

Introducing a Deposit Return Scheme (DRS) Consultation

Q1.1 Q1.1. What is your Surname?

PepsiCo UK

Q2 Q2. What is your e-mail address?

DL-PUKCorporateAffairs@pepsico.com

Q3 (ST) Q3. Which best describes you?

Packaging designer/ manufacturer/ converter

Q3.a Q3.a Other (please provide details...)

Q4 Q4. If you are responding on behalf of an organisation, what is its name?

PepsiCo UK

Q.5 Q5. Would you like your response to be confidential?

Yes

UI Unique Identifier:

ANON-HJCY-MEZC-W

DRS in a post-Covid context

6 6. Given the context of the Covid-19 pandemic we are currently experiencing, do you support or oppose our proposals to implement a Deposit Return Scheme for drinks containers by 2024?

Support

6.a 6.a Please elaborate on your answer if you wish.

Support. PepsiCo is the world's second largest food and drink manufacturer, with a significant presence in the UK. Our UK beverages portfolio includes the Tropicana juice range and the Naked smoothies range. Our eponymous soft drinks are manufactured by Britvic plc under a franchise bottling agreement. As a business, we share concerns over the growing threat that plastic packaging waste poses to our environment. Packaging helps make safe, high-quality products accessible to all. It extends shelf life and helps to limit food waste. But for it to have a role in a more sustainable food system we must eliminate packaging waste. We have set ourselves ambitious internal goals on packaging that will help us build circular economies in those markets in which we operate. For example, by the end of 2022 all our ready-to-drink beverage bottles in Great Britain will be made from 100% recycled plastic (rPET). Both Tropicana Lean and the entire Naked smoothies brand are already available in 100% recycled plastic bottles. If the UK is to develop into a world-leading circular economy, deposit return schemes can provide a critical source of high quality, clean recyclate to beverage producers. That is why PepsiCo UK (PepsiCo) supports a single DRS across England, Wales and Northern Ireland. Our key asks of Defra to ensure the system delivers better environmental outcomes towards a circular economy are as follows: • "All-in" to maximise impact: An "all-in" system will deliver the highest recycling rates and most benefits to the environment. It will also be easier for consumers to understand and participate in, and negate the need for a complicated DRS/kerbside hybrid model. • Interoperable with the DRS in Scotland: This will work best for consumers, producers and retailers alike. It will reduce complexity across supply chains and the risk of cross-border fraud. • Avoid a barrier to trade between GB and the island of Ireland: In designing the DRS, Defra and DAERA must take into consideration the shared supply chains between GB and NI, and between the UK and the Republic of Ireland (which is currently developing a DRS system set to launch in 2022). • The Deposit Management Organisation is best suited to make key decisions: We fully support government's preference that the DMO will have autonomy over key levers such as labelling and setting the deposit level – giving it flexibility to tweak aspects of the DRS in order to hit collection targets. We believe that DMO ownership of all collected items is the right approach as it will drive bottle-to-bottle / can-to-can circularity. • We remain concerned over the sequencing of DRS and EPR: Producers of in-scope DRS items will have to manage two significant changes to the recycling system in 12 months. From PRNs to EPR in Q1 2024, then from EPR to DRS in 'late 2024'. It would be more effective and efficient for all



changes to kerbside collection consistency. • Digital DRS will not deliver the environmental benefits that a “return to retail” model can: If in-scope items continue to be comingled with other waste, the quality of recycling will suffer. Until this challenge can be overcome, a digital DRS is counterproductive to building a circular economy for beverage containers.

7 7. Do you believe the introduction of a Deposit Return Scheme will have an impact on your everyday life?

Not answered

7.a 7.a If you answered yes the scheme would have a detrimental impact, how significant would this impact be?

Large impact but still manageable

8 8. Have your views towards implementation of a DRS been affected following the economic and social impacts of the Covid-19 pandemic?

No

8.a 8.a Please elaborate on your answer if you wish.

Notwithstanding the challenges of the post Covid-19 pandemic recovery, we support the introduction of a DRS in England, Wales and Northern Ireland. Given the many priorities of industry and government, we recommend that Defra works closely with obligated sectors to put in place a pragmatic timeline for implementation that takes into account the complexity of moving from the PRN system to EPR to DRS within the space of 12 months. It would be more effective and efficient for all stakeholders, particularly to drive adoption by the public, to introduce the reforms at the same time.

Chapter 1: Scope of the Deposit Return Scheme

9 9. Do you agree that the cap should be included as part of the deposit item in a DRS for:

Aluminium bottle caps on glass bottles x Plastic bottle caps on plastic bottles x

10 10. Do you believe we have identified the correct pros and cons for the all-in and OTG schemes described above?

