

Written evidence submitted by the British Soft Drinks Association (BSDA) (EB43)

Submission to the *Environment Bill 2019-2021* Public Bill Committee

Summary

1. The British Soft Drinks Association (BSDA) has welcomed the introduction of the Environment Bill 2019-21 as the means of introducing of a deposit return scheme (DRS) in England, which we have long supported.
2. The soft drinks sector has always taken recycling, littering and the environment very seriously. Furthermore, BSDA support a well-designed Great Britain-wide deposit return scheme (DRS) for all PET plastic and aluminium and steel (can) beverage containers, of all sizes up to 3 litres. Our industry's international experience, as well as economic modelling, indicates this is the most viable option, and easiest to implement.
3. BSDA has been encouraged by Defra's willingness to engage with industry on DRS, and the soft drinks sector is keen to work with government to implement an effective scheme.
4. To achieve the objective of maximising material collection cost effectively and efficiently, in line with a circular economy, BSDA recommend that the Government take a principles-based approach to implementing legislation/regulations. The Environment Bill appears to allow for sufficient flexibility that most aspects of the DRS can be determined by secondary legislation and the eventual 'scheme administrator'. The Committee should therefore recommend that details (design, scope, and specific parties' obligations) are not written into the primary legislation at this stage. Doing so could restrict the scheme's flexibility to adapt to future changes in packaging, retail environments, and product design, as well as hindering the efficient achievement of high recycling collection rates.
5. The Committee should, however, seek assurances from government about the coherence of wider policy measures. In particular, that producers subject to obligations under a DRS in the UK are not also obligated under the UK Packaging Recovery Note system, or future UK extended producer responsibility regime for packaging, for the same items of (primary) packaging.

Views on Part 3 of the Environment Bill (Waste and Resource Efficiency: Recycling)

6. **The Environment Bill provides governments across the UK with powers to introduce Deposit Schemes.**

- Clause 51 of the Bill and schedule 8 enable the relevant national authority – namely, the Secretary of State (in relation to England), Welsh Ministers, and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland – to make regulations establishing deposit schemes.
- Subsections (3) and (4) allow the Secretary of State to make regulations on behalf of Wales and Northern Ireland, subject to their consent.

7. Defra have proposed and consulted on introducing a DRS for drinks containers, for implementation by 2023. (Further public consultation, and secondary legislation, has been anticipated for later in 2020.) The Environment Bill does not detail how a deposit return scheme for drinks containers would work, or say what materials will be included within a DRS, nor at what price the deposit would be set. However, BSDA believe that the specifics about material scope, design, or operational aspects of the DRS do not need to be defined at this stage in the Bill – industry would expect these to be set by secondary legislation and the rules determined by an independent 'scheme administrator' at a later date. Nevertheless, the Government must provide assurances that the framework provides for any future DRS to be: efficient, industry-led and not-for-profit, compatible/intra-operable with a Scottish DRS (currently planned for July 2022).

Industry's support and recommendations for DRS

8. BSDA and its members support the introduction of a Great Britain-wide all-in deposit return scheme for PET plastic and can beverage containers as our assessment and modelling suggests this is the best way to increase recycling levels and tackle littering.
 - 8.1. The DRS should also produce extremely high quality materials to support high levels of *bottle-to-bottle* and *can-to-can* food grade recycling.
 - 8.2. BSDA want to work with government and others to design the best DRS system possible - an industry-led, not-for-profit, scheme that helps: collect the target material in the most cost effective and efficient manner possible; reduce litter and plastic pollution; provide higher-quality recyclate for reuse by the sector.
 - 8.3. BSDA are supportive of a DRS for all PET and metal (can) beverage containers, of all sizes up to 3 litres. Industry experience and economic modelling shows this is the most viable option, and easiest to implement.
9. However, factors and decisions about the design, scope, and obligations under any such DRS for drinks containers do not need to be defined in primary legislation. Rather, the Environment Bill allows for sufficient flexibility that most aspects of the scheme can be determined by secondary legislation and the eventual 'scheme administrator'.
10. The Committee should therefore recommend that 'design details' are not written into primary legislation at this stage. Instead, the subsequent secondary legislation (regulations) should set obligation to industry and set the scope of the DRS and the targets for recycling collection. But it should be left to an industry-led scheme administrator ('Deposit Management Organisation') to set producer fees, set the level of the deposit etc., communicate to consumers about the scheme, and manage the DRS' day-to-day operations in pursuit of the agreed collection targets.
11. Industry does, however, seek the following assurances from Government:
 - 11.1. Government should ensure that any DRS in England and Wales is compatible with the Scottish Government's proposals. Moreover it should work towards a single GB-wide scheme in the future that is efficient, simple and works for consumers, producers and retailers alike.
 - 11.2. Government should work with industry to learn from both experience in Scotland and from drinks producers' experiences of best-practice DRS systems internationally. This could simplify and speed-up implementation.
 - 11.3. Government should take a principles and targets-based approach to introducing DRS – setting a robust recycling collection target for industry to meet, but letting a single, not-for-profit 'scheme administrator' (led by the obligated drinks producers) manage the running of the scheme. The regulations that will follow the Bill should support this.
 - 11.4. DRS will not be suitable for every type of drinks container or material. Government should therefore ensure that items not in-scope of DRS and collected at the kerbside in the 'core set' of materials for collection by local authorities. Future reforms - to improve the consistency of kerbside recycling collections, those to introduce Extended Producer Responsibility for packaging - must support this.
 - 11.5. The DRS must work alongside other Resources & Waste Strategy policy initiatives aimed at increasing recycling and reducing litter – i.e. avoid conflicting or competing consumer communications or advice about recycling materials.
 - 11.6. BSDA see that DRS is a form of Extended Producer Responsibility. As such, businesses with packaging items included in a DRS will be therefore compliant with their obligations for those items, and should not be obliged to join a second EPR scheme, and therefore paying twice for the same packaging items. Government must avoid situation where manufacturers 'pay twice' by being obligated under both a DRS and the existing producer responsibility system for packaging (the 'Packaging (Export) Recovery Notes/PRN' system).
 - 11.6.1. The UK Government therefore must use the powers provided by the Environment Bill to make the minor amendments required to the existing packaging regulations to support manufacturers obligated under both the Scottish Government's proposals and its own DRS plans.
 - 11.6.2. As a form of producer responsibility, and producers will ultimately pay for the net costs of the scheme - supported by the sale of collected materials and unredeemed deposit

