



Department
for Environment
Food & Rural Affairs

www.gov.uk/defra

Consultation on changes to the glass packaging recycling business target to 2017

December 2013



Llywodraeth Cymru
Welsh Government



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Introduction

This consultation seeks your views on proposals by the Department for Environment, Food and Rural Affairs, the Scottish Government, the Welsh Government and the Department of the Environment for Northern Ireland, to amend the glass recycling business target in the Producer Responsibility Obligations (Packaging Waste) (Amendment) Regulations 2012¹ and the Producer Responsibility Obligations (Packaging Waste) (Amendment) Regulations (Northern Ireland) 2013². These Regulations are referred to as “the Packaging Regulations” in the rest of this document.

The UK has had since 1997 a statutory producer responsibility scheme for packaging recycling, which implements the EU Packaging Directive. This scheme internalises some of the externalities of dealing with packaging at the end of its life. This reduces the amount of packaging waste going to landfill and reduces the environmental impacts in a way that is better for the environment and natural resources than landfill. It does so by setting minimum recycling and recovery targets on UK businesses in the packaging supply chain. The current targets run from 1 January 2013 for five years.

Due to significant volatility in the glass recycling market in 2012, Defra asked the Advisory Committee on Packaging (ACP) to investigate the causes of the perceived glass recyclate shortage in 2012 and subsequent price spike for PRNs (Packaging Waste Recovery Notes). We also tasked them with identifying ways in which stability in the PRN system can be improved and ways of better identifying and mitigating price spikes in future. To assist with this work, WRAP commissioned Valpak Consulting to carry out a detailed study into glass packaging flows. The WRAP/Valpak GlassFlow report has gone back to first principles and produced a new estimate of glass packaging waste arisings based on a thorough and detailed analysis of the glass market. Their work indicates that the glass waste arisings figures (the so called ‘flow’ figure) that Government used to calculate our achievement of the EU Packaging Directive target, and set the statutory business targets for 2013-2017, is some 350k tonnes too high. The report also indicates that there is likely to be no incremental growth in the industry over the same period: at best it is flat.

As a result of the revised glass flow data this consultation makes proposals to reduce the UKs glass packaging recycling business target.

¹ SI 2012/3082

² S.R. 2013 No.262

The costs and benefits of the proposals are described in the Impact Assessment (IA) that accompanies this consultation paper.

The proposals in this consultation are expected to be of greatest interest to:

- Packaging 'producers', as defined in the Packaging Regulations
- Packaging compliance schemes
- Reprocessors and exporters of waste packaging
- Waste management companies and local authorities involved in the collection of packaging
- Any research institutions, groups or individuals with a particular interest in packaging waste.

In summary the options included in this consultation document and Impact Assessment under consideration are:

- a) Option 1 – Do nothing – keep the glass packaging recycling business target at 81%.
- b) Option 2(a) – Lower the glass packaging recycling business targets to 75% and maintain the split between remelt and other applications at the same percentages.
- c) Option 2(b) – Lower the glass packaging recycling business target to 75% and amend the split between remelt and other applications.
- d) Option 3(a) – Lower the glass packaging recycling business target to 77% and maintain the split between remelt and other applications at the same percentages.
- e) Option 3(b) – Lower the glass packaging recycling business target to 77% and amend the split between remelt and other applications.

These options are based on ensuring we achieve sufficient recovery and recycling of glass in order to continue to meet the EU minimum targets.

Keeping the targets at current levels incurs higher costs on obligated producers to deliver the required level of recycling set by the business targets. This is indicated by the current PRN prices and the current evidence on costs and benefits. Options 2 and 3 deliver a net benefit, but also a net cost to business. This is due to the reduction in material revenue that reprocessing businesses receive. Obligated producers benefit significantly from lower collection and sorting costs for recycling, and a related lower PRN price but this is offset directly by the lower PRN revenue received by reprocessors and exporters.

On the basis of the analysis in the impact assessment, options 2(a) and 2(b) and 3(a) and 3(b) will deliver a net benefit in comparison with option 1, with all 4 options lowering the cost to society of recycling glass. The net benefit of option 2(a) is

£4.23m compared to £3.41m in option 2(b). The net benefit of options 3(a) and 3(b) are lower at £2.82m and £1.51m respectively, as the overall reduction in recycling tonnage is lower than in option 2. However, on an assessment of the net cost to business, option 2(a) has the highest negative Net Present Value (NPV) compared to the other options.