No

10.a 10.a Please elaborate on your answer.

PepsiCo believes an ‘all-in’ model, rather than an ‘on the go’ DRS, will deliver better environmental outcomes and drive the UK towards a circular economy. ‘On the go’ poses the following challenges: • It will not yield the best possible environmental outcome: Analysis by our trade association the British Soft Drinks Association (BSDA) demonstrates a lower overall return rate with an on-the-go system; thus not achieving the key objective of increasing the collection rate and quality of recycling. • It will be less effective at encouraging people to recycle: A poll of consumers conducted by the polling company YouGov on behalf of the BSDA shows that an ‘all in’ DRS would be more effective than an on-the-go DRS. When asked ‘Which, if any, of the following do you think would be MOST effective at encouraging you to recycle more drinks containers than you do now?’, 67% of consumers answered a DRS for all drinks containers regardless of size. • It risks creating consumer confusion, and adding complexity to the system. It is difficult to determine what an “on the go DRS” could look like, particularly given that many drinks which may be consumed ‘on the go’ would exceed the >750ml threshold, whilst many other below 750ml would still be consumed at home or on premise. We believe an ‘on-the-go’ DRS will lead to greater consumer confusion, putting at risk public engagement with the system. PepsiCo’s global review of DRS shows that the highest return rates and circularity through well run, industry led not for profit “all in” schemes.

11 11. Do you foresee any issues if the final scope of a deposit return scheme in England and Northern Ireland does not match the all-in decision taken in Wales? E.g. an on-the-go scheme in England and an all-in scheme in Wales.

Yes

11.a 11.a Please elaborate on your answer.

Yes. Any differences in scope, fees and financing could result in the fragmentation of the UK drinks market, and lead to nation-specific labelling, which would add significant supply chain complexity to a business such as PepsiCo. PepsiCo supports a single UK wide scheme, or at least a system whereby the Scottish DRS and rest-of-UK DRS are interoperable. An on-the-go scheme in England, Wales, and NI would restrict the ability of the DMOs/Scheme Administrators to facilitate this. Furthermore, the environmental outcomes of an on-the-go model will be inferior to an all-in scheme, for reasons set out above.

12 12. Having read the rationale for either an all-in or on-the-go scheme, which do you consider to be the best option for our deposit return scheme?

All-in

12.a 12.a Please elaborate on your answer.

PepsiCo is supportive of the “all-in model” as suggested by the previous Government consultation. We support proposals that high-density polyethylene (HDPE) should be excluded from the scope of a DRS due to the fact that the majority of HDPE drinks containers contain milk. As set out above, we do not believe a limited ‘on-the-go’ model will deliver the same environmental outcomes or support the circular economy.



works for consumers, producers and retailers alike. This will reduce the potential for consumer confusion as well as additional costs and complexity for all parts of the drinks supply chain. Whichever scope the government eventually regulates for, we would recommend that the DMO/scheme administrator to be empowered to determine and set the producer fee for a given container depending on its material and size.

13 13. Given the impact Covid-19 has had on the economy, on businesses and consumers, and on everyday life, do you believe an on-the-go scheme would be less disruptive to consumers?

No

14 14. Do you agree with our proposed definition of an on-the-go scheme (restricting the drinks containers in-scope to less than 750ml in size and excluding multipack containers)?

No

14.a 14.a If no, how would you change the definition of an on-the-go scheme?

No. It is hard to determine what an "on the go DRS" should or could look like, particularly given the lack of successful international precedent, and that many drinks they may consumed 'on the go' would exceed the >750ml threshold (for example many 1litre water bottles), whilst many other below 750ml would still be consumed at home or on premise. For reasons set out above, we support an 'all-in' DRS.

15 15. Do you agree that the size of containers suggested to be included under an on-the-go scheme are more commonly consumed out of the home than in it?

No

16 16. Please provide any information on the capability of reverse vending machines to compact glass?

Reverse vending machines capable of collecting glass are in use in DRS schemes in international markets, and will be available for use in the Scottish DRS. Given concerns about health and safety, and retailer space and handling considerations of collecting glass drink containers, it is vital that Government regulates in a way that allows the DMO/scheme administrator to determine and set both the producer fees and return point handler fees for a given container depending on its material and size. This will allow for the costs of collecting and handling glass to be fairly apportioned to the responsible producers.

17 17. Do you agree that the scope of a deposit return scheme should be based on container material rather than product?

Yes

18 18. Do you agree with the proposed list of materials to be included in scope?

Yes

19 19. Do you consider there will be any material switching as a result of the proposed scope? Please provide evidence to support your response.

