Report Title		Report
Sector Update		RL 29/03/19 - 04
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Job Title	Head of Programme	
Date of meeting	29/03/19	

Summary
This paper presents a sector update on wider influences to programme activities.

Recommendation
• To note the updates.

Risk Management	
Risk	**Action to mitigate risk**
N/A No decisions being made	

Implications	
Legal N/A No decisions being made	
Financial N/A No decisions being made	
Equalities N/A No decisions being made	
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Supporting Report

Purpose of the paper
This paper presents a general update on major sector activities that have a wider baring on the Resource London programme.

Report

National Resources and Waste Consultations

On 18th February 2019, the Government (Defra) launched four consultation documents covering; Extended Producer Responsibility, Deposit Return Schemes, Consistency and one (from HMRT) on plastic packaging tax.

The consultations are open for 12 weeks and the first three close on 13th May 2019. The plastic packaging tax closes on 12th May 2019.

As set out in the Resources and Waste Strategy for England, the UK government will ensure that local authorities in England are resourced to meet new net costs arising from the policies that flow from the Strategy, including upfront transition costs and ongoing operational costs. LWARB is coordinating responses to the consultation across its activities including Resource London.

Extended Producer Responsibility (EPR)

The current system of producer responsibility for packaging has been in place since 1997, and the government recognises the fact that it is now in need of reform.

The consultation seeks views on measures to reduce the amount of unnecessary and difficult to recycle packaging and increase the amount of packaging that can and is recycled. It also proposes that the full net costs of managing packaging waste are placed on those businesses who use packaging and who are best placed to influence its design, consistent with the polluter pays principle and the concept of extended producer responsibility.

The management of packaging waste currently costs Local Authorities somewhere in the region of £820m per year. The proposals in this consultation mean that the funding to meet these costs will transfer from central government and local taxpayers to businesses.

The proposals being consulted on are:

1. The definition of full net cost recovery and approaches to recovering full net costs from producers
2. Incentives to encourage producers to design and use packaging that can be recycled
3. The businesses that would be obligated under a packaging extended producer

responsibility system

4. Producer funding is used to pay local authorities for the collection and management of household packaging waste and to support the collection for recycling of household-like packaging arising in the commercial waste
5. Mandatory labelling on all packaging to indicate if it is recyclable or not
6. New packaging waste recycling targets for 2025 and 2030, and interim targets for 2021 and 2022
7. Alternative models for the organisation and governance of a future packaging extended producer responsibility system
8. Measures to strengthen compliance monitoring and enforcement including for packaging waste that is exported for recycling

Obligated businesses will pay the full net cost of managing packaging waste and the governments preference is to move to a single point of compliance.

Local authorities will be paid by producers for collecting and managing packaging that arises in household waste and will have to collect all recyclable packaging that is identified for collection through household collection services.

The government is proposing two alternative approaches:

1. Modulated placed on the market (POM) fees (where producers pay more if their packaging cannot be recycled or is difficult to recycle and less if their packaging is readily recyclable); or

2. A deposit fee (where producers pay a deposit which is redeemable if they are able to prove that the equivalent of the packaging that they have placed on the market has been recycled). In this case the incentive to design for recyclability is separated from the full net cost recovery requirement. This approach has two elements:

    a) Recyclable packaging would pay a deposit. The deposit per tonne would vary by material
    b) Non-recyclable packaging would pay a fee, set high enough to create an incentive to use recyclable packaging.

<u>Deposit Return Scheme (DRS)</u>

A DRS would see a deposit added to the price of drinks packaged in ‘in-scope’ drinks containers at the point of purchase, which would be redeemed when consumers return their empty drinks containers to designated return points.

The introduction of such a scheme is being considered in order to help reduce littering and increase the quality and quantity of recycling.

Concerns have been raised that a DRS may move higher-value recyclable materials away from local authority collections, thus reducing their income from the sale of these materials as well as reducing the overall quality of the recyclate they collect.

The consultation proposes that the materials included in a DRS could be PET and HDPE plastic bottles, steel and aluminium cans, and glass bottles. The consultation does not propose to include milk (or plant-based drinks such as soya) within scope of a DRS as it is considered by many as an essential product which is only widely available in containers.

