



# Consultation response to the Defra, Daera and Welsh Government consultation on introducing a Deposit Return Scheme in England Wales and Northern Ireland

*Comments by*

**Sustainable Northern Ireland**

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Sustainable Northern Ireland (SNI) is a networking and forum body for statutory and non-statutory organisations concerned with the pursuit of sustainable development in Northern Ireland. We work closely with councils to promote and deliver sustainable development policy and practice at a local level. Our work programmes encourage organisations to integrate the principles of sustainable development throughout their operations and business planning functions, and deliver bold and innovative projects to promote economic, social and environmental wellbeing. Sustainable NI, its Board of Directors and wider public sector membership brings together a range of knowledge, experience and expertise which can be used to help develop policy, practice and implementation in the field of sustainable development.

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## 1.0 GENERAL COMMENTS

SNI welcomes this consultation on Deposit Return, given our member councils' commitment to recycling, their role as the principal domestic waste and recycling provider, and the sizable impact that any deposit return system will have on councils and their waste management services.

Councils in Northern Ireland have been at a disadvantage in responding to this consultation as it was launched as part of a substantial package of consultation documents, in the run up to a Northern Ireland local government election (to be held on May 2018). Nevertheless, senior officers from councils and our NILGA Office Bearers have endeavoured to consider the proposals in detail, and have outlined the following:

## 2.0 SNI POSITION ON DRS

Councils in Northern Ireland have invested for decades in improving kerbside recycling, with recycling rates across NI currently between 42% and 54%, with an average of 48.1% (Nov 2018). Any proposal for a deposit return system must be considered within the context of existing waste disposal systems, the equivalent of which were not in place in many other European countries that introduced deposit return much earlier.

As a result, it is essential that any new deposit return system is not only effective within itself and achieves good capture rates; it is equally, if not more important, that the combination of deposit return and kerbside recycling systems achieve maximum targets for recycling at the national level.

It is also worth noting that in line with the NI Waste Management Strategy we should be adhering to the principles of the waste management hierarchy and considering **waste prevention and reduction** before recycling.

However, for the benefits of this consultation:

Q8 While we largely agree with the basic principles outlined on page 17 of the consultation document, we would suggest that Principle 2 is extended to read "These measures should work effectively together in a way that is understandable and fair for consumers, industry *and local government*". We also propose that the following principles underpin the development of a deposit return system.

- The choice and design of a deposit return system must make a significant improvement towards national recycling targets, a zero waste culture and circular economy ambitions. In order to achieve this, it must not solely pursue high capture rates for those items covered by deposit return. Instead, as mentioned in principle 2, a deposit return system must be designed in such a way, that the two systems operating alongside each other - deposit

return and kerbside recycling – offer the best combined contribution towards national ambitions.

- The deposit return scheme must either be in public ownership or run on a not-for-profit basis, to allow best control over the environmental and social ambitions of the scheme. This is particularly so, as the biggest financial contributors to the scheme will be citizens, ‘paying’ for the scheme through unrecovered deposits.
- Local government, as the principal domestic, and largest Northern Irish waste and recycling management provider, needs to have an influential role in development of and in the governance of any future scheme, looking at investment decisions, mitigating between financial risks, practicalities and national ambitions and addressing potential future changes required of the scheme.
- Councils in Northern Ireland are keen to support the ambitions of the scheme, and can offer not only their knowledge and expertise, but also their infrastructure and services. This could include premises (leisure centres, community centres), waste management facilities (civic amenity sites, transfer stations, transport operations) and communications. However, local government equally expects that the impact of deposit return on local services is recognised and no detriment suffered.
- The scheme needs to allow for the geography of Northern Ireland and its social set-up. It needs to address the challenges presented by the border, and by the physical separation from the other nations participating in the scheme. It must also not disadvantage vulnerable social groups. The first presents significant issues particularly with regard to transfers, transport and possible illegal activity, the second impacts especially on the range of beverages covered under scheme and deposit levels. Northern Ireland would have a more limited benefit from scale within a UK scheme.
- Northern Ireland local government needs to have a seat at the table when the responses to this consultation are being assessed and decisions on a system designed to include Northern Ireland are being taken. This is particularly necessary given the ongoing impasse at Stormont. Local government is open to adjusting and restructuring its waste services in light of deposit return, but this needs to be a two-way conversation, shaping both existing waste services and deposit return in light of what is feasible, effective and desirable locally.