fees (from consumers choosing not to return containers). Therefore Government must not seek to divert these funding streams for other activities.

Learning from industry experience

12. While the concept of DRS can appear relatively simple, across the world there are a variety of different schemes operating, with varying results, associated costs, and impact on other litter and recycling initiatives. Deposit Return Schemes operate effectively in some countries, and UK Government could learn from industry's experience of operating internationally in both high and low performing DRS systems.
13. Across our membership, BSDA has experience of operating, and participating in the management of, many DRS systems around the world. BSDA has worked as part of the Scottish Government's 'Implementation Advisory Group' on the introduction of a DRS in Scotland. For Scotland, as well as the potential introduction of DRS across Great Britain, BSDA has carried out extensive economic modelling and scenario testing to inform our position and recommendations to government.

Producer responsibility for packaging

14. BSDA has called for the UK Government and the devolved administrations to work together to introduce holistic change to our waste management and recycling systems concurrently. Any intervention to tackle plastic waste, increase recycling rates and tackle litter must at the same time lead to more recycling being done in the UK, creating more high quality material which would be able to be re-used in products and packaging. For us, that means that any DRS must sit alongside reform of the producer responsibility system and other measures under the Resources and Waste Strategy.
15. The current producer responsibility system – based on 'packaging recovery notes' ('PRNs' / 'PERNs') - is meant to see contributions from manufacturers reinvested in recycling in the UK, but the design and opaque nature of the system means that often this investment is not accounted for. Reforming this system would lead to more money being invested in UK recycling infrastructure and communications campaigns, and address the current imbalance that results in much of our recyclable waste materials being exported.
16. BSDA see that DRS is a form of Extended Producer Responsibility (EPR). As such, businesses with packaging items included in a DRS will be therefore compliant with their obligations under European Law for those items, and should not be obliged to join a second EPR scheme, and therefore paying twice for the same packaging items. By covering the costs of running a DRS, producers will essentially be investing in a closed-loop system, the infrastructure that supports this, and the consumer behaviour changes necessary to achieve a circular economy – any additional obligations under another producer responsibility schemes would see them unfairly 'pay twice', paying the costs for other companies' obligations.
17. The Committee should therefore seek assurances from government that companies that are obligated within a DRS system are not made to unfairly 'pay twice' through either the existing PRN/PRN system, or future producer responsibility or tax schemes which are currently being considered.

DRS and Local Authorities

18. Regarding resource implications, our assumption is that, following implementation a DRS, local authorities would have lower volumes of recycling materials and waste to collect from the kerbside and on-the-go bins, given that it creates a closed-loop recycling system for drinks containers separate from existing infrastructure. Local authorities are also likely to see a reduction in the costs associated with litter clean up.
19. Whilst there may be some short term changes - in part due to recycled material revenues available to local authorities - as government reviews and alters the EPR framework, along with developing a more standardised collection model across the country - BSDA would expect the future overall service provision and funding mechanisms for Local Authorities to evolve to take account of a DRS in a cost-neutral way.
20. BSDA understand there has also been discussion about how local authorities can raise revenues from a DRS system, and expect Defra to work with industry and an eventual Deposit Management

Organisation to see how local authorities can support a DRS. However, we would be concerned if local authorities continued to actively promote the use of household (kerbside) collection systems for DRS formats over a DRS system (once operational) as it may lead to consumer confusion and is likely to undermine understanding and effectiveness of the DRS with householders.

About the BSDA

21. The British Soft Drinks Association (BSDA) represents UK producers of soft drinks, including carbonated drinks, still and dilutable drinks, fruit juices and bottled waters. Membership includes the majority of Britain's soft drinks manufacturers as well as franchisors, importers and suppliers to the UK soft drinks industry.
22. Soft drinks account for almost half the drinks containers placed on the market in Great Britain. Overall, soft drinks sector activity has been estimated to sustain over 340,000 jobs and adds more than £11 billion to the UK economy – as much as the aerospace and textiles industry combined.
23. Soft drinks manufacturers recognize the need to take action to reduce levels of plastic waste the importance of recycling the materials in which their products are sold. We lead the industry in recyclable packaging, and our members' PET plastic bottles and aluminium cans are 100% recyclable. Recycling/recovery rates for drinks containers have increased over the years, but there is still room for improvement.
24. A well-designed, GB-wide DRS would increase recycling rates above current levels. It would also improve the quality and increase the quantity of material collected for recycling and reuse as new packaging. This will support the aims of many producers to move to a truly more circular model for packaging, supporting bottle-to-bottle and can-to-can recycling, and towards the circular economy we all want to see.
25. BSDA thanks the Committee for the opportunity to input into its inquiry, and are happy to expand upon any aspect of our response.

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