Options 2 and 3 do contribute less to overall recycling rates than option 1, but on the basis of the evidence, the 'do nothing option' would not deliver the optimal outcome in terms of net benefit. As such, the Government is not minded to pursue a do nothing option however it does invite views on option 1 as well as views on the other options.

The UK Government does not have a preferred option. We therefore welcome views from respondents on which option is most desirable and the reasons why. We would also welcome any further evidence and comments on the evidence provided in this consultation especially regarding the data which underpins the targets and impacts on the costs/benefits. The responses to the consultation will be used to help determine the final preferred option.

The UK Government's overarching aim is to have appropriate targets which ensure that the UK complies with the EU Packaging Directive targets whilst maximising the benefits for consumers, businesses and the environment.

This consultation fulfils the requirement in section 93(2) of the Environment Act 1995 to consult those likely to be affected by any proposed changes. In Northern Ireland the consultation fulfils the requirement in Article 3(2) of the Producer Responsibility Obligations (Northern Ireland) Order 1998. Defra has taken the decision to consult for 1 month in order to allow a decision to be made by Budget 2014. Defra is happy to meet with stakeholders to talk through the options in the consultation document and the Impact Assessment to allow for the reduced consultation period.

Comments should be submitted by 17 January 2014 at the latest.

Responding to this consultation

Please send your comments on the proposals in this paper and on the accompanying Impact Assessment to the following address:

Producer Responsibility Team, Defra
Area 2B Nobel House
17 Smith Square
London SW1P 3JR

Or you can send your comments by email to packaging@defra.gsi.gov.uk

Respondents in Scotland should also send their response to:

Tim Chant
Zero Waste Delivery Team
Environmental Quality Division
Scottish Government
1-D(N) Victoria Quay
Edinburgh
EH6 6QQ

Email: timothy.chant@scotland.gsi.gov.uk

Respondents in Wales should also send their response to:

Alex Hamilton
Waste Regulation Policy Branch
Welsh Government
Cathays Park
Cardiff
CF10 3NQ

Email: alex.hamilton@wales.gsi.gov.uk

Respondents in Northern Ireland should also send their response to:

Janis Purdy
Environmental Policy Division
DoENI
6th Floor, Goodwood House
44-58 May Street
Belfast
BT1 4NN

Email: janis.purdy@doeni.gsi.gov.uk

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In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

Background

1. A quick overview of producer responsibility for packaging

The EC Directive on Packaging and Packaging Waste (94/62/EC, as amended – hereafter referred to as ‘the Packaging Directive’) aims to harmonise the management of packaging waste by reducing the impact of packaging and packaging waste on the environment and by avoiding obstacles to trade and distortion and restriction of competition within the Community.

The Packaging Directive sets a minimum overall recovery target of 60% (of which a minimum of 55% must be recycling), as well as material-specific recycling targets. For glass this is 60%.

These targets are to be met by Member States by 31 December 2008. After that date, Member States must continue to meet these minimum targets, but they have the freedom to set higher national targets.

The Packaging Regulations implement the Packaging Directive through a system of ‘producer responsibility’, which is an extension of the ‘polluter pays’ principle. This system makes glass producers (businesses that handle more than 50 tonnes of packaging per annum and have an annual turnover of over £2 million) responsible for meeting their share of the 60% EU glass target, based on their role in the supply chain and the amount of material handled in the preceding year. For glass, the Packaging Regulations currently require obligated producers to recycle 81% of the packaging they handle. The target is also split based on the type of recycling activity requiring glass producers to ensure that 63% of their obligation is met through recycling by remelt applications.

Statutory recycling targets on packaging producers are required to ensure that the UK continues to meet the minimum recovery and recycling levels set down in the Packaging Directive. In 2011, Government consulted on revised targets for the period 2013-2017³.

2. 2012 – A volatile year in glass recycling

During 2012 the UK experienced significant volatility in glass PRN prices. In 2012, based on what we had assumed the total amount of glass placed on the market was,

³ <https://www.gov.uk/government/consultations/recovery-and-recycling-targets-for-packaging-waste-for-2013-2017>

the UK needed to recycle 1,660k tonnes of glass packaging to meet the EU Directive target of 60%, based on the PackFlow⁴ mid-point estimate of glass packaging consumption in the UK. However, with low quantities of glass being accepted for reprocessing in the first three quarters of the year, this put significant pressure on the market to increase glass recycling in the last quarter. This saw PRN spot prices rise from around £10 per tonne early in the year to around £75 per tonne towards the end of the year⁵, meaning that the compliance costs for obligated glass packaging producers increased significantly.