It is vitally important that the choice of deposit return scheme is viewed in the context of the size of the investment required (by the public and private sector, and individual citizens), compared to the

contribution it is likely to make towards national targets. As already highlighted, unredeemed deposits, paid for by individual citizens, make up a significant amount of the costs. We cannot assume that it is only wealthier people who are prepared to lose their deposit. The elderly, disabled or disadvantaged people and those with little access to relevant transport might have to forego redeeming their deposits.

More detailed figures and modelling information would be strongly welcomed, with information specific to each nation, to allow a more informed discussion on a suitable system for deposit return. Councils in Northern Ireland currently spend more than £43m p.a. on clear up of litter and illegal dumping activity, but have 'built-in' reliance on the revenue streams associated with recyclates that may negate any savings associated with litter reduction as a result of a DRS. A detailed Northern Ireland specific cost-benefit analysis would be vitally important prior to unpicking the current system – particularly in relation to the proposed 'all in' system.

At this point in time, it is not possible to determine what type of deposit return system would be most suitable for Northern Ireland, which materials should be covered, which beverages should be included, where a deposit level should be set and where return points should be sited.

It is also unclear as to whether a DRS should commence simultaneously with the proposed Extended Producer responsibility scheme or whether it should follow at a later date. An emerging council view is that it may be best to delay introduction of a DRS until the EPRS is in place, and expand the role of the Single Management Organisation proposed at governance option 2 in the EPRS consultation, to also include the role of Deposit Management Organisation for a DRS.

SNI is keenly aware of the high levels of cross border activity that occur within the agri-food industry on the island of Ireland and that a number of our larger producers (e.g. Coca-Cola) operate on an all-island basis. This poses some practical challenges, and a NI-only DRS on the island of Ireland could create some unmanageable complexities for producers, limit packaging innovation and choice for NI consumers and potentially encourage cross-border fraud. It could also fail to incentivise packaging weight reduction and further place NI at competitive disadvantage in relation to the Republic of Ireland (which is particularly problematic when NI is endeavouring to maintain industry confidence during a time of great political uncertainty).

SNI is aware that there has been some fairly recent consideration given to the introduction of a DRS by the Irish government, and it would be helpful if the UK and Irish governments could work together to develop some consistency on DRS policy. Again, this might take some time, and would indicate that introduction of a DRS scheme in Northern Ireland might be best delayed, with initial focus and effort placed on the new Producer Responsibility Scheme.

Discussions with local government waste managers would indicate that a Northern Irish deposit return system should preferably focus on a small part of the recycling market ("recycling on the go"), to assist in addressing the potential risk of deposit return offering little additional benefit (capture rates, littering etc) for the size of financial investment required. In the case where the items captured in a deposit

return system are mainly those currently disposed of in household recycling bins (“all-in”), deposit return would largely become a displacement activity, with a heavy and unnecessary impact on councils’ revenue streams.

This displacement effect would be minimal with recycling “on the go”. Such a system, while limited in scope, would predominantly capture large amounts of materials that typically do not end up in the recycling stream, and that produce significant littering with significant associated costs.

It is likely that a deposit return system encompassing as wide a range of materials and items as possible (an ‘all-in’ scheme) would capture a maximum number of items that typically do not arrive in the recycling streams, hence producing significant costs to the society as a whole.

If Northern Ireland was to adopt a broad deposit return system, the duties placed upon local authorities would need to be reviewed.

Q9 Yes all of these materials should be collected they are currently collected within existing recycling services so it aligns with current messages and behaviours as to simply what can be recycled

Q10. In addition, materials such as tetra paks should be included – these are currently collected within some services and again would streamline the message that they are recyclable. When looking to additional materials the consideration has always been who/how they are recycled and if there is a market available for them. SNI would be keen that the DRS be extended to collect as wide a range of materials as possible it must be done with the reassurance that the materials can actually be reused or recycled and not at excessive cost to the operator/consumer.

Additionally, cartons are among the commonly littered materials of drinks containers. Although not littered in as high rates as PET, glass and aluminium, cartons used for juices are often found on litter picks. On CPRE’s Green Clean, cartons were 1% of the materials found littered which, although comparatively low, is still substantial if this is considered on a national scale.

Bioplastics’ should not be viewed as a panacea, as they don’t prevent pollution/littering and can have unintended land use implications.

