



Department
for Environment
Food & Rural Affairs

Consultation on Introducing a Deposit Return Scheme in England, Wales and Northern Ireland

Second Consultation

March 2021



Llywodraeth Cymru
Welsh Government



Department of
**Agriculture, Environment
and Rural Affairs**



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Executive summary

Moving towards a more circular economy, where resources are kept in use for as long as possible and waste is minimised, and ensuring the UK is a world leader in resource efficiency and resource productivity is a priority for Government¹. Across the UK, consumers go through an estimated 14 billion plastic drinks bottles, 9 billion drinks cans and 5 billion glass bottles a year. The UK Government for England, the Welsh Government and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland have all made commitments to develop policy which work towards achieving these aims, not least through the development of producer responsibility proposals. Introducing a deposit return scheme forms a key part of these proposals, and has been committed to in various publications by the UK Government for England, the Welsh Government and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland, including the manifesto on which the current UK Government was elected, the *Resources and Waste Strategy for England*, the *Welsh Government's Beyond Recycling, A strategy to make a circular economy in Wales a reality*, and *Northern Ireland's Waste Prevention Plan*.

In 2019, Defra launched the consultation on Introducing a Deposit Return Scheme in England, in conjunction with the Welsh Government and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland. This consultation set out the aims of introducing a deposit return scheme, which would be to reduce the amount of littering, boost recycling levels for relevant material, offer the enhanced possibility to collect high quality materials in greater quantities and promote recycling through clear labelling and consumer messaging. Additionally, introducing a deposit return scheme could help incentivise moves to push more material up the waste hierarchy and move towards a more circular economy.

The consultation was met with support for the introduction of a scheme. In response to the 2019 consultation, noting the high level of public and stakeholder interest in introducing a deposit return scheme for drinks containers, Government committed to continuing to develop proposals and stated that it was minded to implement a scheme from 2023, subject to further evidence and analysis on the costs and benefits of such a scheme. Scotland have already set out their own plans to implement a deposit return scheme and we recognise there is support for coherent schemes across the United Kingdom.

Government remains committed to delivering on its commitments to introduce a deposit return scheme, but it also recognises that the Covid-19 pandemic has disrupted the economy and society in unimaginable ways, with many people reassessing their values, decisions and priorities in both the immediate and longer term. On this basis, our second consultation will build on the first consultation, offering a chance to explore further what the continued appetite is for a deposit return scheme in a 'post-Covid' context. The second consultation will also inform how a future scheme can be designed in the best and most coherent way possible to deliver on the objectives set out for introducing such a policy.

With this in mind, we have had to reassess what a realistic timeline for implementation of a deposit return scheme looks like, ensuring that sufficient time is given for a successful roll-out of the scheme. We therefore anticipate that the introduction of a deposit return scheme

¹ Unless otherwise stated "Government" refers to the UK Government for England, the Welsh Government and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland.

in England, Wales and Northern Ireland would be in late 2024 at the earliest. We believe this revision presents a realistic yet equally ambitious timeline to implement a complex but incredibly important policy in the most effective way possible. The timelines for implementation are further explored in Chapter 9. We also recognise that the deposit return scheme proposals are interconnected with the other waste reforms and the introduction of the Plastic Packaging Tax², and we will continue to assess the changes to timelines for delivery of these reforms.

A summary of proposals within the consultation chapters is presented below. This second consultation will enable us to present the final policy positions of the deposit return scheme and seek further information on any outstanding areas of design. The primary powers to implement the deposit return scheme will come from the Environment Bill which sets out how we plan to protect and improve the natural environment.

Summary of proposals by chapter

Chapter 1: Scope

This chapter sets out the scheme participants who will take on obligations under the deposit return scheme – namely producers, retailers and the Scheme Administrator (Deposit Management Organisation). These obligations include requiring producers to sign up to the Deposit Management Organisation and carry out reporting obligations, paying a producer registration fee to the Deposit Management Organisation to fund the deposit return scheme, and placing a redeemable deposit on in-scope drinks containers they place on the market. Retailers will be required to accept all deposit return scheme containers returned to their store and ensure the deposit price is added to the purchase price of an in-scope drink at the point of purchase.