No

19.a 19.a Please provide evidence to support your response.

Chapter 2: Targets

20 20. Which of the following approaches do you consider should be taken to phase in a 90% collection target over 3 years?

70% in year 1, 80% in year 2, 90% in year 3 and thereafter

21 21. What collection rate do you consider should be achieved as a minimum for all materials after 3 years?

90% collection rate should be achieved for all materials

22 22. Is it reasonable to assume that the same collection targets could be met with an on-the-go scheme as those proposed for an all-in scheme for in-scope materials?

No

22.a 22.a Please provide any evidence to support your answer

Analysis by our trade body, the BSDA, suggests a lower return rate with an on-the-go model; therefore not achieving the key objective of increasing the collection rate and quality of recycling. For further detail on why we do not support an on-the-go model, please refer to Q10.

23 23. Who should report on the volumes of DRS material placed on the market in each nation?

Both the producer/ importer and retailer



23.a 23.a What would be the implications of obligations to report on volumes of deposit return scheme material for producers/ importers and retailers? Please provide evidence to support your answer.

What would be the implications of obligations to report on volumes of deposit return scheme material for producers/ importers and retailers? Please provide evidence to support your answer. Most producers/brand-owners could in theory report the nation in which a product is first placed on the market. But it will not be possible for most producers/brand-owners to accurately declare where its eventual sale to the end-user (consumer) takes place. Therefore there may be limited value in such data at that point in the supply chain, given the various routes to market and stock movements typical of the UK and Irish drinks markets. However, should Government require this level of accuracy, we recommend that it considers the feasibility of asking the final sellers of in-scope products to report sales to consumers.

24 24. What evidence will be required to ensure that all material collected is passed to a reprocessor for the purpose of calculating the rate of recycling of deposit return scheme material?

Collected materials should be owned by the DMO, as is best practice with well-function DRS schemes in other markets and will be in Scotland. The DMO is likely to have direct relationships with reproducers, allowing it to agree an evidence base / KPIs as part of ongoing contract management once the scheme is up and running.

Chapter 3: Scheme Governance

25 25. What length of contract do you think would be most appropriate for the successful bidder to operate as the Deposit Management Organisation?

10 years +

▼

26 26. Do you agree that the above issues should be covered by the tender process?

Yes

▼

26.a 26.a Please list any further issues you believe should be covered as part of the tender process.

We support that the DMO will have the authority to consider the deployment of "innovation" and also of "how existing collection and recycling infrastructure could be utilised to provide greater value for money" rather than be a requirement or outcome of the regulations. This means that if, in future, digital DRS options offer better circular economy outcomes they can be incorporated at pace.

27 27. Do you agree that the above issues should be monitored as Key Performance Indicators ?

No

▼

27.a 27.a Please list any further issues you believe should be covered by Key Performance Indicators .

We support the BSDA's observations that Defra should add an indicator on the cost-per-unit to producers (i.e. producer fees) along with registration costs, to ensure a degree of cost control and efficiency. And that the accuracy of producer fees (in terms of modulation and reflection of actual costs) should also be assessed. We agree with the BSDA's recommendation that "How long does it take for broken machines to be repaired?" should be removed. This responsibility would better sit with return point operator (and the supplier/contractors for their Reverse Vending Machine), given their obligation to host a return point. Return point operators would be compensated by the DMO for maintenance, but the direct responsibility for RVM maintenance would not fall to the DMO.

28 28. Do you agree that Government should design, develop and own the digital infrastructure required to register, and receive evidence on containers placed on the market on behalf of the Deposit Management Organisation and regulators?

No

▼

28.a 28.a Please elaborate on your answer

No. The DMO, which will represent the main stakeholders obligated in the DRS, is better placed to create all the digital infrastructure that is relevant to the DRS' operation.

29 29. Government will need to understand the needs of users to build digital services for DRS. Would you like your contact details to be added to a user panel for DRS so that we can invite you to participate in user research (e.g. surveys, workshops interviews) or to test digital services as they are designed and built?

Yes

▼

Chapter 4: Financial Flows

30.a 30.a If any other please specify

All producers/importers of in-scope products should be obliged to join the scheme. Not doing so would be counter to the notion of extended producer responsibility and would see other producers unfairly subsidising the collection and treatment of others' packaging waste.



31 31. Is a high level of unredeemed deposits funding the scheme problematic?

No

31.a 31.a Please explain your answer.

