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Extended Producer Responsibility Opportunities for Circularity

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Market Leader

Valpak – The UK’s first and largest Producer Responsibility Compliance Scheme



100% compliance record 23 years' experience 150+ employees



Proud to provide trusted insights to Government to develop legislation that drives UK recycling



Standards of Excellence



Since 2013



Since 2013



Since 2015



Since 2013



Since 2010



Since 2013

64% of our PRNs were bought from UK reprocessors in 2019
Rest of UK combined **48%**

All time
Paper **70%**
Glass **85%**

60 Working with over 60 UK reprocessors to deliver PRNs via quality recycling

23 million SKUs Our EPIC database provides unparalleled insight into the UK's product packaging sector

Agenda

1. Current UK Packaging Producer Responsibility

2. Extended Producer Responsibility Reform

- How we got here
- Key Reforms, Main Impacts
- Overview of Plastic Packaging Tax, Deposit Return Schemes

3. Designing EPR in the UK

- How can EPR be designed to deliver further opportunities for circularity for individual producers?

4. Summary & EPR Timeline

- How Valpak can help you become ready for EPR



Packaging Producer Responsibility in the UK

Current system established under Packaging Waste Regulations 1997

Initial Objectives

1. Provide **revenue support to existing recycling** operations
2. To **meet national recycling targets** at lowest cost to industry

Businesses are obligated if:

1. Annual turnover **> £2 million** and;
2. Handle more than **50 tonnes** of packaging a year

Those obligated must recycle of a portion of the packaging they help place onto the UK market

- Obligations offset through purchasing recycling evidence notes (**PRNs**)

What lessons can be learned ahead of introducing EPR?



Packaging Reform

PRN system was established to meet a different set of objectives and issues to those faced by Government and industry today

Issues highlighted include:

- Inconsistent funding for local authorities to collect waste
- Online retailers are not obligated to fund recycling
- Volatile PRN prices, limited transparency over funding usage
- Ineffective consumer communications to drive behaviour
- Insufficient scrutiny of export markets (especially for plastic)



How can the system be redesigned to deliver greater resource circularity?

Extended Producer Responsibility (EPR)

EPR reform first mentioned in the **Resources & Waste Strategy**

Outlines Principles of Packaging EPR

- Producers' **contributions to cover 100% packaging waste management costs**
- Incentivise producers to **reduce unnecessary, difficult to recycle and non-recyclable packaging and instead pursue eco-design**
- All producers should pay into the system, either through direct or passed-on costs
- Producers' **contributions should stay within the system** to support collection/recycling infrastructure and achieve national targets
- **Mandatory, binary on-pack recycling guidance** for consumers

Large legislative reforms are required to apply **EPR** and **'polluter pays'**

- Powers to enact reforms sought through the **Environment Bill**

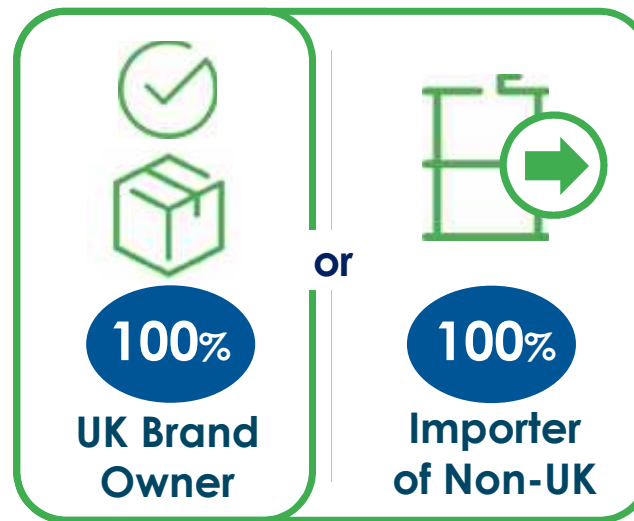


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Packaging EPR: Who may need to comply?

EPR may refocus which 'producers' should carry enhanced financial responsibilities

Reforms will retain shared responsibility system or instead obligate only a single 'producer'



Missing **recycling obligations of online traders** selling into UK will be addressed

De minimis exemption may be reduced to obligate more small producers

Packaging EPR: What packaging will EPR cover?

EPR attaches new financial responsibilities to packaging with linear resource use patterns

New definitions of packaging likely...

