provided comments reasserting that this would be the most effective option for reducing price volatility. A large minority said that they disliked the other options, and some reaffirmed their preference for a permanent extension of the compliance period which allows producers to 'carry back' PRNs/PERNs purchased in January into the previous compliance year.

Among the respondents who answered 'None of the above', a majority said that these interventions were not needed or did not address the causes of price volatility. A large minority said that the options all interfered with the functioning of the PRN/PERN market and would undermine the existing system, and some responded that the options would lead to additional volatility.

Government response

Government does not intend to progress with any of the proposals to change the timescale over which PRNs/PERNs can be traded at this time, as we believe these proposals require further development and engagement with the sector. We plan to measure the impacts of the other reforms that will be progressed following this consultation and will review these proposals at a later date.

Interface with Deposit Return Schemes (DRS) (Questions 14-18)

Questions 14, 15 and 16: Approaches to DRS materials remaining in kerbside collections

Q14. Do you think that the issuing of PRNs/PERNs on DRS materials that remain in kerbside collections would have an impact on the PRN/PERN market? If yes, what impact would this have, and if no, why not?

A total of 119 respondents provided responses to Question 14. 59% responded "Yes", 2% responded "No" and 39% responded "Unsure".

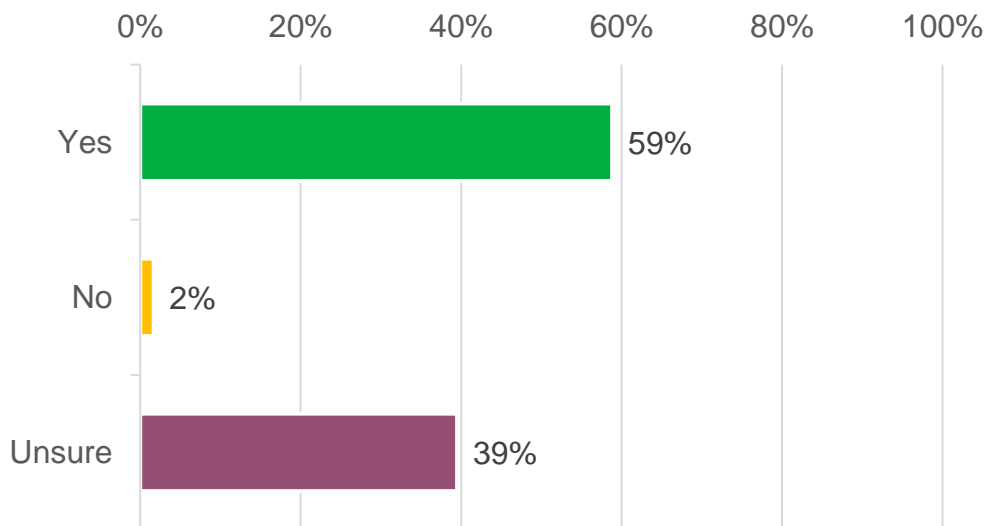


Figure 8. Responses to Question 14

A **majority** of respondents said that the issuing of PRNs/PERNs on DRS materials that remain in kerbside collections would have an impact on the PRN/PERN market. This included the majority of respondents from business representative organisations and trade bodies, product manufacturers, waste management companies and packaging designers. A majority of respondents from local government were unsure, while responses from reprocessors and exporters and retailers were mixed.

105 respondents provided further comments explaining their response. A large minority of respondents who said that this would have an impact on the PRN/PERN market agreed with the analysis in the consultation, that a surplus of evidence would depress PRN/PERN prices for certain materials. A large minority also said that this impact would be dependent on the material capture rate of the DRS systems, which is difficult to determine at this stage.

A large minority of respondents who answered 'Unsure' also said that it was difficult to assess the impact this material remaining in kerbside would have without having more information about how the DRS systems will operate and their capture rates.

Q15. Do you agree with a sampling and modelling approach?

A total of 121 respondents provided responses to Question 15. 30% responded "Yes", 34% responded "No" and 37% responded "Unsure".

