

A Deposit Return Scheme for Scotland

Fairer Scotland Impact Assessment

September 2019



Scottish Government
Riaghaltas na h-Alba
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FAIRER SCOTLAND DUTY SUMMARY TEMPLATE

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| <p>Title of Policy, Strategy, Programme etc.</p> | <p>A Deposit Return Scheme for Scotland</p> |
| <p>Summary of aims and expected outcomes of strategy, proposal, programme or policy</p> | <p>Scottish Ministers intend to introduce a deposit return scheme (DRS) for single-use drinks containers.</p> <p>This new policy forms part of the Scottish Government’s wider ambition to develop a more circular economy that keeps products and materials circulating in a high value state of use for as long as possible – maximising resources to benefit the economy and the environment.</p> <p>The work to establish the scheme is underpinned by four key strategic objectives:</p> <ul style="list-style-type: none"> • Increase the quantity of target materials collected for recycling • Improve the quality of material collected, to allow for higher value recycling • Encourage wider behaviour change around materials • Deliver maximum economic and societal benefits for Scotland <p>The preferred scheme design enables consumers to take single-use containers back and redeem a 20p deposit from any retailer selling drinks covered by the scheme. This amount is within the range of deposit levels adopted by successful international schemes, adjusted for inflation. It is the median deposit level suggested by responses to the public consultation on our proposals.</p> <p>The scheme will include plastic bottles made from PET (the most common type of bottle for products such as fizzy drinks and bottled water), aluminium and steel cans and glass bottles.</p> <p>Businesses that sell drinks to be opened and consumed on-site, such as pubs and restaurants, will have the choice as to whether to charge the deposit to the public and will only be required to return the containers they sell on their own premises.</p> |

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| | <p>Online retailers will be included in the scheme. This means that those customers who are dependent on online delivery, because for a variety of reasons they are unable to travel to shops, are able to easily get back the deposits paid on containers.</p> <p>Non-retail spaces will be able to act as return locations. These could include recycling centres, schools or other community hubs. While retailers will be required by legislation to provide a return service, non-retail spaces will operate on an opt-in basis.</p> <p>Bigger retailers with more space may install machines to both collect the bottles and cans and enable people to redeem deposits. Smaller retailers with less space have the option to return deposits over the counter, collecting the containers manually.</p> <p>This preferred scheme design is expected to deliver a high return rate for containers in scope. As such, it most closely matches the environmental ambitions which underpin the policy.</p> <p>Schemes which operate on similar principles in places such as Scandinavia and the Baltic states capture up to 95% of eligible drinks containers for recycling. Scotland's DRS will target a return rate of 90%. This is significantly higher than the current capture rates for the materials that are in scope of our proposals.</p> |
| <p>Summary of evidence</p> | <p>The proposed scheme is intended to apply consistently across Scotland and does not specifically target particular groups or sections of society. It is, however, important to ensure the scheme properly reflects the fact that different people have different needs.</p> <p>In order to ensure this is the case, a partial Equality Impact Assessment (EQIA) was published as part of the public consultation on our proposals for DRS. As well as considering the impact of the scheme in the context of the protected characteristics set out through the Equality Act 2010, the assessment also took account of wider socio-economic considerations associated with the introduction of DRS. This summary template should be read in conjunction with that assessment which can be found at:</p> <p>https://consult.gov.scot/environment-forestry/deposit-return-scheme/supporting_documents/DRS%20Interim%20EQIA%20.pdf</p> |

Based on the evidence gathered for the purposes of that assessment, it was concluded that there was potential for DRS to both positively and negatively impact on people affected by low wealth and material deprivation. It was clear that the nature of those impacts would be largely dependent on the final scheme design approved by Ministers alongside any mitigation measures that may be put in place to address areas of concern.

The assessment found that people impacted by socio-economic disadvantage are more likely to pay more for essential goods and services (energy, food) than the rest of the population and fuel and food were identified as the main spending priorities. This may be through a lack of information/competition, differential pricing strategies and restricted access to better deals (e.g. distance to supermarket without a car). The indications are that low income households are more susceptible to changes in food and drink prices.

The partial EQIA concluded that the design of any DRS should consider the potential impact that the initial outlay of deposits and their temporary retention could have on individuals on low incomes.

Whilst not conclusive, modelling work undertaken by Zero Waste Scotland and the Scottish Government offers a useful insight into the likely scale of the additional outlay faced by individuals across different income deciles as a result of the introduction of DRS. Further detail on this work is set out at **Annex A** to this report.

That work, which should only be considered as indicative, suggests that DRS will result in an initial additional outlay of around £1.40 for those individuals falling within the lowest 10% household income group as defined by the Office for National Statistics. While this money can be reclaimed, it is anticipated that it will then be spent on servicing further deposits and so cannot be redirected to other priorities. The outlay rises to approximately £1.80 for the second lowest household income decile.

The above scenario is only true if the proposed DRS is successful in securing high levels of public participation and it is clear that the scheme will be more expensive from the perspective of consumers should they choose not to redeem their deposits. There are a number of factors that will influence choices around participation, including:

- A consumer's total and disposable income
- Their views and preferences around recycling

- Their current recycling activity
- Their proximity to deposit return points
- Their level of consumption of items within the scope of DRS

In a previous study of factors affecting the gross recycling performance of local authorities in England¹, the most significant were levels of deprivation (with lower yields associated with higher levels of deprivation), the range of materials targeted (with wider ranges of materials targeted achieving higher dry recycling yields) and fortnightly refuse collections (being associated with higher dry recycling yields in comparison to weekly refuse collections). However, it is difficult to use evidence from existing kerbside recycling services to predict participation in deposit return schemes, where the incentives are quite different.