Fund through EPR

Household



Consumer goods packaging

Household-like



Consumer goods packaging
arising from businesses

Fund separately

Commercial & Industrial (C&I)



Materials used to transport/ present
consumer goods

Producers' EPR contributions fund recovery & recycling of HH and HH-like packaging

- C&I waste still carries obligation, likely to be collected and funded via current arrangements

Packaging EPR: How much will producers need to pay?

EPR dramatically increases compliance costs for those defined as ‘producers’

Full ‘net’ costs of post-consumer management of packaging placed on the UK market

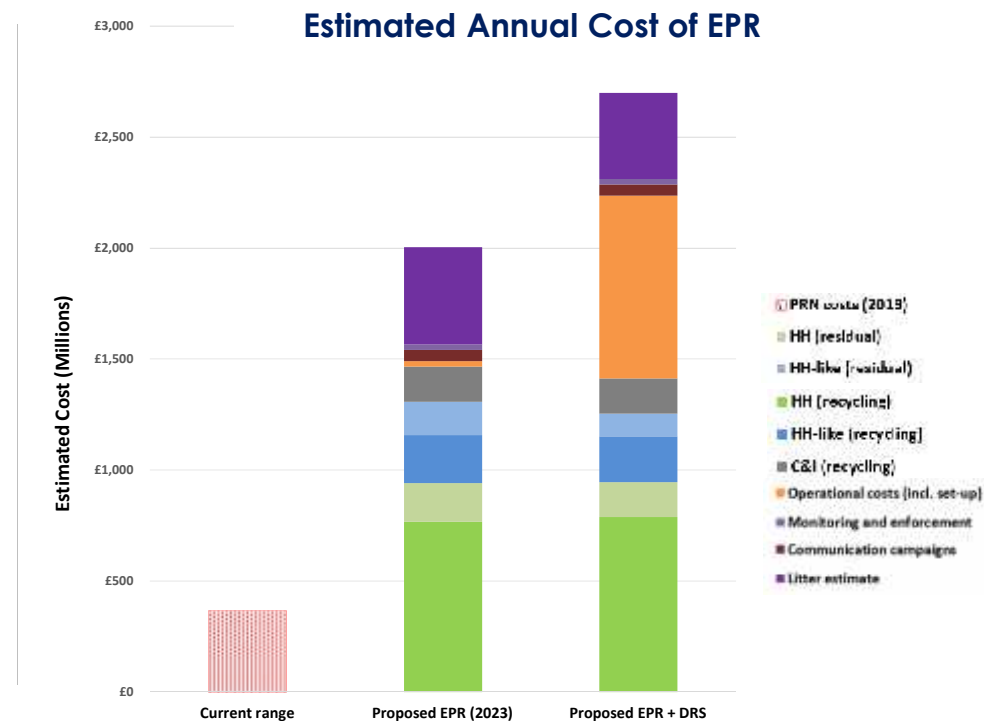
- Fair producer contributions for ‘necessary’ costs
- Consistent Collections plus sorting, treatment, recycling and disposal of residual costs

Additional Cost Obligations

- +£ Clean up of litter and fly-tipped packaging
- +£ National consumer recycling comms
- +£ System administration & enforcement

Costs even greater for those affected by DRS or Plastics Tax

PRN system likely replaced in favour of EPR system based on longer term more strategic approach



Packaging EPR: How much will producers need to pay?

EPR will differentiate producer's contributions to incentivise the uptake of packaging eco-design

System of 'modulated fees'