Pouches and sachets are an extremely damaging material due to being made up of composite materials that are difficult to recycle and cannot be recycled closed-loop. Due to their light-weight and generally small size they are also likely, if littered, to be blown into hard to reach places such as waterways, drains, bushes and fields where they will cause well-documented harm to wildlife and leak harmful chemicals into the soil and water.

It is crucial to include all materials within the scope of a DRS, particularly the harder to recycle and more environmentally harmful materials such as pouches and sachets. Modulated producer fees, can ensure

that these harmful materials are only used where essential for the product's shelf life and help stimulate innovation towards alternatives that can be closed-loop recycled.

If the UK government decides to exclude cartons, pouches and sachets from its DRS, it must make sure that the full net costs of these products are covered through the proposed EPR reforms, with a view to discouraging their use as a packaging choice by manufacturers.

Q11 SNI would welcome that glass bottles are collected for reuse as a priority and in line with the waste hierarchy but additional research is required as to how/which are collected to ensure there is appropriate reuse. It is often the case that food packaging standards cannot be met through simple reuse and therefore to gain the greatest value the product must be recycled.

However, SNI is aware of a number of localised refill schemes in operation in Northern Ireland, and would be keen to ensure that these businesses are enabled to continue operating in their current format and perhaps increased where there is demand.

Q12 All drinks listed should be included within the scope of the DRS. As already mentioned they are all currently collected and recycled – plastic, glass, aluminium, steel and tetra pak. Differentiating between some of the dairy drinks and soya/plant based drinks will cause confusion in terms of any public communications exercise.

It shouldn't focus on type of beverage but simply include every pre-sealed drinks packaging container that is put onto the market.

A packaging approach, rather than product, also protects the system from attempts by producers to evade its scope.

Q13 In a circular economy, there is no place for a single-use cup. As disposable cups are filled at the point of purchase, meaning viable reusable alternatives are available, ultimately, the Government's aim should be for a complete phase out of single-use cups in the form of a ban on the sale of single-use cups in the UK.

In the first instance Government should introduce a charge for single-use cups at the point of sale to encourage reduction in their use, with application across all cups with plastic linings and not just exclusively applicable to cups designed for hot drinks.

As part of the Budget deal with the Scottish Greens, the Scottish Government have already agreed 'in principle' to introduce charging for disposable drinks cups.

## **Material and Financial Flows**

## Material Flow Q14

The material flow follows best practice in other effective deposit systems.

We would also like to see concrete proposals for how to ensure the majority of these valuable materials are recycled within the UK. The deposit system will deliver a reliable high volume, high quality flow of materials, which in turn should attract investment in improved and additional recycling facilities across each home nation.

In Norway, the steady flow of PET to the main sorting centre has meant that Infinitem, the system operator, has invested in a PET recycling plant right next to it, allowing the materials to be recycled without any further CO2 emissions from transport.

Such investment in home-based infrastructure makes the system more efficient, creates jobs, reduces carbon emissions and provides greater accountability that materials are actually recycled to the right standard. In addition, it is easier to audit whether the social and employment standards of the industries involved match our own standards.

## Financial Flow Q15

SNI agrees that revenue from the sale of materials collected via the DRS should remain within the Deposit Management Organisation (DMO).

We also agree that any unredeemed deposits should remain within the DMO. However, the system must be designed so that there is no perverse incentive for the DMO to design and operate an inefficient system that is difficult for consumers to use, as this could reduce the number of returns made, increasing the number of unredeemed deposits and in turn reducing the amount producers are required to pay in fees.

The producer fees should also reflect the true costs of using particular types of packaging - ie. producers should be subject to modulated fees that mean they pay more for less resource efficient packaging choices.

## Overlap with the Packaging PRS Q16 & 17

As a DRS scheme can be seen as a form of producer responsibility, we do not see a need to 'double-charge' producers. However, this is subject to the following conditions being met:

- Any drinks containers that are excluded from DRS are subject to modulated producers fees to drive reuse and recyclability

- Any packaging used in the delivery of these drinks containers to consumers that is not included in a DRS is subject to modulated fees that disincentivize their use, for example, packaging around multi-packs.
- Funds raised by a DRS through unreclaimed deposits are required to fund system improvements and increase return rates, so as to prevent producers profiting from an inefficient system
- The deposit management organisation (DMO) in a DRS is subject to meeting legally binding targets on return, recycling and reuse rates

### **Deposit Management Organisation Q 18 - 23**

It is reasonable for the DMO to be responsible for meeting high collection and recycling targets set by government and we are content for unredeemed deposits to be used to part-fund the costs of the DMO. Unredeemed deposits should remain within the system, on the condition that stringent collection and recycling targets are set to ensure there is no perverse incentive for the DMO to design and operate an inefficient system that is difficult for consumers to use; this could reduce the number of returns made, increasing the number of unredeemed deposits and in turn reducing the amount producers are required to pay in fees.