We consider that the scope of a deposit return scheme should be determined based on material rather than product, and propose the scheme captures PET plastic bottles, glass bottles, and steel and aluminium cans. With regards to the size of containers included, the Welsh Government's preferred option for Wales is an all-in scheme (capturing drinks containers up to 3L in size) but remain committed to working in partnership with the UK Government and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland so that the scheme is as consistent as possible across Wales, England and Northern Ireland. The UK Government for England and Department of Agriculture Environment and Rural Affairs in Northern Ireland have remained open on scope with regards to introducing a deposit return scheme in England and Northern Ireland and would like to use this consultation to gain further views on whether the deposit return scheme should be an all-in scheme (including drinks containers up to 3L in size) or an on-the-go (drinks containers under 750ml in size and excluding those containers sold in multipacks) scheme. Because England and Northern Ireland remain neutral on scope, some chapters of the consultation may touch on policy variances based on whether the final scheme is all-in or on-the-go. The consultation should be read based on an all-in deposit return scheme being implemented in Wales.

² <https://www.gov.uk/government/publications/introduction-of-a-new-plastic-packaging-tax>

Chapter 2: Targets

This chapter proposes that legislation will set out targets for a proportion of drinks containers placed on the market to be collected for recycling. We propose that there should be an obligation placed on the Deposit Management Organisation to achieve a 90% collection rate after three years from introduction of the scheme in order to ensure high performance of the deposit return scheme, with a phasing in approach for the targets over this three-year period. The UK Government for England, the Welsh Government and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland will have the same statutory targets for collecting material.

We do not propose that recycling targets should be imposed on the Deposit Management Organisation in addition to collection targets, due to difficulties arising with how the Deposit Management Organisation ensures this material has been recycled once sold to a reprocessor. Instead, in order to ensure that all material collected through a deposit return scheme will be recycled, we propose that there should be a legal obligation on the Deposit Management Organisation to ensure that the material that is collected via a deposit return scheme is passed on to a reprocessor and evidence is provided of this. The UK Government for England, the Welsh Government and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland will be obligated to report the overall packaging recycling rates by each part of the United Kingdom (England, Wales and Northern Ireland) in 2025 and 2030, reflecting both the packaging recycling through Extended Producer Responsibility and a deposit return scheme.

Chapter 3: Scheme Governance

This chapter outlines the role of the Deposit Management Organisation whose role is to manage the operation of the deposit return scheme. The Deposit Management Organisation will be responsible for meeting the high collection targets set out in legislation and will be appointed via a competitive tender process which the consultation explains. The Deposit Management Organisation will operate across these parts of the United Kingdom (England, Wales and Northern Ireland) and functions will be conferred on it via a combination of regulations and a contract, managed jointly by the three Governments which are set out in the chapter.

The consultation elaborates on how the Deposit Management Organisation will be held accountable for the success of the scheme, by a combination of the following: regulations, the tender process to appoint the Deposit Management Organisation, and a series of performance indicators set out in a contract between Government and the Deposit Management Organisation.

Chapter 4: Financial Flows

The consultation chapter will set out the proposals for the Deposit Management Organisation to be funded via three revenue streams: material revenue, producer registration fees, and unredeemed deposits. We consider how burdens can be minimised for smaller producers and seek views on how unredeemed deposits should be invested in the system, proposing that they are reinvested to part-fund the operation of the scheme.

The chapter also discusses the approach to setting the deposit level, proposing that we do not fix a deposit level in legislation but rather set out a minimum, and possibly maximum,

deposit within the secondary legislation. This will ensure the Deposit Management Organisation have the flexibility to set and change the deposit level as a critical lever to meeting the targets set in legislation. We propose that the Deposit Management Organisation have the ability to set a fixed or variable rate deposit and seek further views on this approach in the chapter.