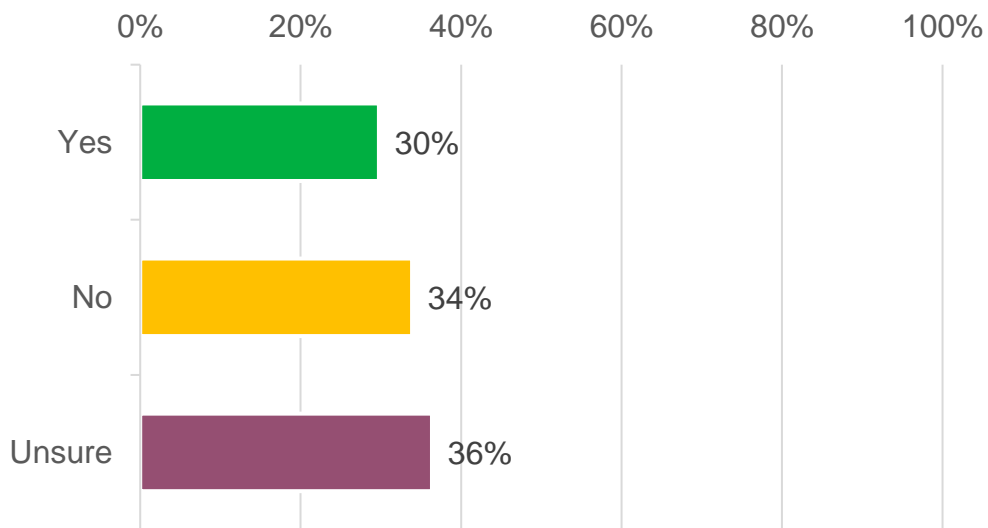


Figure 9. Responses to Question 15

Responses were split for Question 15, with no majority response. A majority of responses from product manufacturers and packaging designers supported a sampling and modelling approach, while a majority of responses from reprocessors and exporters and local government did not. A majority of respondents from business representative organisations and trade bodies were unsure, and responses from waste management companies, retailers and ‘other’ respondents were more mixed.

104 respondents provided further comments on their response. Among respondents who did support a sampling and modelling approach, a large minority said that this would result in more accurate data reporting on the quantities of DRS material remaining in kerbside collections. Some said that this could be supported by a digital system for differentiating between DRS- and EPR-obligated packaging materials. Some responded that this should only be a temporary solution for a few years post DRS implementation, and that focus should be on increasing DRS capture rates.

A large minority of respondents who did not agree with a sampling and modelling approach expressed concerns that it would be inaccurate, administratively complex and costly. Reasons given for this were that it is difficult to distinguish between some EPR and DRS packaging materials, for example where aluminium is compacted into bales before reprocessing, and the potential for fraud and manipulation of sampling data. Respondents who answered ‘Unsure’ to this question expressed similar concerns about the accuracy, complexity and cost burden of this approach.

Q16. Do you think reprocessors and exporters will be able to differentiate between DRS and EPR packaging materials in issuing evidence?

A total of 121 respondents provided responses to Question 16. 11% responded “Yes”, 60% responded “No” and 29% responded “Unsure”.

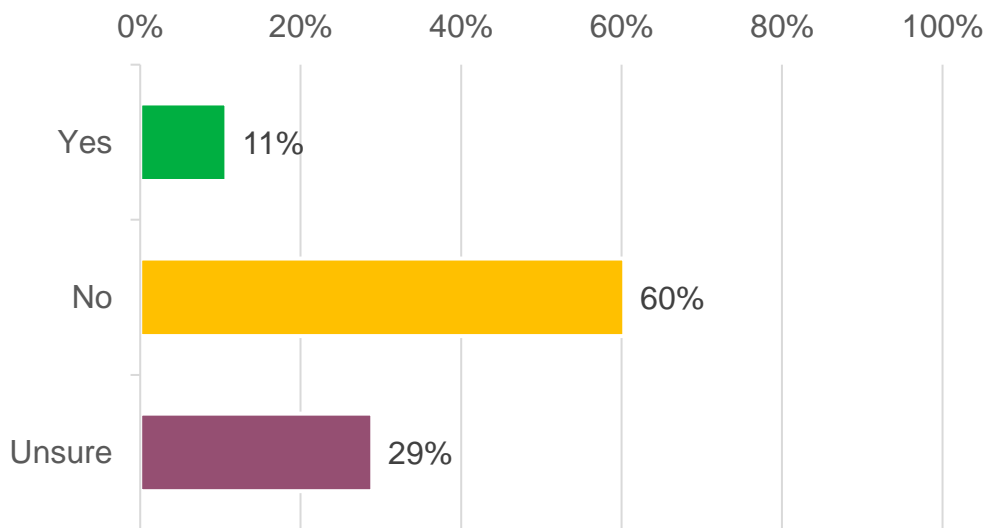


Figure 10. Responses to Question 16

A **majority** of respondents answered that reprocessors and exporters would not be able to differentiate between DRS and EPR packaging materials. This included a majority of most respondent types, although the majority of responses from consultancies said that reprocessors and exporters would be able to differentiate between EPR and DRS packaging. The majority of respondents from local government and product manufacturers were unsure.