Unredeemed deposits could be distributed through community groups and NGOs to deliver social and environmental good. This could include funding for awareness raising campaigns to drive change, reduce unnecessary consumption, tackle littering and provide funding for research and innovation to improve manufacturing processes and product design. However, diverting unredeemed deposits to environmental or similar purposes has the potential for outside organisations to effectively benefit from a lower return rate. A better option for supporting environmental causes is through donation options at the point of return. For example, charities could benefit from DRS when people choose to donate their deposit, or third sector/community groups act as return points.

Given that Councils rely on revenue streams associated with recyclates, it is necessary to consider the effects of a reduction in this revenue stream. For example, Councils in Northern Ireland currently spend more than £43m p.a. on clear up of litter and illegal dumping activity. A loss in revenue streams from recyclate may result in a reduction in Council led efforts to clean up litter and reduce litter through awareness raising. This potential cost-benefit requires further analysis.

Given the experience of illegal waste disposal in Northern Ireland, it would be inappropriate for the system to be operated by a private contractor. If the Scheme is not operated by government, there is a potential to blur the lines of responsibility and accountability. Ultimately, government should be responsible for the Scheme but it should be delivered in partnership with others.

A not-for-profit company or social enterprise, supervised by a Board run by the NI government, would be the most appropriate arrangement to ensure control over the environmental and social ambitions of

the scheme. Furthermore, the biggest financial contributors to the scheme will be citizens, 'paying' for the scheme through unrecovered deposits.

Relevant NGOs and charitable organisations should also be represented on the management board to input expertise and ensure that the social, environmental and community benefits of the scheme are being realised.

The DMO's role should include the following:

- Advising government on setting deposit levels, with government setting the actual level
- Setting producer/importer fees
- Tracking deposits and financial flow and ensuring those running the return points are paid the deposits they refund to customers.
- Set and distribute handling fees for return points
- Ensuring appropriate returns provisions for drinks containers in place
- Maintaining reverse vending machines and provision of containers for manual return points.
- Own the material returned by customers
- Reimburse those transporting returned drinks containers
- Fund counting/sorting centres
- Be legally responsible for high collection targets set by government for containers within the DRS
- Measure and report recycling rates to government
- Run communications campaigns to aid understanding of the DRS.
- Development of an app to allow consumers to locate the nearest return vending machines

#### **Set up Costs and Operational Costs Q24**

The cost of creating the DMO and co-ordinating the set-up of the DRS should be borne by the producers. However, given that there will be significant capital outlay in advance of 'production' and commencement of the scheme, close engagement with producers will be required.

In line with the principle of full net cost recovery it is appropriate for producers and importers to be responsible for funding the collection, transport, sorting and treatment of packaging waste.

#### **Retailers/returns Provisions Q33 - 47**

Convenience is a key factor in determining the success of the DRS system. We therefore support the provision of return points in areas of high footfall. Confining return points to retailers might predominantly attract householders returning items in bulk (which would otherwise have been captured by kerb side recycling); the scheme needs to capture the single items that could be littered 'on the go'. Return stations could be installed in areas identified as littering hot spots.

The default position should be a requirement for all retailers to take part and accept materials they sell with the provision of an opt-out, based on floor size. For example, in Estonia, retailers above 200m<sup>2</sup> are all included, shops below 50m<sup>2</sup> can opt out, and shops between the 50 and 200m<sup>2</sup> must seek local authority approval to opt out.

Online retailers should be obligated to collect and refund DRS material. Customers should be provided with a bag for collecting DRS materials. This can be sealed and tagged with a customer specific barcode, that can be returned to the delivery person during their next online delivery, with deposits being credited to the customer electronically. This system will also help those with mobility or access issues.

### **On-Trade Sales Q48**

Bars and restaurants tend to sell containers for consumption on-site. Therefore, on-trade sales should not present as significant a littering and recycling issue. However, a DRS could help bars, restaurants and hotels achieve higher recycling rates.

