

Reforming the UK packaging producer responsibility system

FAIRER SCOTLAND DUTY SUMMARY

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

Title of Policy, Strategy, Programme etc	Reforming the UK packaging producer responsibility system
Summary of aims and expected outcomes of strategy, proposal, programme or policy	<p>According to the Scottish Environment Protection Agency (SEPA), more than 10 million tonnes of packaging waste is produced every year in the UK.¹ A substantial part of packaging waste ends up in landfill, two-thirds of which could instead be recovered, resulting in avoidable environmental costs. It is estimated that the current extended producer responsibility (EPR) system covers only around 10% of the total cost of managing post-use packaging waste, which means that local authorities and wider society must bear much of the cost.²</p> <p>It is clear that the current packaging EPR system does not meet the requirement that producers bear financial responsibility for the impacts of products they place on the market, and are incentivised to reduce these impacts, as packaging producers do not bear the full financial responsibility for the post-use management of packaging and are not responsible for the environmental externalities created by their packaging.</p> <p>The objectives of reforming the UK packaging producer responsibility system are to:</p> <ol style="list-style-type: none"> 1. Increase packaging recycled 2. Increase the recyclability of packaging 3. Reduce unnecessary packaging (not qualified in this FSA) 4. Improve the environment 5. Increase domestic recycling and reprocessing capacity 6. Enhance data reporting <p>The policy is focussed on businesses, rather than individuals, but still has the potential to impact on individuals and households. It is a UK-wide policy, agreed jointly by the Scottish Government, UK Government, Welsh Government and the Department of Agriculture,</p>

¹ SEPA: Packaging waste

² Plastic bottles: Turning Back the Plastic Tide

	Environment and Rural Affairs in Northern Ireland (DAERA).It can be considered to be a strategic decision, requiring an FSA.
Summary of evidence	<p>At least in part because the final scheme design is not yet known, there is little evidence that can be used to determine the possible impacts of the policy proposal on the identified inequalities of outcome. The final scheme design will be completed in light of the joint consultation this assessment accompanies.</p> <p>Four issues were considered in this partial assessment:</p> <p>a. The price of groceries</p> <p>This policy is intended to ensure that the producers of packaging are responsible for 100% of the costs of treating it at the end of its useful life after deducting the income from the sale of materials (this is known as ‘full net cost recovery’). At present, producers pay approximately 10% of the financial cost in the UK, with local authorities paying the majority of the costs for dealing with household waste.³ If producers are required to pay the full net cost, they are likely to pass on some or all of the additional cost via the price of packaging, which may in turn increase the price of goods as a result of cost pass-through. High-level analysis carried out by DEFRA indicates that there could be price increases in the region of 0.49% for consumer goods, if producers pass on 80% of the disposal costs.⁴ Previous research into cost pass through in deposit return schemes (a form of EPR) indicates that the passing on of a proportion of the fee is likely, although the extent of pass-through will depend on the specifics of the market and individual products, and is thus very difficult to predict.⁵ This may result in small price increases for some products.</p> <p>At present, households indirectly pay for the treatment and disposal of packaging through the tax system. This means that the amount a household contributes to the cost of the disposal of packaging is linked to their income and housing situation, rather than the packaging they use. Any increase in the price of consumer goods would mean that households were paying this cost directly, rather than indirectly through taxation, meaning that households pay for the packaging they consume, regardless of their</p>

³ Plastic bottles: Turning Back the Plastic Tide

⁴ <https://consult.defra.gov.uk/extended-producer-responsibility/extended-producer-responsibility-for-packaging>

⁵ Unpublished research, carried out on behalf of Zero Waste Scotland

income. It should be noted that this may also mean that households face increased costs overall, unless local or central government chose to pass on the savings from the public purse.