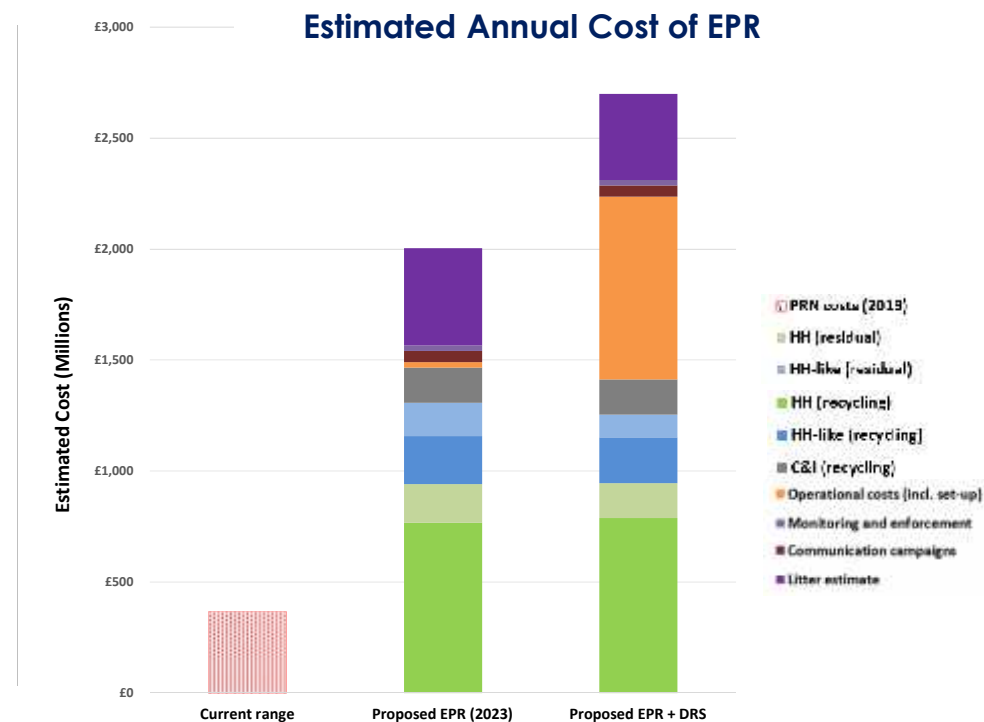
- Likely incentivises use of recyclable/ recycled materials whilst penalising use of 'bad' packaging designs and problematic materials

It is likely to cost more to place hard to recycle or unrecyclable packaging onto the market

- Modulation criteria TBC
- Work ongoing by WRAP/INCPEN

To mitigate EPR costs, designing packaging for recyclability ahead of 2023/24 will be crucial

- First year EPR costs likely to relate to producer's 2022 packaging data



Packaging EPR: Other Reforms

Much more detailed packaging reporting required

- To enable introduction of modulated fees (e.g. by polymer, colour for plastic)
- Sales split by UK nation, requires data from retailers

Binary On-Pack Recycling Labelling

- Move to **mandatory 'recyclable' or 'not recyclable' labelling** to boost participation
- Backed up by national communications on littering and recycling

Compliance Monitoring and Enforcement

- **Increased monitoring funded by producers'** contributions
- All stakeholders to **report more transparently** on where waste ends up/funding use
 - Local Authorities, Producers, Reprocessor, Exporters etc.
- Annual National Impact Report (or similar) produced by a Central Administrator

Plastic Packaging Tax

Complements EPR by increasing demand for recycled plastic

Draft Regulations confirm April 2022, UK wide implementation

£200/tonne on all plastic packaging made/imported after implementation using less than 30% recycled content

Scope	<p>Applies on a per component basis Multi-material components where plastic is the heaviest material will be taxable Products likely used as long-term storage or for protection/transportation in scope</p>
Liability	<p>UK-based converters and importers (or those they're working on behalf of) Those producing/importing less than 10 tonnes per year exempt Nothing preventing costs from being passed through the supply chain</p>
Imports, Exports	<p>Imports: primary and secondary packaging taxable, transport/tertiary exempt Exports: primary and secondary exempt, transport/tertiary taxable Reusable transport packaging already in circulation exempt</p>
Reporting	<p>Quarterly returns (first submission at end of June 2022)</p>
Recycled Content	<p>Post and pre-consumer waste can be used (except scrap and regrind) <u>Recycled content must be verifiable with valid evidence</u> from the supplier, otherwise it'll be taxed</p>

Deposit Return Schemes (DRS)