99 respondents provided further comments on their response. A large minority of those who thought that reprocessors and exporters would be able to differentiate between DRS and EPR packaging materials said this would be possible with a digital system in place, or that reprocessors could distinguish the different material or polymer types used for DRS and EPR materials. Some said that these materials could be separated pre-processing, for example by allowing Materials Recovery Facilities (MRFs) to claim unredeemed deposits on DRS materials.

Among respondents who answered that it would not be possible to differentiate between DRS and EPR materials, a large minority highlighted the difficulties in separating out materials that have been compacted (such as steel and aluminium) or broken (such as glass) prior to reprocessing. A large minority of these respondents also said this process would be costly, and some said it would be reliant on technology which is not yet widely available.

Questions 17 and 18: Preferred approach to DRS materials remaining in kerbside collections

Q17. Which of the above options do you prefer?

A total of 102 respondents provided responses to Question 17. 20% responded “Option 1”, 71% responded “Option 2” and 10% responded “Option 3”.

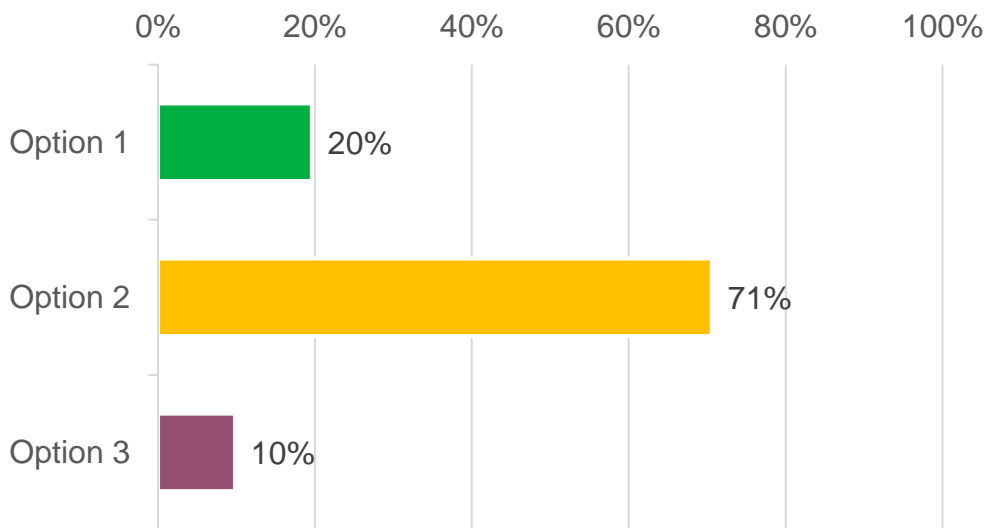


Figure 11. Responses to Question 17

A **majority** of respondents expressed a preference for Option 2 (obligate DRS producers for packaging waste that is in scope of the DRS, but not collected by the DMOs). This included the majority of most respondent types, although responses from individuals were more mixed.

Of the respondents who preferred Option 1 (prevent PRNs/PERNs being issued on DRS material collected with EPR materials), a large minority said this was the fairest approach as it prevented producers from being obligated under both the EPR and DRS schemes. A few of these respondents said that they disliked all the options, but that Option 1 was the least objectionable.

A large minority of respondents who preferred Option 2 suggested that this was the fairest approach and followed the ‘polluter pays’ principle, as DRS producers would be responsible for the packaging they placed on the market. A large minority also said this option would be the least complex to administer and monitor. Some suggested that the DMOs should be obligated to purchase PRNs/PERNs for DRS material that they do not capture, which could be funded through unredeemed deposits.

Of the respondents who preferred Option 3 (increase EPR producer recycling obligations to include DRS packaging not collected through the DRS routes), a majority said that this would be the least complex to implement and administer. A large minority commented that they had concerns about all the options in the consultation but that this option was their most preferred.

Q18. Do you think there will be any issues in the practical implementation of Option 1, Option 2 or Option 3?