The reasons for this volatility were not fully understood, so, as a result, Defra asked the Advisory Committee on Packaging (ACP) to investigate the causes of the perceived shortage of glass recyclate in 2012 and subsequent PRN price spike. They were also tasked with identifying ways in which stability in the PRN system could be improved and ways of better identifying and managing price spikes in future. Part of that exercise has involved the production of the 'GlassFlow⁶' report. The WRAP/Valpak "GlassFlow" report has gone back to first principles and produced a new estimate of glass packaging waste arisings based on a thorough and detailed analysis of the glass market.

Their work indicates that the glass waste arisings figures in PackFlow (the so called 'flow' figure) that Government used to calculate our achievement of the EU Packaging Directive target, and set the statutory business targets for 2013-2017, is some 350k tonnes higher than is actually the case.

The figures Government used in the 2011 consultation were a projection, made in 2010, based on 'actual' industry data for 2009 with assumptions around growth. These figures were provided and supported by industry and we sought comments on their robustness as part of the public consultation on the recycling targets for 2013-2017. No comments were received regarding the possible inaccuracy of any data in response to that consultation.

The main implication of the lower revised flow of glass packaging is that it significantly affects the UK's packaging glass recycling rate – it would suggest that in 2012, the UK over achieved against the EU Directive target of 60% by some 8% or 185k tonnes of glass packaging. The report also indicates that there is no incremental growth in the industry, at best, it is flat.

Further, during 2011, it was discovered that there was evidence of the issuance of fraudulent PRNs, where PRNs were being sold for material that did not exist. The

⁴ http://www.valpak.co.uk/docs/default-source/environmental-consulting/packflow_2012_summary_report_and_recommendations.pdf?sfvrsn=0

⁵ Lets Recycle

⁶ <http://www.wrap.org.uk/content/glassflow-2012-report-0>

amount of fraud was significant, with GlassFlow estimating the amount at between 100,000 and 200,000 tonnes of PRNs issued for material that had not been collected or reprocessed. Previous analysis had therefore been based on a lower level of actual recycling and lower associated costs than estimated at the time. The actual cost of achieving the business targets was higher than expected. Once this fraudulent tonnage had been removed from the reprocessed figures, it provided a more accurate view to the market of the likely availability of PRNs in future years and signalled that more glass packaging waste had to be obtained and processed in order to comply with the targets.

These factors combined had caused a shortage of glass packaging waste available to be recycled, an underestimating of the cost of achieving recycling targets and a subsequent increase in glass PRN prices. We are also overachieving at high cost against the Packaging Directive target. Glass producers have effectively been over-obligated as a result of these issues, and the consultation seeks views on addressing this over obligation by reducing the glass packaging business target.

3. Recycling and recovery targets: baseline assumptions

The Packaging Regulations include a de minimus threshold, exempting businesses which have a turnover below £2m and who handle under 50 tonnes of packaging; they are 'not obligated'. However, the packaging that is handled by those exempt businesses still counts when calculating the UK's recycling performance. This is because the Packaging Directive targets are set as a percentage of the total packaging waste arising in each Member State.

Therefore the recycling and recovery targets which apply to 'obligated tonnage' (that handled by 'obligated businesses') are higher than those set by the Packaging Directive in order to cover material handled by de minimus businesses. This ensures that the UK complies with the Packaging Directive targets. These higher domestic targets are known as 'UK business targets'.

UK business targets are estimated using the following data:

- (i) The amount of packaging flowing into the UK waste stream, and
- (ii) The level of packaging that is 'obligated' on the UK market.

The current targets use projected figures, estimated in 2010, and based on 'actual' industry data for 2009. To this baseline, we applied a projected growth rate. These figures were provided and supported by industry and we sought comments on their robustness as part of the public consultation on the recycling targets for 2013-2017.

The WRAP/Valpak “GlassFlow⁷” report has gone back to first principles and produced a new estimate of glass packaging waste arisings based on a thorough and detailed analysis of the glass market. It estimates the amount of glass packaging flowing into the UK waste stream as 2,399k tonnes.

GlassFlow also assumes that there will be no growth in consumption of glass packaging in the UK between 2013 and 2017. This was the case between 2008 and 2012 and a further period of flat growth is deemed likely by the trade associations engaged for the GlassFlow project.

Q1. In your view, are the estimates made in GlassFlow for waste arisings the best available data?

Are you aware of any other factors which may affect the level of glass entering the waste stream?

Do you agree with the flat growth assessment?

Please provide us with as much evidence as possible to support your answer, so we can adjust our figures as necessary.