What is clear is that any DRS will have to be accessible and convenient for all members of society if we are to avoid people being financially disadvantaged. 96% of respondents to the public consultation on DRS favoured a return to retail model supplemented by dedicated return points, meaning it will be possible to return packaging to any place of sale. International evidence suggests that schemes which operate on a “return to depot” basis with no retail involvement fail to secure high capture rates, meaning a greater proportion of deposits go unredeemed.

A high return rate is also contingent on strong public awareness of the scheme. Public communication using a wide range of channels, including online, will therefore be critical. Evidence suggests that those on lower incomes are less likely to have access to, and confidence in using, the internet² and this should be borne in mind.

Finally, there are indications that there could be job opportunities created as a result of establishing DRS. Evidence from comparable schemes overseas indicates that these could be filled by people who have been unemployed for a long time. This information was gathered on a range of overseas visits by Zero Waste Scotland staff to deposit return schemes in various European countries including Iceland, Norway and Estonia, Sweden and Lithuania in late 2017 and Denmark and Finland in early 2018.

¹ <http://www.wrap.org.uk/collections-and-reprocessing/collections-and-sorting/kerbsidecollections/reports/factors-influencing-recycling-performance>

² <https://www.gov.scot/publications/scotlands-people-annual-report-results-2016-scottish-household-survey/>

Summary of assessment findings

Based on the evidence gathered, it is clear that the introduction of a DRS has the potential to impact on those experiencing socio-economic disadvantage. However, we believe that the scheme design announced by the Scottish Government minimises the risk of negative impacts.

We consider the following features of the scheme to be critically important in this respect:

Public communication: Accessible communication and inclusive engagement will be central to ensuring high participation and equality of access to the scheme.

As work progresses in preparation for the scheme's implementation, it will be crucial to ensure that DRS communication and engagement activity has a strong equality focus. This will allow us to ensure that people with a range of needs and characteristics will be able to clearly understand what the DRS is, how it works, where they can find their nearest return point, what they can return and how they can redeem their deposit.

Comprehensive, multi-channelled and inclusively designed communication and engagement programmes and materials will be key to achieving this.

Accessibility of return points: The evidence gathered to date suggests that the location of return points, their accessibility and convenience of use should be prioritised. The preferred scheme design has taken account of this by proposing that a return to any place of purchase model will be adopted as part of the scheme, meaning that members of the public will be able to return containers to any retailer who sells single-use drinks containers covered by the scheme. This will be beneficial to those who, for whatever reason, rely more on local retailers. Non-retail spaces will also be able to act as return locations. These could include recycling centres, schools or other community hubs.

Return points will be able to operate both manual and automated take-back arrangements, thereby removing a potential obstacle to the participation of smaller retailers who may not be in a position to accommodate an RVM.

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| | <p><u>Participation of those who use online grocery retailers:</u> Online shopping is a service that is relied on by many people including disabled people, those who live in rural areas and those without access to private transport. Accordingly, the preferred scheme design proposes that online retailers be required to operate a take-back service for their customers. This means that those customers who are dependent on online delivery, because for a variety of reasons they are unable to travel to shops, are able to easily get back the deposits paid on containers.</p> <p><u>Economic and societal opportunities:</u> Ministers are clear that the scheme should deliver maximum economic and societal benefits for Scotland. DRS will deliver an aggregated and high-quality feedstock of recyclate and Zero Waste Scotland has established a dedicated workstream focussed on attracting inward investment by material re-processors which, if successful, has the potential to create additional job opportunities.</p> |
| Sign off | Name: Don McGillivray Job title: Deputy Director, Environmental Quality and Circular Economy |

ANNEX A

1. Work was undertaken in order to gain insight into the likely scale of the initial additional outlay faced by individuals across different income deciles as a result of the introduction of DRS.
2. Using data from Scottish households from the ONS Living Costs and Food Survey (LCF), the average amount spent on drinks containers each week (i.e. drinks in cans and bottles) was calculated for each income decile in Scotland. Kantar consumer panel data was then used to establish an estimate for the average costs of different types of drinks purchased in Scotland. This was then applied to the LCF data in order to estimate the average number of each type of drinks container bought by households in each decile. Finally, the 20 pence deposit was applied to each of these containers to establish the estimated additional outlay as a result of the Deposit Return Scheme. The results of this work are summarised in the table below:

| ONS Household income group | Mean household grocery spend (£ per week) | Mean grocery shop comprising drinks containers (£ per week) | Estimated initial additional outlay on the introduction of DRS | Initial additional DRS outlay, as % of grocery shop | Initial additional DRS outlay as % of mean net income |
|----------------------------|---|---|--|---|---|
| Lowest ten per cent | £38.90 | £7.40 | £1.40 | 3.60% | 1.10% |
| Second decile | £49.50 | £8.40 | £1.80 | 3.60% | 0.80% |
| Ninth decile | £77.60 | £16.60 | £2.80 | 3.70% | 0.30% |
| Highest ten per cent | £91.40 | £20.10 | £2.80 | 3.10% | 0.20% |

(NB – Figures in the table are rounded to one decimal place)

3. As highlighted in the discussion above, it is important to remember that the additional outlays set out in the table above are not weekly increases to the price of grocery shopping. The additional outlay is a one-off cost on the introduction of the scheme – this money can be reclaimed by depositing the empty containers.