90 people responded to this question. For Option 1, some of the specific issues outlined were that it is difficult, costly or not possible to distinguish between DRS and EPR obligated packaging in kerbside collections, that it would be based on poor or inaccurate data, or that it was overall too complex or impractical.

For Option 2, respondents highlighted the issue that it could lead to DRS producers 'paying twice' or being obligated under both a DRS and EPR scheme, and commented on a general lack of clarity around how the DRS systems will operate. A large minority of respondents who said there would be practical issues with the implementation of Option 2 commented that this was the least complex or their preferred choice out of the three options presented.

Comments on the specific issues for Option 3 were that it is unfair and does not follow the 'polluter pays' principle.

Government response

Producers will continue to be obligated to meet their recycling obligations by obtaining PRNs, until a DRS system is operational (and that material becomes exempt) in the relevant country.

Once a DRS system is in operation in Scotland (from August 2023), producers of in-scope packaging will have obligations under DRS to collect this packaging, or have it collected by a scheme administrator, for recycling. Given this, the recycling obligations under the packaging producer responsibility system currently placed on drinks containers in scope of a Scottish DRS will no longer apply and as a result this material will no longer have to obtain PRNs to evidence its recycling. As the packaging not captured by the DRS system is expected to be a very small proportion of the total packaging placed on the market, modelling suggests this would have a very minor impact on the PRN/PERN market (estimated $\leq 1\%$ oversupply of PRNs/PERNs for all materials in scope of the DRS).

We will not progress with any of the proposed options for managing DRS packaging materials that remain in kerbside collections after a DRS system is in operation in England, Wales and Northern Ireland at this time. We believe these proposals require further development and engagement with the sector. We will review at a later date and in advance of a DRS becoming operational in England, Wales and Northern Ireland. The outcome of this review would be agreed by and apply to all four nations.

In the meantime, producers of materials that are in scope of a DRS will not be obligated to pay local authority costs for managing the collection and sorting of this material that remains in kerbside collections or that is disposed of in street bins before a DRS system is operational. The Government response to the consultation on introducing a Deposit Return Scheme in England, Wales and Northern Ireland will be published in due course and will contain further details on the approach to DRS material that remains in kerbside collections once a DRS system is operational.

'Operator Competence' test for compliance schemes, reproprocessors and exporters (Questions 19 to 20)

Question 19: Operator competence test for compliance schemes

Q19. Do you agree or disagree with the introduction of an operator competence test for compliance schemes?

A total of 125 respondents provided responses to Question 19. 93% responded “Agree”, 2% responded “Disagree” and 6% responded “Neither agree nor disagree”.

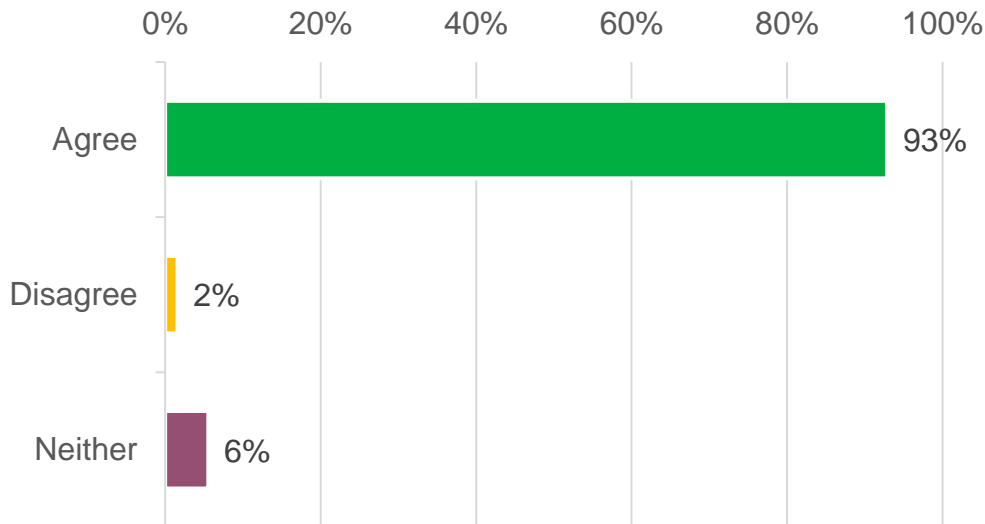


Figure 12. Responses to Question 19

A **predominant** number of respondents agreed with the proposal to introduce an operator competence test for compliance schemes. This included a large majority of all respondent types.