No, and all unredeemed deposits must be retained by the not-for-profit DMO as they are a key lever to fund improvement in the scheme. In addition to the per-unit producer fees paid and the resale value of the collected materials, the unredeemed deposits contribute essential funding to ensure the DRS is properly resourced to achieve the targets set without increasing the costs to citizens or businesses who are doing the right thing by recycling their packages through the DRS. PepsiCo supports the Government's preferred option (1) of allowing unredeemed deposits to part fund the scheme to whatever extent they are collected. Unredeemed deposits staying within the DRS – run by a not-for-profit DMO – is best practice internationally.

32 32. Which option to treatment of unredeemed deposits do you support?

Option 1

33 33. With option 2, do you foresee any unintended consequences of setting a minimum percentage of the net costs of the deposit return scheme that must be met through the producer fee?

Yes. Option 2 would undermine the viability of the DRS by removing a key part of the scheme funding and create a further disparity with the Scottish DRS system by increasing the scheme costs for producers selling in England, Wales and Northern Ireland. Such differences in funding and fees may inhibit the ability of the DMO to work with the Scottish DRS Scheme Administrator in terms of allowing financial exchanges and material flow, thus increasing the likelihood that the current single market for drinks in the UK would be fragmented, with separate SKUs adopted for each DRS scheme. PepsiCo supports the Government's preferred option (1) of allowing unredeemed deposits to part fund the scheme to whatever extent they are collected. Unredeemed deposits staying within the DRS is best practice internationally.

34 34. If a floor is set do you consider that this should be set at:

Other

34.a 34.a Please provide any evidence to support your response.

We do not support Option 2 or the notion of a 'floor'. Instead, all unredeemed deposits should part-fund the scheme to whatever extent they are collected, with producers covering the remaining operational costs (net of material revenues).

35 35. Do you agree that any excess funds should be reinvested in the scheme or spent on other environmental causes?

Reinvested in the scheme

36 36. Q. What should be the minimum deposit level set in legislation?

10p

36.a 36.a If other please specify

In an optimal DRS, the setting of the deposit level should be a function of the scheme administrator/DMO. The DMO should be permitted to set the deposit level in relation to achieving its primary purpose of meeting the collection and recycling targets, as set by government. The initial deposit level should be set by the DMO at a level that helps achieve the collection targets with minimal impact on consumers and businesses. It can then be reviewed by the DMO once the system is operational and well established. However, if different DRS systems are to be run in different parts of the UK, we would recommend that the DMO/scheme administrator(s) adopt common deposit values to reduce complexity, consumer confusion, market distortion, and to mitigate against fraud and cross-border issues. The setting of these, however, should still be determined by the DMO/scheme administrator.

37 37. Do you agree that there should be a maximum deposit level set in legislation?

No

37.a 37.a If yes, then what should be the maximum deposit level set in legislation?

Not answered

37.b 37.b If other please specify

In an optimal DRS, the setting of the deposit level should be a function of the scheme administrator, or in this case the DMO. It should be permitted to set the deposit level in relation to achieving its primary purpose of meeting the collection and recycling targets, as set by government.

38 38. Recognising the potentially significant deposit costs consumers could pay on a multipack purchase, how best can we minimise the impact of the scheme on consumers buying multipacks?

The best way to minimise the impact of the additional costs would be to have clear communication at the point of sale about the refundable deposit costs and the information on how to return them. We would also recommend that the government consider a system of depositable and non-depositable items to ensure that the scheme is as simple as possible for consumers.



39 39. Do you agree with our approach to letting the Deposit Management Organisation decide on whether to adopt a fixed or variable deposit level, particularly with regards to drinks containers sold in multipack form?

Yes

39.a 39.a Please provide evidence to support your answer

Yes. Government should set the legislative and regulatory framework, including the collection targets to be met. The deposit level is a key lever for the DMO to use to ensure it meets the high collection targets set by the government and should therefore be set by the DMO.

Chapter 5: Return Points

40 40. Do you agree that all retailers selling in-scope drinks containers should be obligated to host a return point, whether it is an all-in or on-the-go deposit return scheme?

Yes

40.a 40.a Please provide any evidence to further explain your answer.

Yes. The size of the containers in-scope of the scheme should not affect the nature of the return point system. International best practice shows that high performing schemes are those whereby consumers are able to return their empty containers from anywhere that sells them, as well as additional return point options. PepsiCo therefore supports a comprehensive DRS based on a return-to-retail model, with arrangements for hospitality and food-to-go businesses as well as take-back provisions for online/distance sellers. A high-performing DRS system would also incorporate additional/voluntary return points (to be approved by the DMO) – for instance at transport hubs and stations, car parks, attractions, and in civic/community spaces. The operators of such return points should work with the future scheme administrator to agree their facility, but stand to benefit from handling fees as a well as reduced littering at their site. A return-to-retail model would also align with the Scottish DRS, therefore making it easier for consumers and businesses alike to understand and operate within.