Financially invests the consumer in presenting articles for recycling

UK DRS proposed for 2023, more details expected early 2021

Scottish DRS to go live 1st July 2022

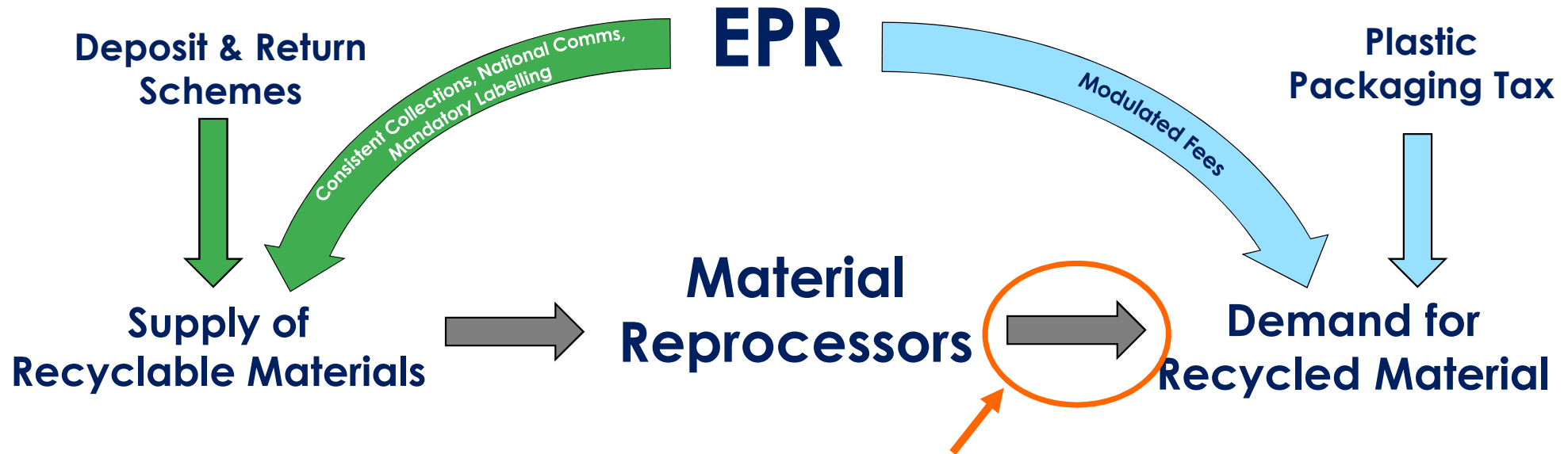
Deposit	20p on each single-use, airtight drinks containers sold to consumers in Scotland
Scope	50 ml to 3 litres PET Plastic, Glass, Aluminium and Steel
Producers	UK brand owners or importers of non-UK brand, operators of online retail platform
Takeback	Retailers must provide take back or arrange an alternative take point location Takeback either over-the-counter or via Reverse Vending Machine (RVM) Premises can be exempted from takeback – Zero Waste Scotland’s exemptions service opens 2021 Online retailers must provide takeback service from site of delivery
Financing	Takeback services to be cost neutral for retailers, funded by producers Producer annual registration fee £360 (if turnover > £85,000) DRS operational costs funded by unredeemed deposits, material sales to recyclers and variable producer fees
Targets	Producers must collect 90% of articles placed on the Scottish market by 2025

Designing EPR



EPR in Context

EPR initiatives stand to encourage an increase in the supply of/demand for recyclable packaging materials



How can EPR help drive access to recycled materials for individual producers?

Designing Packaging EPR

EPR will dramatically alter the producer responsibility compliance market

2 options from first Packaging EPR consultation garnered the greatest support

1. Either **enhance the current system**, maintaining a market of competing schemes
2. **Alter the system** to establish a single centrally-managed provider of compliance

Clear division amongst industry on most favourable approach to take

- 27% (160) favoured an enhanced business-as-usual approach
 - Mostly business representative orgs distributors, reproprocessors and WMCs
- 43% (256) favoured a single national scheme approach
 - Dominated by local government, third sector organisations

It may be preferential to design in elements of commercial competition alongside central management where necessary to make EPR for packaging work most effectively in UK

A Balanced Approach to Packaging EPR

Valpak promoting a balanced approach and receiving positive feedback

Centrally Managed Functions

- Coordinates and sets list of modulated fees categories
- Transparent methodologies for determining producer contributions and local authority funding
- Central coordination of reporting and national communications delivery
- Industry oversight to ensure high operating standards

Commercially and Competitively Delivered

- Competing, highly regulated compliance service providers
- Choice encourages efficient, high-quality services at competitive costs
 - Incentivises advanced data reporting systems and services
- Competitive recycling sector to promote technology and infrastructure development
- Drives commercially beneficial opportunities for greater access to recycled materials

Combined to provide best outcomes for EPR in the UK

EPR Design: Summary

EPR will dramatically increase costs of compliance for obligated producers

- EPR affects who will be obligated, what packaging is targeted, what must be funded
- Initiatives both supply-side and demand-side in nature
- **Producers' access to recycled materials key to deliver greater circularity** in materials

