

# Impact Assessment of proposed GB implementation of amendments made to the Basel Convention on Plastic Waste

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| <b>Lead department</b>     | Department for Environment, Food and Rural Affairs  |
| <b>Summary of proposal</b> | Domestic implementation of amendments to the Basel Convention. These require exporters of qualifying plastic waste to apply for prior informed consent from regulators and obtain financial guarantees. |
| <b>Submission type</b>     | Impact assessment (IA) – 4 November 2020  |
| <b>Legislation type</b>    | Secondary legislation   |
| <b>Implementation date</b> | 01 January 2021   |
| <b>Policy stage</b>        | Final   |
| <b>RPC reference</b>       | RPC-DEFRA-5033(1)   |
| <b>Opinion type</b>        | Formal  |
| <b>Date of issue</b>       | 4 December 2020   |

## RPC opinion

| <b>Rating<sup>1</sup></b> | <b>RPC opinion</b>  |
|---------------------------|---|
| <b>Fit for purpose</b>    | The Department has provided sufficient evidence and analysis to support its assessment of the direct costs to business. The IA is well-presented, providing a clear and well-structured assessment of the proposed measure. The treatment and discussion around scenarios for the counterfactual is particularly good. The IA is also good or at least satisfactory in other areas. |

## Business impact target assessment

|   | <b>Department assessment</b>   | <b>RPC validated</b>                    |
|---|--------------------------------|---|
| <b>Classification</b>   | Non-Qualifying (International) | Non-Qualifying (International)          |
| <b>Equivalent annual net direct cost to business (EANDCB)</b> | £19.3 million                  | £19.3 million<br>(2019 prices, 2020 pv) |
| <b>Business impact target (BIT) score</b>                     | Not applicable                 | Not applicable                          |
| <b>Business net present value</b>                             | -£166.5 million                |   |

<sup>1</sup> The RPC opinion rating is based only on the robustness of the EANDCB and quality of the SaMBA, as set out in the [Better Regulation Framework](#). The RPC rating is fit for purpose or not fit for purpose.

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|----------------------------------|-----------------|
| <b>Overall net present value</b> | -£166.5 million |
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## RPC summary

| <b>Category</b>                             | <b>Quality</b>      | <b>RPC comments</b>  |
|---|---------------------|--|
| EANDCB                                      | <b>Green</b>        | The Department has provided sufficient evidence and analysis to support the assessment of the direct costs to business. Where evidence is limited, the Department has provided appropriate discussion of risks and undertaken sensitivity analysis. The treatment and discussion around the counterfactual is particularly good.                                 |
| Small and micro business assessment (SaMBA) | Not required        | As an international measure, a SaMBA is not required but the Department has provided an assessment, with consideration of exemption, disproportionality, and mitigation.   |
| Rationale and options                       | <b>Good</b>         | The Department has provided a good description of the overall rationale and justification for why other options, including non-regulatory ones, are not appropriate, given the international cooperation necessary to meet the requirements of the Amendments.   |
| Cost-benefit analysis                       | <b>Good</b>         | The Department has provided a good qualitative description of some societal benefits, although the IA would benefit from a sharper focus on the potential specific impacts of the measure.   |
| Wider impacts                               | <b>Good</b>         | The Department provides a useful assessment of potential impacts on industry and wider society. This area could be strengthened by further assessment of the possible competition impacts, e.g. businesses leaving the market as a result of the measure or opportunities for new markets. The IA correctly identifies and discusses potential impacts on trade. |
| Monitoring and evaluation plan              | <b>Satisfactory</b> | The Department includes a section on monitoring and evaluation, explaining that it will monitor the number of notifications made for the plastic waste exports.  |

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## EANDCB

The RPC has rated the EANDCB analysis as **green**.