42 42 . Do you have a preference, based on the 3 options described above, on what the schemes approach to online takeback obligations should be? We welcome views from stakeholders on who this obligation should apply to, including if there should be an exception for smaller retailers or low volume sales.

Option 1

41 41. Given the proposed extensive distribution and availability of return points for consumers to return bottles to, do you think customers would be likely to experience delays / inconveniences in returning drinks containers?

No

41.a 41.a If so, how long or how frequently would such delays be likely to arise for?

42.a 42.a Please explain your answer.

43 43. Do you agree with the proposed criteria for the calculation of the handling fee?

Yes

43.a 43.a Would you propose any additional criteria are included for the calculation of the handling fee?

Yes. The rates of handling fees are best determined and set by the independent DMO, using appropriate third-party input (i.e. development of methodology and sector benchmarking of costs). Appropriate return point handling fees should be calculated using a methodology that accounts for the per-unit costs incurred by return point operators (which will likely depend on retailer / vendor type, use RVMs, collection rates, location, etc.), while also driving/incentivising efficiency.

44 44. Please tick which exemptions you agree should be included under the scheme:

Breach of safetyClose proximity

44.a 44.a Any further comments you wish to make

We welcome the close alignment with similar exemptions under the Scottish DRS Regulations, and welcome the role of DMO in assessing applications and granting exemptions, which will help ensure there is an efficient and accessible network of return points.

45 45. Please can you provide any evidence on how many small and micro sized retail businesses we might likely expect to apply for an exemption to hosting a return point, on the grounds of either close proximity to another return point or on the compromise of safety considerations?

n/a

46 46. Do you think obligations should be placed on retailers exempted from hosting a return point to display specific information informing

Signage to demonstrate they don't host a return point ✕

46.a 46.a Anything else? Please specify

We welcome the close alignment with similar exemptions under the Scottish DRS Regulations, and welcome the role of DMO in assessing applications and granting exemptions, which will help ensure there is an efficient and accessible network of return points.

47 47. Do you agree with our rationale for not requiring retailers exempted on the basis of a breach of safety not to be required to signpost to another retailer?

Yes ▼

47.a 47.a Please explain your answer.

48 48. How long do you think exemptions should be granted for until a review date is required to ensure the exemption is still required?

3 years ▼

49 49. Do you think the scheme could benefit from technological solutions being incorporated as a method of return, alongside reverse vending machines and manual return points?

No ▼

50 50. How could a digital deposit return scheme solution be integrated into existing waste collection infrastructure? Please explain your answer.

PepsiCo recommends - as Government has proposed in the consultation document - that specific methods of return (reverse vending machines, manual return points) should not be specified in legislation, so as to leave the scheme open to possible future innovations and other technological solutions if deemed appropriate by the DMO and with the support the obligated sectors. Together with our bottling partner, Britvic Ireland, PepsiCo participated in a digital DRS scheme called Rewards4Waste in Ireland. Through this we have learnt more about the operation of such systems. We remain aligned with the BSDA that these systems are not right for the UK DRS at this point For reasons set out below, PepsiCo does not support the introduction of a 'Digital DRS' that relies on kerbside collections as an alternative to an 'all-in' DRS operating on a return-to-retail model. We support the BSDA's position that:

- A 'Digital DRS' (DDRS) reliant on kerbside collections would fail to achieve the material quality and therefore circularity goals of the DRS – a key rationale for a DRS is to increase both the quantity and quality of the materials collected so that higher rates of bottle-to-bottle and can-to-can recycling can be achieved in the UK. A DRS removes the contamination problems association with kerbside and comingled collection. However, a 'Digital DRS' – unless every kerbside recycling bin were to be separated at source – would not achieve this.
- DDRS and the continued reliance of the existing waste collection infrastructure (i.e. kerbside recycling collections) would also potentially undermine the attempts to change consumer behaviour that is a vital part of a successful DRS. It could also risk reliance on each and every consumer / household using an app-based returns system, which would not be accessible for all consumers.
- Finally, the concept of a 'DDRS' currently is not viable at a UK manufacturing level due to the inability of the majority of labelling methods to adopt unique labels.

51 51. What are the potential fraud control measures a digital deposit return scheme could bring? Please explain your answer.

The fraud risk sits with producers. As a producer PepsiCo does not see the value in controlling fraud via a digital solution As highlighted in the BSDA response, it is unclear how fraud could be prevented where products are falsely scanned for redemption pre-sale (e.g. using an app in a shop, rather than at a return point/at home). Likewise, a 'digital DRS' does not appear to stop people 'redeeming' but not physically returning the containers, which would defraud the DRS system of the material and material value, and return points of their handling fees.

