



Department
for Environment
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The Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

22 February 2022

Dear Rishi,

**PUBLICATION OF RESPONSE EXTENDED PRODUCER RESPONSIBILITY
CONSULTATION**

I am writing to request clearance from the Domestic and Economic Implementation Committee to publish the Government's response to the consultation on Introducing Extended Producer Responsibility for packaging in the UK.

Responses are requested by 1 March so that the response can be published in the week commencing Monday 21 March.

The UK Government has set high ambitions for action on climate, green growth and recovery, and increased circularity of material use. These ambitions require changes in how we produce (and consume) products and materials, as well as how we treat and dispose of them at end-of-life.

Although waste policy is a devolved matter we have worked closely with the devolved administrations to develop these final policy proposals. To that end in March 2021, Defra jointly with the Devolved Administrations held a second consultation on the introduction of Extended Producer Responsibility for packaging. We have considered views expressed in response to the consultation and made several changes to our proposals to reduce the complexity of the reform and associated burdens on industry.

The core elements remain the same: producers will be required to meet the full net cost of managing household packaging waste at the end of its life and the fees charged to packaging producers will be used to support existing and improved collection systems for packaging waste collected at kerbside. Producer fees will be modulated (varied) based on the type of material they are placing on the market to financially incentivise the use of more recyclable packaging and drive non-recyclable and difficult to recycle packaging off the market. We will set ambitious recycling targets for each packaging material out to 2030.

However, some aspects have changed since the consultation, as a result of responses received from stakeholders. We are not progressing with proposals to introduce

Extended Producer Responsibility for packaging waste collected from businesses due to concerns about cost and complexity. As currently, producers will need to continue to purchase Packaging Recovery Notes or Packaging Export Recovery Notes to demonstrate their recycling obligations have been met. This approach will be reviewed in 2026. In addition, packaging producers will not be obligated for the cost of clearing packaging waste which is littered and will only be obligated for the cost of managing packaging that is disposed of in street bins, plus coordinated communications by the Scheme Administrator aimed at reducing packaging disposed of on-the-go. We are in discussions with the Scottish and Welsh Governments, who are considering steps to obligate producers in respect of the costs of clearing packaging from the ground as in the consultation, where that packaging is placed on the market in Scotland and Wales respectively. These steps are subject to further work to identify a workable solution. Finally, based on an indicative view from HM Treasury that it is highly likely that the Scheme Administrator would be classified to the public sector, we are considering options to establish the Scheme Administrator within the public sector with appropriate input and engagement from industry.

The response also sets out the materials and size of containers that we intend to include in the Deposit Return Scheme for drinks containers. This is important as the materials in scope of DRS are out of scope of Extended Producer Responsibility in the respective nations. Scotland has its own DRS scheme. The DRS scheme we have been designing in collaboration with Wales and Northern Ireland will operate in England, Wales and Northern Ireland. The scheme will include all sizes of drinks containers up to 3l in size (an 'all in' scheme). The materials in scope in England and Northern Ireland will be polyethylene terephthalate (PET) bottles and steel and aluminium cans. Wales will include the same materials plus glass bottles. Further information on the DRS will be published in the full government response later this year.

Our manifesto committed to introducing producer regimes. Although we have made reform of the packaging regime our priority you will be aware that we have committed to the reform of our waste electrical and battery producer responsibility regimes. We are also scoping work on a producer responsibility scheme for textiles as a first step and other regimes on bulky waste such as mattresses will follow.

Further background information on the decisions we are taking is available in Annex A.

Impact

This response is accompanied by a Final Impact Assessment of the reformed approach, detailing the costs and benefits of the policy. This includes details of the costs and benefits that fall on producers and local authorities, and these details will be published alongside the Government's response, subject to approval by RPC. A summary of the analysis can be found in Annex B. All costs of policy development and implementation will be funded within Defra's baseline unless explicitly agreed otherwise.

Legislation

The powers to introduce these measures are provided by the Environment Act 2021. My officials are working with Government lawyers to prepare the necessary Statutory Instruments which are expected to come into force in 2023. In due course my officials will be in contact with the Ministry of Justice to submit a Justice Impact Test.

Devolution

Waste is a devolved matter. My officials have worked closely with the Devolved Administrations in developing this policy and the final design of the scheme, and we have established compromises where needed to ensure a UK-wide approach can be continued from the existing scheme. I am writing to the Devolved Administrations in parallel, to seek their clearance.

I am copying this letter to the Prime Minister, members of the Domestic and Economic Implementation Committee and the Cabinet Secretary.



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Annex A – Background

The growth in public awareness of packaging and packaging waste over the past few years has been remarkable, especially of plastic packaging. Industry has reacted to this public awareness and has started to make changes. Many businesses have made commitments to reduce packaging and to recycle more packaging. The UK Plastics Pact, a collaborative initiative that aims to create a circular economy for plastic packaging, has set challenging targets for its members to meet by 2025.