All producers of drink beverage products that would fall within the scope of a DRS would be mandated to join the DRS and be obliged to meet high collection rates set by government. As all items under consideration for inclusion in a DRS are packaging, government would need to ensure that any reformed packaging producer responsibility system takes this into account.

Drinks containers within a DRS could be returned either via an automated return point using a reverse vending machine (RVM) or via a manual return point. Those hosting return points would be paid a handling fee to reimburse them for associated costs.

The consultation puts forward two options for a DRS, which differ in terms of the size of the drinks containers in scope.

The first option, known as the 'all-in' model, would not place any restrictions on the size of drinks containers in-scope of a DRS.

The second option, known as the 'on-the-go' model, would restrict the drinks containers in-scope to those less than 750ml in size and sold in single format containers. This model would target drinks beverages most often sold for consumption outside of the home.

The deposit forms the incentive for customers to return containers. In other parts of Europe, this varies between 6p and 35p.

The second option, known as the 'on-the-go' model, would restrict the drinks containers in-scope to those less than 750ml in size and sold in single format containers. This model would target drinks beverages most often sold for consumption outside of the home (while 'on-the–go').

Consistency in recycling collections

Since 2001 household recycling rates in England have increased considerably from 11% to 45.2% in 2017. However, despite measures by government and local authorities in recent years, rates have remained at around 44/45%.

Members of the public, industry and other stakeholders have called for greater consistency in the materials collected for recycling as well as, to some extent, how it is collected and complex rules about what can and cannot be recycled still confuse householders and unintentionally lead to mistakes in what is recycled. The Government therefore want to tackle this confusion and make recycling easier for everyone.

The consultation is concerned with measures to improve the quantity and quality of what is recycled both at home and at work.

Government recognises the pressures on local authorities. They will therefore receive additional resource to meet any new net costs arising from the policies set out in this consultation when implemented. This includes both net up front transition costs and net ongoing operational costs.

The measures they are consulting on for households are:

- collection of the same core set of dry recyclable materials from households
- separate weekly food waste collections from households
- whether waste collection authorities should provide a free garden waste collection service for households with gardens
- how to achieve greater separation of dry materials in collections, especially paper and glass to improve the quality of dry recyclables collected from households
- whether statutory guidance on minimum service standards for waste and recycling services should be introduced
- how to develop non-binding performance indicators to support local authorities to deliver high quality and quantity in recycling and waste management
- how to support joint working between local authorities on waste
- alternatives to weight-based targets
- having standardised bin colours for waste and recycling

The measures they are consulting on for businesses and other organisations that produce municipal waste are:

- segregate dry recyclable materials from residual waste so that these can be collected for recycling
- separate their food waste to be collected and recycled or composted
- measures to reduce costs of waste collection
- measures to improve the availability of data

They are seeking views on whether the proposed changes above should be supported by statutory guidance which will be developed with local authorities and industry and subject to further consultation later this year or early 2020.

<u>Plastic packaging tax</u>

In March 2018, the government launched a call for evidence on using the tax system or charges to tackle single-use plastic waste.

The government's call for evidence highlighted that using recycled plastic is often more expensive than using new plastic, despite its lower environmental impacts. Significant variations in the price of new plastic over time can also discourage businesses from committing to using recycled plastic instead of new plastic in the long term. The government wants to encourage the sustained use of more recycled plastic in the production of plastic packaging to help tackle plastic waste. This will help to drive the treatment of plastic waste up the waste hierarchy so that more plastic is recycled rather than being sent to landfill or incineration, to improve resource productivity and make more plastic waste a useful and valued resource.

At Budget 2018, this government announced its intention to introduce a new tax on plastic packaging. The tax will apply to businesses that produce or import plastic packaging which uses insufficient recycled content, taking effect from April 2022.

The government proposes that the tax would apply to all plastic packaging manufactured in the UK and unfilled plastic packaging imported into the UK. It would only apply to plastic packaging (as defined by the tax) with less than 30% recycled content.

Where there is one manufacturer involved in the manufacturing process the tax would be applied when the packaging product or component, such as a tub, tray or bottle, is made available for use or onward sale.

For imported, unfilled plastic packaging, the tax would be charged when liable products are imported into the UK and released onto the UK market.