### Counterfactual

The Department's counterfactual is that the Amendments would not be applied internationally. It acknowledges, that in reality, other countries are likely to implement the Basel amendments and that costs of compliance would occur irrespective of the domestic implementation. However, it explains that this approach would not provide a transparent demonstration of the new costs that businesses would face. The Department, therefore, provides only a narrative assessment of the impacts of the policy intervention against this counterfactual. The Department's approach is consistent with RPC case histories and the IA explains the rationale for this approach very well.<sup>2</sup>

### Businesses affected and composition of costs

Businesses that export plastic waste will be affected by the measure. Using HMRC data, the Department estimates that 208 businesses will be directly affected. The overall cost to business is £175.9m, consisting of: £102.8m for notification fee costs to inform the competent authorities of dirty mixed plastic waste exports; costs for obtaining a financial guarantee in case exports are repatriated (£28.6m); and other administrative costs (£44.5m). Costs have been estimated over the ten-year period 2021-2030.

### Sources of evidence and uncertainty

The Department explains that it has gathered evidence from a range of data sources, including the National Packaging Waste Database (NPWD), relevant competent authorities across Great Britain, Waste and Resources Action Programme (WRAP) and a leading packaging waste compliance scheme operator. The Department has also engaged informally with the British Plastics Federation. The Department explains why, as a result of delays in OECD negotiations, it has not had time to procure further evidence or engage industry extensively.

### BIT status

The Department states that it is implementing the minimum requirements of the Amendments. On this basis, the RPC can confirm the measure as a non-qualifying regulatory provision for purposes of the BIT.

## SaMBA

The RPC has not rated the SaMBA because one was not required for this measure.

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<sup>2</sup> <https://www.gov.uk/government/publications/rpc-case-histories-counterfactuals-september-2020--2>

The source of the domestic legislation underpinning this measure is an international convention (which is being implemented without any additional domestic requirements, i.e. without ‘gold-plating’). Therefore, a SaMBA is not required. Nevertheless, the IA includes a SaMBA, which the RPC welcomes. The Department states that it is not possible for small and micro businesses (SMBs) to be exempt from the measures under the policy intervention as doing so would contravene the Basel Convention.

The Department does estimate the number of SMBs that will be impacted by the proposal, although acknowledging some uncertainty in the evidence. The Department’s assessment is that the majority of businesses affected are likely to be SMBs. Due to this uncertainty, the IA’s market share calculation may not be entirely accurate. Nevertheless, the analysis is helpful.

The IA’s economic reasoning shows how SMBs will be disproportionately impacted by the proposal. They will face a higher cost on average per notification, compared to larger businesses which can notify multiple waste movements under one notification, thus achieving some economies of scale.

The SaMBA briefly considers mitigation, stating that there is support available to SMBs who can consult with relevant competent authorities for assistance on how to comply with the international rules.

## Rationale and options

The RPC has rated the consideration of rationale and options to be **Good**.

The problem under consideration is clear, and the rationale for intervention is to meet the UK’s obligation as a member of the Basel Convention to implement the minimum requirements. Firms are required to obtain prior informed consent (PIC) from regulators, and exporters must obtain a financial guarantee to cover costs if waste cannot be recycled. Due to timing constraints, the UK has to implement the measures separately to the EU and the Department has been unable to undertake a formal consultation on the measure. We note that the Government intends to add further requirements on waste plastic exports in 2021 to fulfil a manifesto commitment. Also, the Department plans to consult on those proposed policy changes in 2021 and engage in extensive evidence gathering. The RPC would welcome the opportunity to engage with the Department to assess the consultation IA for that measure.

The IA for this measure identifies and builds on an existing evidence base, with a range of international evidence sources cited. It provides evidence to show the societal impact plastic waste has, including on humans, agriculture and wildlife.

The IA only considers one policy option, which is acceptable for international measures. It briefly and sufficiently addresses alternatives to regulation, explaining that a voluntary initiative would not satisfy the Basel Convention requirements.