Estimating the ‘obligated tonnage’ requires assumptions to be made about the amount of packaging businesses will handle in future years. This does not, and cannot take account of future unknown economic or market events at a national or international level, nor of commercial developments at company level.

The current targets in the Packaging Regulations are based on the assumption that obligated tonnage will closely follow the prevailing trend for material placed on the market, which has, historically, shown to be true. The level of obligation has grown or fallen approximately in line with the growth in packaging waste arising. Therefore we expect the obligated tonnage to continue to track packaging waste arisings, and so plan to use the same growth rates for both.

Q2. In your view, are there other factors which may affect the levels of obligated tonnage reported?

Please provide us with as much evidence as possible to support your answer, so we can adjust our figures as necessary.

The ‘GlassFlow’ report presented all of its estimates to both include and exclude illegal imports. The report estimates that approximately 100k tonnes of the glass packaging consumed in the UK consists of packaging around illegal imports of

⁷ <http://www.wrap.org.uk/content/glassflow-2012-report-0>

alcohol, and raised the question over how to account for this in the flow estimates. They argued that including illegal imports inflates the flow total, which translates into a greater recycling obligation for UK businesses, despite them not being responsible for this tonnage. In addition, estimating illegal imports of alcohol (and the associated glass packaging) involves a substantial degree of uncertainty.

The ACP are of the view that this data should not be included in the flow figures to set the glass packaging recycling targets. Government support that position as illegal imports have not previously been counted and are not counted in the flow figures for other materials. We have excluded the estimate of illegal imports from all of our analysis.

Q3. In your view, are the estimates made in GlassFlow for illegal imports the best available data?

Do you support the proposal to exclude illegal imports from the flow figure?

Please provide us with as much evidence as possible to support your answer, so we can adjust our figures as necessary.

The Proposals

Option 1: Do nothing – keep the glass packaging recycling business target at 81%

In the Impact Assessment, this option establishes the counterfactual for the period 2013-17 in the absence of any changes to the policy. Options 2 and 3 are measured relative to this option. It analyses the difference between the glass packaging flow and recycled tonnages that were used in the impact assessment⁸ for packaging targets in 2012 and the updated information in the Glassflow report.

Clearly, one option could be to leave the business target as currently set, at 81%. This would provide continued achievement of the Packaging Directive targets to a high level and a significant environmental benefit, however, the impact assessment clearly indicates there is a net cost to society to continue with the current target and that options 2 and 3 would deliver a net benefit.

Keeping the targets at current levels incur high costs on obligated producers to deliver the required level of recycling set by the business targets. This is indicated by the current PRN prices and the current evidence on costs and benefits. Options 2 and 3 deliver a net benefit, but also a net cost to business. This is due to the reduction in material revenue that reprocessing businesses receive. Obligated producers benefit significantly from lower collection and sorting costs for recycling and a related lower PRN price but this is offset directly by the lower PRN revenue received by reprocessors and exporters.

Given the comfortable margin of exceeding the UK's EU targets, it is possible to lower the business targets, recycling a lower total tonnage of glass and still meet our statutory and EU targets. The costs and benefits of lowering the business targets and changes to the split between remelt and other applications are considered below. A detailed analysis of the benefits and costs of each of these proposed options can be found in the accompanying Impact Assessment.

⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/82437/packaging-ia-120321.pdf

Option 2(a) – Lower the glass packaging recycling targets to 75% and maintain the split between remelt and other applications at the same percentages

Option 2(a) proposes to reduce the business target to 75% without further amendment to the split between remelt and other applications that is currently set. The Impact Assessment demonstrates that setting the business target at 75% would achieve an estimated 62.6% UK recycling rate. This is similar to the 62.1% which the 81% business target was originally intended to achieve. The split by end use is assumed to remain as set out in the regulations, that is 63% remelt and 37% other applications for 2014 and 2015 and then 64% remelt and 36% other applications for the subsequent 2 years.

Option 2(b) – Lower the glass packaging recycling targets to 75% and amend the split between remelt and other applications

Option 2(b) proposes to reduce the business target to 75% supported by a consequential amendment to the specific target for glass going into re-melt applications.

The aggregates market usefully provides a home for poor quality material that would otherwise go to landfill. However aggregates is an open loop application, and in carbon terms a sub-optimal one (see table 12 of Impact Assessment). To achieve the best environmental outcome from recovery activities, Government set sub-targets for glass by end-use, allowing a decreasing proportion of the overall glass target to be met though evidence derived from other applications including aggregates. This was agreed in the 2012 consultation. Prioritising remelt over aggregates is in line with the waste hierarchy and the UK Government’s policy on achieving a circular economy.