### **The Deposit Q49 - 52**

Modelling suggests 10p would be too low to achieve desirable return rates, but we believe that 15p or 20p would be adequate to incentivise return, but not too burdensome on consumers. We believe, above all, that the level should be easily reconsidered in light of inflation or missed return rate targets.

A common deposit level for all containers would be preferable as variable deposits would add confusion. Instead, the producer responsibility fee can be varied to reflect the different level of value recovered from different types of containers, as well as the variable cost of recovery. We see no clear reason for varying deposit levels for containers in a multipack.

Redeeming deposits through vouchers and digital transfer would be preferable for reducing security/theft risks, particularly for return points situated outside of a large retail outlets. However, this may exclude certain sections of society who predominantly use cash. We would suggest piloting cash and non-cash based return points and seeking customer feedback to inform installation of future return points. There are also potential security and cash flow considerations for small retailers holding cash on site.

The DMO should have accurate, publicly-available data on how many drinks containers are being placed on the UK market, as well as data on how many of those are being returned via the DRS. If this data shows that the DRS is not achieving the return rates that it needs in order to meet the high collection targets set by government, it should be able to advise the government that the deposit level should be

raised as a way of increasing return rates. As with all economic incentives, they should be able to be fluid and respond to the situation they are designed to improve, rather than being set in legislation.

The Government should be able to veto the increase with good reason, such as if the deposit level risks being raised to a level that may inadvertently incentivise fraud.

### **Data Recording, Monitoring and Enforcement Q53 - 65**

Accurate data recording and evidence that containers have been recycled is essential to preventing fraud and ensuring the intentions of the scheme are being fully delivered. All reporting and data should be available for public scrutiny and should be independently audited.

Northern Ireland does not have an independent environmental protection agency unlike other parts of the UK. NI has also experienced particular challenges around environmental governance and regulation. The challenges are typified by the uncovering of extensive illegal landfilling and criminal waste disposal practices. Brexit may present an opportunity for a new environmental watchdog in NI which would be the preferable option for regulating and scrutinising the DMO. In the meantime, this function should fall within the remit of the NIEA.

In order to prevent fraud it is important that the deposit rates are consistent across regions. Region specific bar codes, security marks and scanning could help minimise fraud risks. NI could be more susceptible to cross-border criminality due to the land border with the Republic of Ireland.

### **'On the Go' versus 'All In' Q66 - 70**

There is a risk that an 'all in' deposit return scheme could simply duplicate existing household recycling. The scheme should be designed to capture items that are frequently littered and are not being sufficiently captured in household recycling bins. Therefore, it may be necessary to focus a Northern Irish deposit return system on a small part of the recycling market.

It may be necessary to exclude very large containers, such as beer kegs and water coolers if there are practical difficulties around their suitability for return vending machines. If the 'all in' option is chosen, it will be necessary to compensate local authorities for the loss of revenue from kerbside collections, to ensure that Councils still retain resource to clean up litter and undertake education/awareness raising.

We feel that multi-packs should be included as 'on-the-go'. Multi-packs of small cans or bottles are commonly stored at home but then used as single on-the-go containers for packed lunches or picnics.

### **Summary Approach Q71 - 80**

The summary approach to the IA does seem very concise but it is difficult to justify the very high costs of the All-in system and perhaps the solution is to start with the on-the-go system and then extend if required/successful.

As noted previously we should be investing more in waste prevention & reduction and therefore the smaller of the 2 systems (on-the-go) could be done in hand with a waste prevention campaign.

SNI agrees the outcomes of higher recycling rates, reduced litter and high quality recyclates could be met but the system must be robust, consistent and transparent.

An alternative approach is to include waste prevention and reduction messages, behavioural changes along with the practical, incentive driven solution of the DRS.

#### **Design of drinks containers Q85**

The DRS could drive better design by incentivising for better design (higher percentage recycled content, better reuse options, designing based on market availability for end product, circular economy considerations). It could also penalise with higher fees for products with high levels of raw materials or poor quality end product.

Environmental cost should be considered by all relevant parties – reprocesses, councils, environmental groups and waste producers – this will achieve the best decision making from a broad range of stakeholders.

Finally, there is a lot of existing waste legislation that needs to be considered not just directly related to the operation of a new system. The wider Waste Management Hierarchy has not been considered to account for/invest in waste prevention and waste reduction, the current Plastic Tax consultation is currently being reviewed and the EPR consultation is also out at the minute. A lot of variables that will affect one another and may put questions over some of the data used in the cost analysis and outcomes.

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