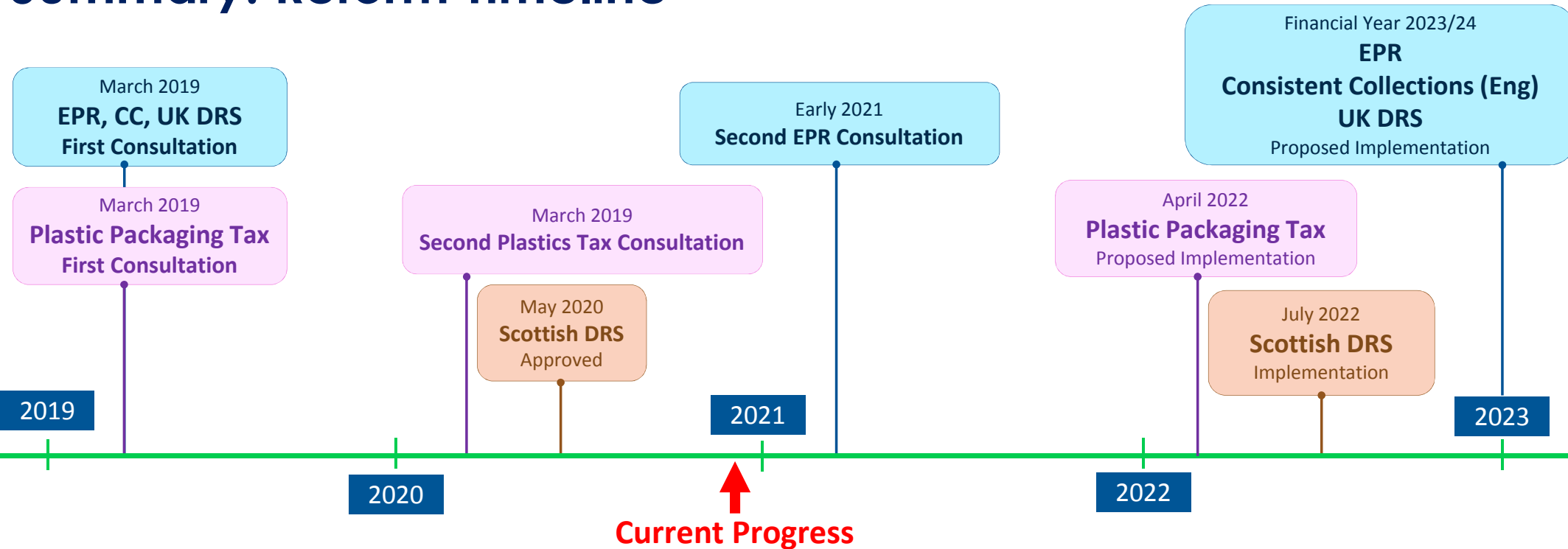
Requirements of EPR provide transformative opportunities for producers

- Producers can utilise more detailed data to drive positive design changes
- Adapt products and packaging to better meet sustainability demands of consumers

Value in adopting a balanced approach to the design of packaging EPR

- Central management to promote better behaviour, greater consistency, transparency and scrutiny
- Competition to promote efficient, innovative, high-quality, high-value services
- Drives circular resource use

Summary: Reform Timeline



Government's updated proposals for Packaging EPR expected Q1 2021

Consultation outcomes may be dependent on volume of support – participation is crucial

If you are unsure how EPR will affect you, Valpak are here to help

Valpak's Data Insights Platform

EPR will dramatically increase the complexity of producers' data collection & reporting requirements

Since 2004, Valpak's Data team have worked with 500+ companies to reduce the burden of environmental reporting

How Valpak can help you be ready

Futureproofing Data

Our Data Consultants will review your data capture methodologies to ensure they'll meet current and future reporting requirements

Cost Modelling

Provide full visibility of your data and associated compliance costs, enabling packaging volumes and materials to be easily monitored over time, even generate bespoke reports to highlight high impact items

Supplier Engagement

We'll contact & trace engagement with your suppliers via our new Product Data Hub. We can also weigh packaging into enter it into our database to help boost your weights coverage

Valpak Consulting

'Deeper dives' into your packaging data with analysis and research to inform decisions, devise packaging strategies, improve your environmental performance and ensure compliance

For more information about how Valpak can help with reporting both now and beyond contact data.insights@valpak.co.uk



Thank you

Questions?

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