As the detected fraudulent activity was in aggregate glass, and the original split in targets was based on the reported recycling split, a new split target could be set by adjusting the amount by the estimated fraudulent activity. Option 2(b) would involve an amendment to the split by end use that was introduced from 2013 giving the following split as below:

Split end use targets for option 2(b)

New split for business targets	2014	2015	2016	2017
Remelt	65%	65%	66%	66%
Other applications	35%	35%	34%	34%

Option 3(a) – Lower the glass packaging recycling targets to 77% and maintain the split between remelt and other applications at the same percentages

Option 3(a) proposes to reduce the business target to 77% without further amendment to the split between remelt and other applications that are currently set. The Impact Assessment demonstrates that setting the business target at 77% would achieve an estimated 64.7% UK recycling rate. The split by end use is assumed to remain as set out in the regulations, that is 63% remelt and 37% other applications for 2014 and 2015 and then 64% remelt and 36% other applications for the subsequent 2 years.

Option 3(b) – Lower the glass packaging recycling targets to 77% and amend the split between remelt and other applications

Option 3(b) proposes to reduce the business target to 77% supported by a consequential amendment to the specific target for glass going into re-melt applications.

Option 3(b) would involve an amendment to the split by end use that was introduced from 2013 giving the following split as below:

Split end use targets for option 3(b)

New split for business targets	2014	2015	2016	2017
Remelt	66%	66%	67%	67%
Other applications	34%	34%	33%	33%

Summary:

The Impact Assessment provides a full analysis of all of the options, but in summary, the net benefit of option 2(a) is £4.23m Present Value which is higher than the net benefit of all the other options. However, on an assessment of the net cost to business, option 2(a) is the least preferred option due to the net cost to business of £-3.15m which is the highest negative Net Present Value (NPV). The table below shows an assessment of the NPV, impacts on business and PRN impacts of all 4 options compared to the do nothing option.

Summary of options

Summary of options	Option 2(a)	Option 2(b)	Option 3(a)	Option 3(b)
Change in obligated tonnage recycling	-120,433	-120,433	- 80,288	- 80,288
Reduction in obligated remelt	- 75,873	- 51,324	- 50,582	-11,230
Reduction on obligated aggregate	- 44,560	- 69,109	- 29,707	- 69,058
NPV £m	4.23	3.41	2.82	1.51
NPV to business £m	- 3.15	- 2.34	- 2.10	- 0.81
Change in PRN impacts £m	148.71	148.71	99.13	72.28

The business NPV is negative in all options which reflects the impact of reduced recycling on recovered material revenue. The chain of activity in recycling is complex and the impact of these proposals has distributional impacts. For obligated businesses this will significantly reduce their costs of complying with the obligations. Reprocessors and exporters will see a corresponding significant fall in their revenues. These businesses will, however, still receive the PRN revenue for all the existing recycling.

All options, based on the revised flow data will ensure that we achieve a sufficient level of recovery and recycling of glass in order to ensure delivery of the EU minimum targets.

The UK Government does not have a preferred option. We therefore welcome views from respondents on which option is most desirable and the reasons why. We would also welcome any further evidence and comments on the evidence provided in this consultation especially regarding the data which underpins the targets and impacts on the costs/benefits.

Q4. Do you have any additional information or evidence to improve the analysis of the costs and benefits?

Q5. What is your preferred option? And why?

Please provide us with as much evidence as possible to support your answer, so we can adjust our figures, and take additional information and factors into account as necessary.

Summary of Questions

Q1. In your view, are the estimates made in GlassFlow for waste arisings the best available data?

Are you aware of any other factors which may affect the level of glass entering the waste stream?

Do you agree with the flat growth assessment?

Please provide us with as much evidence as possible to support your answer, so we can adjust our figures as necessary.

Q2. In your view, are there other factors which may affect the levels of obligated tonnage reported?

Please provide us with as much evidence as possible to support your answer, so we can adjust our figures as necessary.

Q3. In your view, are the estimates made in GlassFlow for illegal imports the best available data?

Do you support the proposal to exclude illegal imports from the flow figure?

Please provide us with as much evidence as possible to support your answer, so we can adjust our figures as necessary.

Q4. Do you have any additional information or evidence to improve the analysis of the costs and benefits?

Q5. What is your preferred option? And why?

Please provide us with as much evidence as possible to support your answer, so we can adjust our figures, and take additional information and factors into account as necessary.