It is not possible to determine the implications of this for a particular household or demographic group. However, given that Scottish householders pay hidden grocery packaging costs (as laid out in the preceding paragraphs), any cost pass-through would be likely to increase this. This could be offset to some extent by three factors. Firstly, some packaging items – bottles and cans – will be covered by Scotland’s deposit return scheme, so will not be affected by cost changes related to the reform of the EPR system. Secondly, one of the intended aims of the proposal is to encourage producers to remove or redesign unnecessary packaging, which could reduce the packaging costs for some items. Finally, consumer purchasing patterns may change to avoid price increases, for example by changing the goods they choose to purchase.

Lower-income households spend a greater proportion of their incomes on food, and this group could be disproportionately affected by any increase in prices. Those on low incomes in remote rural communities may be particularly adversely affected, due to the already higher cost of living. However, it should be noted that income tax policy decisions taken since 2016-17 mean that the lowest-earning 70% of Scottish taxpayers will pay less tax in 2020-21 relative to 2016-17.⁶

Although it is not possible to quantify the impact of cost pass-through on particular households or groups, it is our intention to conduct further desktop research.

However, it should be noted that responsibility for setting the level of the fees that producers must pay, and designing the mechanism for fee modulation (whereby the fee charged depends on the type of packaging), will rest with a future scheme administrator. The extent to which this will be included in regulation, and therefore how much will be determined by the scheme administrator rather than the government, is unknown at present.

b. The impact on local authority funding

⁶ [The Scottish Government’s income tax policy in the 2020-21 budget: analytical note on impacts on income levels and equality since 2016-17](#)

These proposals mean that producers will be responsible for paying the full net cost of managing their packaging at the end-of-life stage including collection, sorting and disposal of household packaging waste by local authorities in recycling collections and collection and disposal of packaging via residual services. Packaging waste generated in commercial premises is collected by a wider range of local authorities and waste management companies and only the recycling collections are intended to fall under full net cost.

The final payment mechanism to authorities and waste management companies will be determined by a future scheme administrator, and so any equalities impacts (for example through differential payment formulas affecting specific socio-demographic groups in different ways) cannot be analysed at this time. However, it should be noted that local authority services are currently paid for via taxation, so transferring this cost to producers would represent a cost saving to the public purse, enabling the funds to be used on other government services, or a cost saving transferred back to the tax-payer.

c. The impact on litter

Previous research has highlighted that those living in the most deprived areas are most likely to experience issues with littering. The policy as proposed has no mechanism for directly influencing consumer behaviour to prevent littering, so cannot be said to have a clear beneficial impact in this regard. However, dealing with litter is part of the cost that producers will be obligated to pay, and the impact of that will depend heavily on the final details of the payment mechanism and incentive design. In addition, if producers choose to use less packaging to reduce their costs under the scheme, this could impact on litter quantities.

d. The impact on jobs

It is not anticipated that there will be a direct impact on jobs in Scotland as a result of this policy proposal, as its primary aim is to transfer costs from the public purse to the producers of packaging. The Scottish Firms Impact Test will be carried out as part of the full BRIA and will identify positive or negative impacts for Scottish businesses.

However, the scheme is also intended to encourage improved packaging design, through the modulation of

	<p>fees. It is possible that this may have an adverse effect on manufacturers of some types of packaging. Conversely, the scheme is also intended to increase the recycling of packaging, and increase domestic recycling and reprocessing capacity (at a UK level). It is possible that this could generate employment opportunities. As fee modulation and scheme design will be determined by a future scheme administrator, it is not possible to consider these issues fully at present.</p>
<p>Summary of assessment findings</p>	<p>This partial assessment has been completed by carrying out initial desktop research. It has identified that those experiencing socio-economic disadvantage tend to spend a higher proportion of their incomes on food, and that the cost of living can be higher in remote rural areas. This policy is not intended to directly cause an increase in the price of goods, but it is possible that producers may pass on any additional costs that they incur.</p> <p>It is our intention to use the upcoming UK-wide consultation period to carry out further research in order to further understand this.</p>
<p>Sign off</p>	<p>Ginny Gardner</p> <p>Name: Ginny Gardner</p> <p>Job title: Unit Head, Circular Economy Team</p>



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