52 52. Do you think a digital deposit return scheme could ensure the same level of material quality in the returns compared to a tradition return to retail model, given containers may not be returned via a reverse vending machine or manual return point where there is likely to be a greater scrutiny on quality of the container before being accepted?

No ▼

52.a 52.a Please explain your answer.

No. A key rationale for a DRS is to increase both the quantity and quality of the materials collected so that higher rates of bottle-to-bottle and can-to-can recycling can be achieved in the UK. A 'Digital DRS' that would rely on at-home kerbside collections, and/or on-the-go recycling bins, would fail to achieve the material quality as a 'return-to-retail' DRS that utilised reverse vending machine or manual return point. Therefore, it would not achieve the environmental objectives and circularity goals of the DRS.

53 53. If the digital DRS system can be integrated into the existing waste collection infrastructure would its implementation and running costs be lower? Please provide evidence to support your answer.

Not necessarily. Whilst at a conceptual level, digital collection points could be 'simpler' in design than some reverse vending machines, and therefore potentially have a lower cost, the majority of costs in the overall scheme would be similar. For instance, the scheme would still be serving a network of tens of thousands of return-to-retail and voluntary return points, and would still have the same core scheme infrastructure and management costs. It would also be losing out from reduced material quality reducing the value of collected materials. Due to limitations with label printing technology, the concept of a 'DDRS' currently is not viable at a manufacturing level, and would likely not be possible for the majority of imported products. PepsiCo therefore reiterates that 'Digital DRS' is not proven to be a workable alternative means of collections, is not used as



methods of return (reverse vending machines, manual return points) should not be specified in legislation, to leave the scheme open to possible innovations and other technological solutions if deemed appropriate by the DMO and with the support the obligated sectors.

54 54. Do you support the proposal to introduce a new permitted development right for reverse vending machines, to support the ease of implementation for the scheme?

Yes

54.a 54.a Do you have any amendments or additional parameters you would propose are reflected in the permitted development right?
It should be made simple for return point operators to prepare for DRS implementation.

Chapter 6: Labelling

55 55. Do you agree that the following should be part of a mandatory label for deposit return scheme products?

Please select as many items as you wish

56 56. Are you aware of further measures that can be taken to reduce the incidence and likelihood of fraud in the system?

The decision-making powers to introduce an identification marker – by way of a barcode – should reside with the DMO and not be set in legislation to allow for the creation of a system that works for all obligated parties within the scheme. An identification marker will reduce the risk of fraud whereby beverage items enter from Scotland into the rest-of-UK market. We do not believe that the deposit price should be on labelling. Labelling changes take a long time to implement, meaning re-prints might not match the timing of any deposit changes, plus adds unnecessary cost to producers. Shelf-edge labelling of the deposit level, which clearly communicate to consumers that the deposit is separate from the sale price, is more appropriate.

57 57. Do you agree with our proposals to introduce mandatory labelling, considering the above risk with regards to containers placed on the market in Scotland?

No

58 58. Do you consider the risk of incorrectly labelled products entering the markets of England, Wales or Northern Ireland via Scotland to be a significant risk? Please provide any evidence to support your answer.

Yes

58.a 58.a Please provide any evidence to support your answer.

59 59. Do you consider leaving any labelling requirements to industry to be a better option than legislating for mandatory labelling requirements?

Yes

59.a 59.a Please explain your answer.

Decisions to adopt labels to aid consumer understanding, prevent fraud, or for other purposes (e.g. technological innovation) must sit with industry via the DMO. In reality a minimum requirement of an identification marker that can be read by reverse vending machines and manual handling scanners (i.e. a barcode) should be implemented to allow for automated returns and checks. In regard to a DRS 'logo' the DMO should determine the approach rather than the requirement included in legislation. This will allow for, over time, the possibility of a single DRS logo that is used and recognised across the Four Nations, with DRS Scotland being truly interoperable with DRS in England, Wales, and NI. This approach will also allow for the prospect of a joint logo across UK and the Republic of Ireland, which is likely necessary given the integrated supply chains.

60 60. Are you aware of any other solutions for smaller producers who may not currently label their products? Please explain your answer.

n/a

61 61. We believe 18 months is a sufficient period of time for necessary labelling changes to be made. Do you agree?

No

61.a 61.a Can you provide any evidence to support your answer?