101 respondents provided further comments on their response. A majority of respondents who agreed with the introduction of an operator competence test for compliance schemes said that this would improve the overall performance of compliance schemes. A large minority said that this test would lead to improved compliance and enforcement and reduce fraud, and some said that this would improve public confidence in the system. Some responded that they would like more detail on how the competence test would operate.

A majority of respondents who disagreed with this proposal, and a large minority of those who neither agreed nor disagreed, said that this test was not necessary or other proposals would be better placed to resolve any issues with compliance schemes.

Question 20: Operator competence test for reprocessors and exporters

Q20. Do you agree or disagree with the introduction of an operator competence test for accredited reprocessors and exporters?

A total of 122 respondents provided responses to Question 20. 93% responded “Agree”, 4% responded “Disagree” and 3% responded “Neither agree nor disagree”.

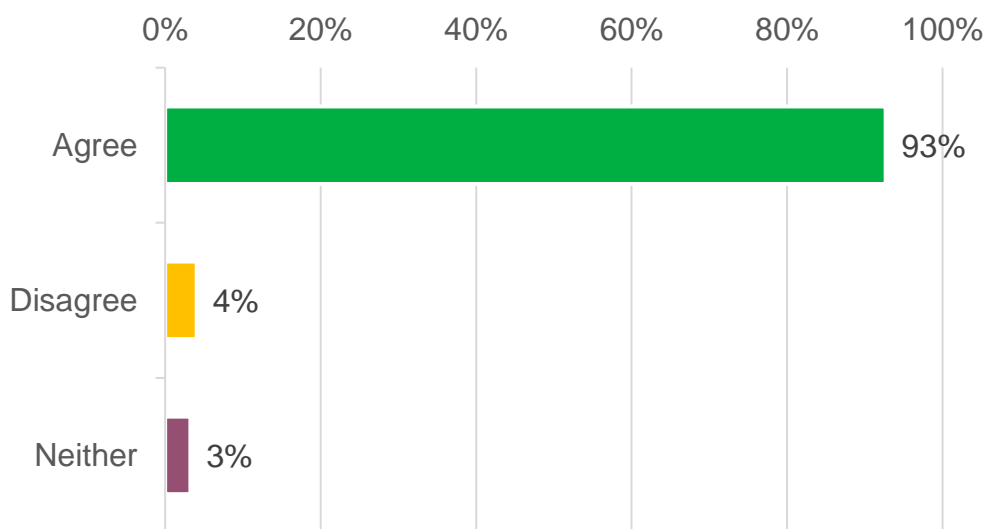


Figure 13. Responses to Question 20

A **predominant** number of respondents agreed with the proposal to introduce an operator competence test for accredited reprocessors and exporters. This included a predominant majority of all respondent types.

97 respondents provided further comments on their response. The majority of respondents who agreed with the introduction of a competence test for reprocessors and exporters said this would improve compliance and enforcement and reduce the risks of fraud. A large minority said that they would like more details on how the test would operate. Some responded that this would improve the performance of reprocessors and exporters and improve public confidence.

A large minority of respondents who disagreed (and those who neither agreed or disagreed) with this proposal said that it could improve compliance and enforcement, but it could be costly and other methods would be better for improving the competence of reprocessors and exporters.

Government response

Based on the responses to the consultation and broader stakeholder engagement, including responses to the previous consultation on the introduction of EPR, we intend to progress with the proposals to introduce an operator competence assessment for both compliance schemes and accredited reprocessors and exporters. These will be introduced as part of our wider packaging EPR Regulations.

Compliance fee (Questions 21 to 22)

Questions 21 and 22: Introduction of a compliance fee

Q21. Do you agree or disagree with the introduction of a compliance fee for producers who do not obtain sufficient PRNs/PERNs to meet their obligations?

A total of 124 respondents provided responses to Question 21. 58% responded “Agree”, 24% responded “Disagree” and 18% responded “Neither agree nor disagree”.