The current system has been in place for over 20 years. Overall, it has served producers well and has seen packaging waste recycling increase to 62% but it will not deliver our wider ambitions to reduce packaging waste, make packaging more recyclable and increase packaging recycling further. In early 2019, the UK Government and the Devolved Administrations launched the first consultation on packaging EPR. The Conservative manifesto in late 2019 committed to introduce EPR (type not specified but we have progressed packaging first). In March 2021, the second consultation was launched outlining the proposed scheme. The Environment Act 2021 provides the legislative underpinning to delivering the commitments.

The Committee agreed in September 2020 not to progress with proposals to introduce EPR for packaging from October 2023 and confirmed introduction from 2024. This decision is included in this response.

The decisions in this response will introduce the extended producer responsibility system in line with the ‘polluter pays principle’. Producers will be required to make payments to cover the cost of managing packaging waste from households; these payments will be varied (modulated) by the Scheme Administrator based on how recyclable the packaging is that is placed on the market. The Scheme Administrator will then take the money raised from producers and allocate it to local authorities. Payments will be made to local authorities for the efficient and effective management of household packaging waste. Individual LAs will be guaranteed a minimum of 80% of their payment, with the remainder taking account of the amount of packaging waste collected relative to their peers. Producers will also be required to cover the cost of managing packaging waste that is collected from street bins across the UK; Scotland and Wales are considering steps to obligate producers in respect of the costs of clearing packaging from the ground as in the consultation, where that packaging is placed on the market in Scotland and Wales respectively.

Producers will be required to continue with the current approach to meeting recycling targets, whereby they purchase Packaging Recovery Notes or Packaging Export Recovery Notes equivalent to their recycling obligation. We will establish a task-force to continue work to explore options for the introduction of EPR for packaging waste from businesses.

Alongside this, we will set higher targets for packaging recycling. Targets will be set for each packaging material for each year from 2024 to 2030, recognising the need to increase recycling rates further and reduce the overall volume of packaging placed on the market.

All producers¹ who are above the de minimis threshold of £1m turnover and handling at least 25 tonnes of packaging per year will be obligated and will be required to report data on the packaging that they place on the market, including which nation it is placed on the market. However, only those who are above a higher threshold of £2m and 50 tonnes will also have to pay disposal cost fees. Producers will also be required to label their packaging with a single label format (showing that it is either recyclable or not recyclable) to make it easier for consumers to correctly dispose of this packaging. This will also apply to compostable and/ or biodegradable packaging.

From 2024, larger sellers (those employing 10 or more FTE) of 'filled' disposable cups will be required to provide dedicated bins to collect used cups so they can be recycled; this will extend to all sellers of 'filled' disposable cups from 2026. By April 2027, plastic film and flexible packaging will be required to be collected from households and businesses.

We will carry out a review of some elements of the reform in 2026/27, and we will further develop our thinking on additional measures to encourage reusable and/or refillable packaging.

¹ The term producers covers the following: brand owners (those who place goods into packaging on the UK market under their brand name), importers (those who import filled packaging), distributors (those who sell unfilled packaging to producers who are below the threshold), online marketplaces (those who operate a website that allows bodies outside the UK to sell filled packaging in the UK), sellers (those who sell filled packaging to the end user), and service providers (those who supply reusable packaging).

Annex B – Analysis

The Final Impact Assessment that accompanies the response is an update to the analysis in the Impact Assessments that accompanied the 2019 and 2021 consultations. It reflects final policy decisions, improved evidence, and feedback from the Regulatory Policy Committee (RPC). We are currently seeking final opinions from RPC, which are expected prior to planned publication of the Government Response.

The Final Impact Assessment assesses two regulatory options, against a baseline scenario for the period 2024-2033. Option 1 covers: the cost to producers of covering the full net costs of collection and end-of-life treatment of household packaging through kerbside recycling and residual collections as well as Household Waste and Recycling Centres; the costs associated with managing bin litter; the costs and benefits of applying modulated fees to producer payments, plus the costs and benefits of introducing mandatory labelling and the costs of amending data reporting requirements on Material Facilities and reproducers and exporters. Option 2 extends Scenario 1 to include the costs and benefits of fibre-based composite disposable cup takeback provisions, and fibre-composite recycling targets.

We estimate that, under both scenarios, producers' annual compliance costs will rise from approximately £300m to around £1.6bn. The total benefits of Option 1 are marginally higher than the total costs leading to a positive net present value, whereas for Option 2 the costs marginally exceed the benefit leading to a negative net present value. The transfer of household collection and end-of-life treatment costs from Local Authorities to businesses makes up a significant proportion of the total costs and benefits under both options. This leads to a Benefit Cost Ratio (BCR) of close to 1 for each option. A summary of costs and benefits is shown below.

<i>Present Value (2024-33) £m</i>	Option 1	Option 2
Total Costs	£10,421.41	£10,502.75
Total Benefits	£10,440.72	£10,488.29
NPV	£19.3	£ -14.5

It is likely that producers will pass some of these costs onto their consumers in the form of higher prices. Price increases arising due to EPR are expected to increase the average household's weekly expenditure by between 46p and 92p and week, with a central expected increase of 78p. As a proportion of weekly spend this equates to an increase of between 0.08% and 0.15% which a central increase of 0.13%. Overall, the impact on the CPI is expected to be 0.07%. although could range between 0.04% and 0.09%.