Government should allow for 18 to 24 months. It should be cognisant that that changing labels across all SKU in all sectors is unlikely to be possible within this timeframe due to the demands on designers and suppliers. Moreover, the services of designers and suppliers will be in high demand due to labelling changes required for all packaging under EPR rules. Therefore, again, the DMO should have flexibility to determine labelling requirements (above the baseline of an 'identification marker that can be read by reverse vending machines and manual handling scanners' (i.e. barcode). The vast majority of soft drinks sold in the UK already carry barcodes.

62 62. Will your processes change as a result of mandatory labelling?

..

62.a 62.a Please explain your answer.

Mandatory labelling could precipitate the introduction of different stock keeping units for Scotland and then for England, Wales and NI. This will be highly inconvenient, complex & costly (artwork, systems set up, listing fees etc) but it is potentially manageable for a large corporation such as PepsiCo. However, Defra should consider the ability of smaller producers should to react, should labelling be made compulsory under legislation.

63 63. Do you agree that our proposed approach to labelling will be able to accommodate any future changes and innovation?

Yes

63.a 63.a Are you aware of any upcoming technology in the field of labelling?

By giving the DMO the flexibility to determine labelling standards and requirements, it will be able to consider future developments as they become viable across industry and potentially adopt those that would support the scheme outcomes. Notwithstanding this, PepsiCo's desired policy outcome is that labelling is not mandated for, per reasons set out above.

Chapter 7: Local Authorities

64 64. Do you agree that local authorities will be able to separate deposit return scheme containers either themselves or via agreements with material recovery facilities to regain the deposit value?

No

64.a 64.a Please explain your answer

We disagree with the idea of using kerbside services for collecting in-scope DRS materials for the reasons outlined in the consultation itself. The consultation document is clear that using councils' kerbside collections for in-scope DRS materials would be 'a failure of DRS' (page 75), and also that recycle quality would be adversely impacted and lead to 'less circularity' (page 76). We do not think that local authorities / material recovery facilities would be able to separate out containers in a way that prevents contamination and preserves the material quality required. Further, we do not think that such arrangements could be made without creating an incentive for local authorities to "compete" with the DRS and promote returns via kerbside, which would undermine the DRS and the DMO's ability to achieve its legal obligations.

65 65. Do you agree that local authorities will be able to negotiate agreements with material recovery facilities to ensure gate fees reflect the increased deposit values in waste streams or a profit sharing agreement on returned deposit return scheme containers was put in place?

No

65.a 65.a Please explain your answer.

66 66. In order to minimise the risk of double payments from the Deposit Management Organisation to local authorities, where should data be collected regarding the compositional analysis to prevent the containers then being allowed to be redeemed via return points?

Should compositional analysis be used – for instance if government pursued option 2 or 3 – we would recommend that additional safeguards are put in place to prohibit the later redemption of containers, and that this is enforced as a fraudulent activity.

67 67. How difficult do you think this option would be to administer, given the need to have robust compositional analysis in place? Please explain your answer.

We support the BSDA position: this situation should be avoided by making sure in-scope DRS materials do not go through the kerbside system and that there is minimal incentive for them to do so. The better solution is to ensure the DMO can capture 90%+ of in-scope DRS materials. Avoiding kerbside collections for in-scope DRS materials significantly negates the need for compositional analyses (especially in terms of value for money considerations). PepsiCo rejects the idea of using kerbside services for collecting in-scope DRS materials for the reasons outlined in the consultation itself. The consultation document is clear that using councils' kerbside collections for in-scope DRS materials would be 'a failure of DRS' (page 75), and also that recycle quality would be adversely impacted and lead to 'less circularity' (page 76).

68 68. What option do you think best deals with the issue of deposit return scheme containers that continue to end up in local authority waste streams?

Option 1

68.a 68.a Please briefly state the reasons for your response. Where available, please share evidence to support your view.

No option listed is the optimal outcome from an environmental perspective, however, Option 1 is the simplest and aligns with the Scottish DRS. Should the DMO deem that a particular local authority can ensure material quality, it should be up to the DMO to decide whether it wishes to interact / allow L.A.s to return collected and separated in-scope containers.

Chapter 8: Compliance Monitoring and Enforcement

69 69. Are there any other measures or obligations you believe the Environmental Regulations should be responsible for monitoring and enforcing?



70 70. Are local authorities (through the role Trading Standards and the Primary Authority Scheme) best placed to enforce certain retailer obligations?

Yes

70.a 70.a To what extent will local authorities be able to add monitoring and enforcement work for the deposit return scheme to existing duties they carry out with retailers?

71 71. In addition to those in the table, are there any other types of breaches not on this list that you think should be? If so, what are they? These may include offences for participants not listed e.g. reproprocessors or exporters.