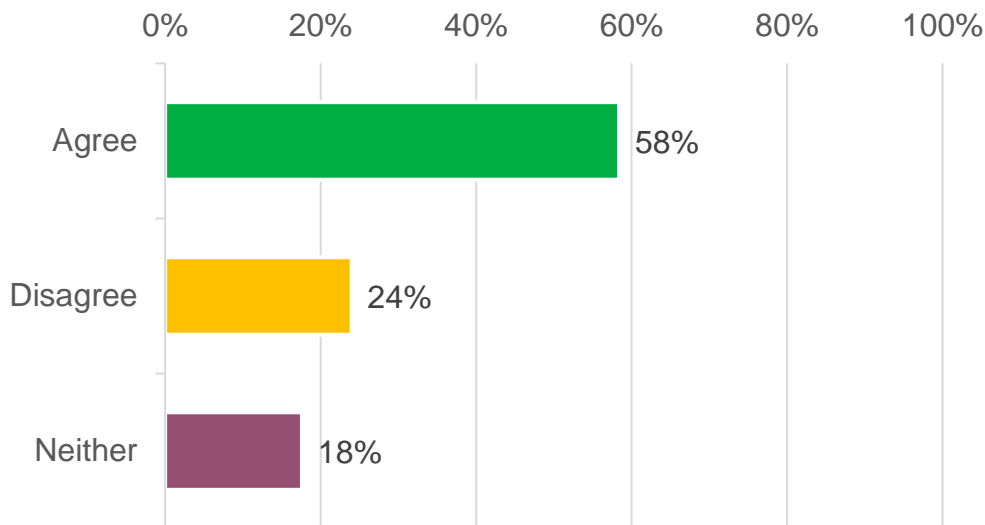


Figure 14. Responses to Question 21

A **majority** of respondents agreed with the introduction of a compliance fee for producers who do not obtain sufficient PRNs/PERNs to meet their obligations. This included a majority of respondents from business representative organisations and trade bodies, product manufacturers, packaging designers and retailers. A majority of respondents from local government neither agreed nor disagreed, while responses from reprocessors and exporters, waste management companies and ‘other’ respondents were more mixed.

111 respondents provided further comments on their response. Respondents who agreed with a compliance fee gave a variety of reasons for supporting this proposal, the most common being that it would mitigate against market failure and PRN/PERN shortages, would prevent excessive price hikes, and would ensure that all producers still have a means to comply in the event of an evidence shortage. A large minority of respondents said that this compliance fee should only be available as an option in exceptional circumstances, and that the fee needs to be set at a high enough rate to ensure it is not cheaper than the cost of compliance. Some suggested that the funds from this compliance fee should be invested into improving recycling infrastructure in the UK.

The majority of respondents who disagreed with this proposal said that it could be seen by producers as an ‘easy way out’ of complying with their recycling obligations, which would give them an unfair advantage and lead to lower recycling rates. Large minorities of respondents who disagreed also said that this would interfere with the operation of the PRN/PERN market or was not necessary alongside the other reforms put forward in the consultation.

Q22. Do you think the introduction of a compliance fee would still be necessary in addition to the proposals to address the issues around price volatility?

A total of 121 respondents provided responses to Question 16. 46% responded “Yes”, 25% responded “No” and 29% responded “Unsure”.