The IA states that businesses could choose to clean and sort their waste as an alternative to export, if it is deemed profitable. However, the UK may lack capacity in clean and sort infrastructure, meaning recyclers may have to invest in building further infrastructure if there is a sufficient demand. The Department has provided additional analysis for this issue, which the RPC welcomes. The IA would benefit from providing additional detail on the barriers identified which are currently preventing this from happening,

The IA would also benefit from addressing further possible trends in the export of plastic waste in the absence of the policy intervention.

## **Cost-benefit analysis**

The RPC has rated the cost-benefit analysis as **Good**.

### **Evidence and data**

The key assumptions in the IA are from a range of data sources, described with levels of uncertainty.

The Department explains that evidence has been gathered from a range of data sources, including the National Packaging Waste Database (NPWD), relevant competent authorities across Great Britain, Waste and Resources Action Programme (WRAP) and a leading packaging waste compliance scheme operator. The Department has also engaged informally with relevant stakeholders, which the RPC welcomes.

The IA could have provided more analysis of possible changes to the export market based on existing trends, in the absence of the policy intervention.

### **Modelling**

The IA uses an appraisal period of 10 years, with a present value base year of 2021, which seems appropriate in this case, as the Amendments come into effect in January 2021.

The IA monetises costs of notification costs, obtaining financial guarantees and other administrative costs.

The IA states that the estimates include compliance monitoring costs but would benefit from explicitly discussing inspection or any other enforcement costs.

### **Uncertainty, risks and assumptions**

The Department explains that, as a result of delays in OECD negotiations, it has not had time to procure further evidence or engage industry extensively. To address resulting uncertainties, the Department carried out sensitivity testing, particularly around the proportion of plastic waste exports that would be affected (i.e. that classified as Y48) at Annex A. The Department's estimates, therefore, appear to be based upon a reasonable level of evidence.

The IA introduces a sensitivity analysis that demonstrates an alternative scenario where businesses have the capacity to clean and sort 100 per cent of waste produced. Under ‘risks’, the IA refers to other potential costs (e.g. at paragraph 74) and would benefit from further consideration of these risks.

### **Non-monetised societal benefits**

The Department explains why it is unable to monetise environmental/marine benefits but provides a qualitative description of potential benefits. This assessment appears in places to be a fairly generic description of the problem of plastic waste in oceans. The IA would be improved by including further illustration and an indication of the likely size of potential benefits of this measure.

## **Wider impacts**

The RPC has rated the assessment of wider impacts as **good**.

### **Competition**

The IA notes that some businesses may find it commercially unviable to export plastic waste, which could result in them exiting the market. But it also observes that their waste collection is likely to be handled by other businesses, and that possible opportunities for new markets may arise. The IA would be improved by further consideration of these potential dynamic impacts.

### **International Trade**

Given this measure implements an international convention, the IA provides a detailed discussion of its potential impact on international trade. The IA notes that, companies will potentially face additional costs for exporting Y48 plastic waste to the EU but that the majority of Y48 exports are likely to go to less developed countries outside of the EU, so this issue is unlikely to be prevalent. The IA would benefit from discussing how long this might last given that China and other countries are starting to tighten up on accepting waste imports.

Annex 3 contains a useful sensitivity analysis of the loss of value in relation to the assumed price of a Packaging Export Recovery Note (PERN), and is particularly useful as the market value of PERNs is so volatile, as the IA states. The section on international trade would benefit from explicitly referencing how it has applied the Better Regulation Framework guidance in this area (annex 3 of the guidance).

## **Monitoring and evaluation plan**

The RPC has rated the monitoring and evaluation plan as **satisfactory**.

The Department usefully includes a section on monitoring and evaluation, explaining that impact of the regulation will be monitored by assessing the number of notifications that have been made for the exports of Y48 plastic wastes. The

Department plans to undertake monitoring and evaluation, and consultation in 2021, as part of the Government's manifesto commitment.

For further information, please contact [regulatoryenquiries@rpc.gov.uk](mailto:regulatoryenquiries@rpc.gov.uk).