We agree with the BSDA that 'not setting correct producer fees' shouldn't constitute a breach. It is an accounting issue (taking into account unredeemed deposits and revenue from the sale of collected items) that should be instead addressed via contract KPIs.

72 72. Are there any vulnerable points in the system? Please explain your answer?

The biggest risk for fraud is if there are different, misaligned schemes implemented in different parts of the UK at different times. Different schemes would drive pricing differences between the same product in different parts of the country, incentivising the transportation of products and used packaging between deposit and non-deposit parts of UK (and the Republic of Ireland) to take advantage of this. This would undermine legitimate businesses across the supply chains, create potential consumer confusion, lower consumer trust in the system and limit the effectiveness of the scheme(s). Therefore, we strongly advocate for one, shared, single scheme across the Four Nations – to tackle fraud, ensure consistency for consumers and businesses, and maximise collection. Additionally, whilst we support the introduction of DRS in principle in Northern Ireland, any scheme must be aligned across the 'island of Ireland' to prevent similar risks of cross-border fraud and issues outlined above. Governments across the UK and Ireland should work to reassure industry of the compatibility of schemes and the measures that would be in place to prevent fraud and cross-border issues.

73 73. Do you see a role for the Deposit Management Organisation to seek compliance before escalating to the Regulator?

Yes, but the DMO alone cannot ensure full compliance or prevent fraud, particular organised criminality.

74 74. Do you agree with the position set out regarding enforcement response options?

No

74.a 74.a If not, please expand your answer.

Chapter 9: Implementation Timeline

75 75. Do you have any comments on the delivery timeline for the deposit return scheme? Please pose any views on implementation steps missing from the above?

• As referenced above, misalignment with Scotland's DRS increases the risk of fraud. • Misalignment with EPR means that in-scope DRS items will undergo two recycling system changes in 12 months: from PRNs to EPR (Q1 2024) and then EPR to DRS (Q4 2024). Defra must put in place a comprehensive transition plan to ensure producers of DRS items do not face unnecessary complexity. It would be more effective to align the implementation of EPR and DRS, particularly to drive public acceptance of the new systems and negate the need for Defra to oversee two transitions (PRNs to EPR, EPR to DRS). • Moreover, the EPR consultation implies that producers will pay PRN fees and EPR fees for the same items for the period October – December 2023. We do not believe that it is government's intention to double charge producers for a single piece of packaging. Government should make clear that this is not the case.

76 76. How long does the Deposit Management Organisation need from appointment to the scheme going live, taking into account the time required to set up the necessary infrastructure?

Any other (please specify)

76.a 76.a Any other (please specify)

Based on experience from Scotland and of industry's involvement in international DRS schemes, we would recommend 18 to 24 months from the appointment/approval of the DMO to 'go-live'. This timeframe may be reduced if both the regulatory obligations on all parties are determined and finalised ahead of the appointment of the DMO, and if the scheme aligns closely with that implemented in Scotland.

76.b 76.b Please provide evidence to support your answer.

77 77. Depending on the final decision taken on the scope of the scheme in England and Northern Ireland – all-in or on-the-go – what, if any, impact does this have on the proposed implementation period?

The difference between an 'all-in' and 'on-the-go' scope in terms of DMO establishment and scheme implementation is anticipated to be insignificant to the overall timelines for DRS introduction. The same processes would be involved to arrange the DMO governance structure, secure financing, appoint staff, and procure/build counting/sorting infrastructure along with establishing IT and logistics operations, etc.

78 78. Do you agree with the analysis presented in our Impact Assessment?

No

78.a 78.a Please briefly state the reasons for your response. Where available, please share evidence to support your view

• PepsiCo supports an 'all-in' deposit return scheme. • We welcome that the Assessment acknowledges the role of unredeemed (forfeited) deposits in contributing to the scheme's running costs and overall investment, alongside the payments from producers in the form of per-unit producer fees, and the material revenue gained from selling materials to be recycled. However, we disagree with the notion that 'excess' funds may arise as a result of the unredeemed deposit income – particularly as elsewhere Defra states that legislation (and therefore penalties and sanctions) would enforce the “collection target of 90% after three years from the introduction of the scheme. The consultation document goes on to say that collection targets will be phased in over three-years, which would “ensure that no perverse incentives exist in the system to achieve low recycling rates so that unredeemed deposits cover the full costs (rather than producer fees)”. • Unredeemed deposits should be reinvested into the system to contribute to running costs, investment in increased performances, and the long-term repayment of the significant start-up (capital) costs. • We disagree with the assessment and proposal for Local Authority payments. See answers above in Chapter 7.

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page 1 of 1

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