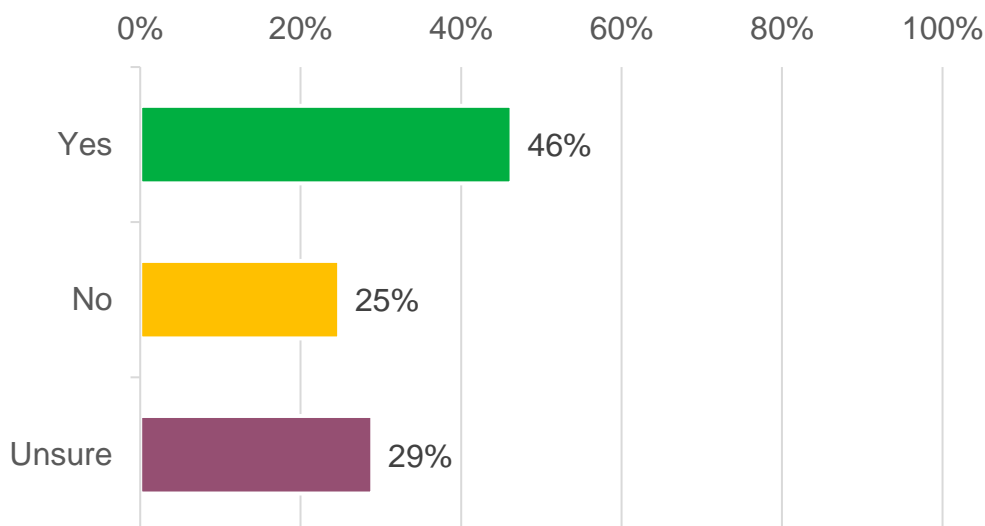


Figure 15. Responses to Question 22

There was no majority response to this question, but a **large minority** of respondents said that a compliance fee would still be necessary, in addition to the other proposals in the consultation, to address the issues around price volatility in the PRN/PERN market. This included a majority of responses from business representative organisations and trade bodies, retailers and packaging designers. The majority of respondents from local government were unsure, while responses from the other respondent types were more mixed.

76 respondents provided further comments on their response. A large minority of respondents who answered ‘Yes’ said that a compliance fee would still be necessary to reduce price volatility and cap PRN/PERN prices in the event that there is a shortage of evidence. Other reasons given were that government should have multiple policy instruments at its disposal to reduce price volatility, it ensures that producers have a means to comply, it should be available as a last resort, and the impacts of the other proposals are unclear.

A large minority of respondents who answered ‘No’ said the introduction of other proposals outlined in the consultation would reduce the need for the introduction of a compliance fee, and that the impact of these should be assessed before a compliance fee is considered.

Government response

We have decided not to progress with the introduction with a compliance fee at this time, as we believe these proposals require further development and engagement with the

sector. We plan to measure the impacts of the other reforms that will be progressed following this consultation, and will then reconsider the introduction of a compliance fee.

Other suggestions

In addition to the proposals outlined in the consultation, respondents were asked to provide details of other suggestions for improvements to the operation of the PRN/PERN market. 79 respondents provided suggestions, which included:

- A large minority of suggestions focused on increasing levels of domestic reprocessing and limiting the amount of packaging waste that is exported. This could be achieved, for example, by introducing an additional UK recycling target for certain materials that requires a minimum proportion of a producers recycling obligation to be met through the purchase of PRNs (rather than PERNs). Other suggestions focused on the need for greater scrutiny of exports to ensure that exported packaging waste was recycled to the same standard as packaging recycled in the UK, and for greater investment in UK recycling infrastructure.
- Several respondents suggested that there was a need for better enforcement and auditing by the regulators, and that the regulators should be given more powers to investigate and issue penalties for non-compliance or abuse of the system.
- Several suggested a need to further improve transparency throughout the supply chain, not just for reprocessors and exporters.
- Some respondents asked for more clarity on how EPR would interact with the PRN/PERN system, and how this would improve recycling rates.

Government response

We have considered previously the introduction of targets that require a certain proportion of packaging to be recycled in the UK but have not progressed it as it needs further work to understand its trade implications. However, we will keep this under review. Additional requirements will be placed on exporters of packaging waste to increase the scrutiny of exported materials, as outlined in the Government Response to the 2021 EPR consultation. For example:

- all exporters will be required to register with a regulator and report on the tonnes of packaging waste received and exported for recycling in overseas sites
- exporters will be required to obtain evidence that shipments were received at final destination sites and obtain evidence of recycling by overseas reprocessors
- exporters will only be able to confirm issue of PERNs once confirmation of receipt of the material has been obtained from final destination sites
- exporters will be required to submit Annex VII forms and other relevant supporting documents to the regulator prior to the waste being shipped for recycling

The government response to the 2021 EPR consultation also laid out our plans to improve compliance and enforcement. Government will use powers provided in the Environment Act 2021 to ensure that the regulators in each of the four nations (the Environment Agency

(EA), Natural Resources Wales (NRW), the Scottish Environment Protection Agency (SEPA) and the Northern Ireland Environment Agency (NIEA)) are provided with a range of sanctions to enable them to take appropriate action against non-compliance.

Transparency will be improved throughout the supply chain through our proposed amendments to the material facilities (MF) Regulations, which will increase the sampling frequency of packaging waste at MFs and improve the accuracy of compositional waste data².

The introduction of [Digital Waste Tracking](#), which is expected to be fully operational in 2024, will also provide additional data on waste as it moves through the system. In addition, producers will be required to report detailed data twice a year on the amount and type(s) of packaging they have placed on the market. The increased frequency and granularity of this reporting will also help to improve transparency around the packaging placed on the market.

² More information can be found on pages 45 to 47 of the [government response to the 2021 consultation on Extended Producer Responsibility for packaging](#).