The tax would be charged on the full weight of the packaging product, at a flat rate set per tonne of packaging material.

The government is consulting on:

- defining products within the scope of the tax
- setting a threshold for recycled plastic content
- the approach to rates
- the precise point at which the tax is charged and who will be liable to pay
- how to minimise administrative burdens for the smallest operators and/or low volumes of production or import
- the treatment of imports and exports
- promoting compliance and preventing opportunities for tax avoidance or evasion
- how business can demonstrate the recycled content of their products in a robust way without introducing unnecessary administrative burdens

Brexit

Officers have been looking into what a no deal Brexit could mean for the sector. Attached at appendix 1 is some shared thinking of what the impact could be. Obviously, this is supposition and should be read as such.

Appendix 1: BREXIT risk

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<u>Export</u>
Around 180k tonnes of RDF is exported from London boroughs each year, of which 67% comes from the East London Waste Authority. There is a risk that it will become more difficult to export these to the EU after Brexit. As an EU Member State, the UK is

prohibited from exporting waste for disposal to countries outside the EU or the European Free Trade Association (EFTA) member states. The UK intends to retain this standard post-Brexit and may end up with more waste product that we can find markets for. Defra also noted that there is a potential for tariffs to be applied: for RDF, boroughs are already reporting changes in prices, with £3 – 5 per tonne increase, which is expected to rise. There will be tariffs on exports of recyclate.

Delays and disruption – in immediate aftermath
There is expected to be disruption at ports due to the introduction of customs checks and general confusion. The RDF Group (industry body) has suggested this could be between 3 – 6 months of disruption (equating to c.1.8 million tonnes of RDF) and that 5% of RDF shipments will have customs checks.
Defra has said that there will be no flexibility in the ability to use different ports from those already identified in notifications to avoid delays. These delays could lead to an increase in stockpiling either in or around ports, or within boroughs. Local authorities may find themselves in breach of permits (because they cannot move the materials and the EA may not have the capacity to permit new sites at short notice).

Keeping fleets and facilities running
There is the potential for fuel shortages and access to parts (for vehicles/ plant/ equipment) in the event of a no deal Brexit, which could lead to delays in the collection and/ or disposal of waste. Bigger companies have been planning for some time and putting in place contingency plans. They have been building up small fuel reserves and stockpiling spares.

But it doesn't isolate them from bigger economic considerations such as currency fluctuations, material values, employment and vehicles stuck at docks. If delivery costs go up too much, it may lead to force majeure scenario, with costs pasted on to customers – to customers whose budgets are already stretched.

Workforce
The sector is reasonably dependant of EU workforce (crews and MRF / reprocessing operatives), arrangements for this workforce are still uncertain. There's already a shortage of drivers within the industry and it is expected that this could get worse. In addition to the direct impact of Brexit, the impact on availability of workforce is also heavily dependent on the strength of the pound. It needs to be cost effective to work here, if Sterling falls against the Euro then it will be harder to retain the workforce and stable crews are critically important in maintaining service standards.

Commercial waste
It is also unclear what impact Brexit will have on commercial waste. If commercial collection arrangements fail due to a no deal Brexit (e.g. due to an increase in gate fees etc.), private contracts may fold, with the collection of this waste and recycling falling on councils. Consequences could include: street scene issues; exceeding waste treatment arrangements; impact on budgets and resources.

Costs and procurement
Increased currency volatility makes it more difficult for LAs to go through procurements having to make decision based on an envelope of costs. Furthermore, longer-term purchasing decisions, i.e. new fleet could become more expensive due to tariffs and

other costs affecting imports from Europe.

<u>UK Markets</u>
Bigger companies have been planning for some time and putting in place contingency plans. Many have their own internal offtake markets, and reprocessing capacity which isolates them slightly. Some authorities (mainly due to the China crisis) have moved to using UK markets. But this does not completely isolate them from risk and the UK market could become more crowded.

If material prices fall too low as a result, this could make certain material unviable to collect e.g. mixed plastics. One authority said they were already down c.£400,000 on material sales income compared to previous years).

<u>Other impacts</u>
Delays and disruption could also lead to a reduction in recycling rates. Although material should still be usable if export delays occur, European reprocessors may find alternative sources (if UK suppliers are delayed).