Chapter 5: Return Points

This chapter sets out further details of the retailer options in the deposit return scheme, proposing that all retailers who sell in-scope drinks containers will be obligated to accept returns of in-scope material by hosting a return point. This will likely be via reverse vending machine or manual return points, but the regulations will be broad in nature to ensure alternative methods of return are not ruled out if the Deposit Management Organisation wish to explore these. We also propose a number of conditions which can be enforced when containers are returned, and give details on limited exemptions to retailers hosting return points, on the basis of close proximity to another return point, or where hosting a return point would result in a breach of safety obligations.

We set out a selection of approaches for online retailers selling in-scope containers to offer a take-back service and seek views on details of how the deposit return scheme could work for takeaway meal delivery services. We present the policy for retailers to receive a handling fee from the Deposit Management Organisation to compensate them for any costs incurred in hosting a return point. There is also the option for voluntary return points to be established by non-retail actors, and a nuanced position set out for the deposit return scheme in HORECA (hospitality) industries where specific issues of providing a take-back service have been addressed.

The chapter also discusses the potential for innovation in technology to be deployed in a deposit return scheme system and provides further detail on how this might support the return points provisions through the use of smart phone applications allowing the electronic redemption of a deposit.

Chapter 6: Labelling

This chapter proposes mandatory labelling be legislated for as part of the deposit return scheme to ensure the smooth functioning of the scheme so that retailers, on-trade sites, consumers and those responsible for recycling or reusing containers, are able to quickly and easily identify in-scope containers. We also view labelling as a necessary measure to significantly minimise the risk of fraud, ensuring that once containers are scanned and returned, they lose their deposit value and cannot be returned again. Labelling will also provide clarity for consumers in understanding what drinks containers are captured by the deposit return scheme.

Chapter 7: Local authorities and local councils

This chapter explores the impact a deposit return scheme will have on local authorities³ and the way in which containers in scope of the scheme will be treated when these

³ Where the term local authority is used in this consultation, it shall refer to local councils when considered with regards to Northern Ireland.

containers, despite the introduction of the deposit return scheme and specified return point provision, still end up in local authority waste streams. Most pressing is the need to seek views on how local authorities should be financially reimbursed for the costs involved in treating scheme material. The consultation proposed three options, the first being a ‘do nothing’ approach and allowing local authorities to redeem the deposits of deposit return scheme containers collected in their waste streams. The second option is to allow the Deposit Management Organisation to make payments to local authorities for these materials via the Extended Producer Responsibility Scheme Administrator. Under the proposed packaging Extended Producer Responsibility funding formula approach, packaging producers will be required to meet the net costs of managing household packaging waste in local authority waste streams. The funding formula developed for these payments under Extended Producer Responsibility would include the costs of deposit return scheme containers. The third option presented is a hybrid option, whereby the Deposit Management Organisation pays a deposit value on containers that are returned and any additional scheme material in local authority waste streams is covered by a funding formula in Option 2. In the consultation, we state a preference for Option 2 being taken forwards for the final scheme design.

Chapter 8: Compliance Monitoring and Enforcement

This chapter provides an overview of how the deposit return scheme will be monitored and enforced. We consider the environmental regulators in England, Wales and Northern Ireland are best placed to be Scheme Regulators for a deposit return scheme for drinks containers and to monitor and enforce the actors that are obligated under the scheme. In addition to this, we consider there is a role for local authorities / Trading Standards to regulate the consumer-facing obligations that are placed on retailers.

The chapter provides examples of the typical offences that could be committed by different scheme participants and which regulator would be responsible for dealing with the offence. We also provide an indication of what penalties might be employed for those committing offences in the scheme, ensuring any enforcement response is proportionate and appropriate to the situation.

Summary of analysis

The consultation Impact Assessment on a deposit return scheme for drinks containers looks at three scenarios for the period 2023-2032⁴. For the purpose of the Impact Assessment, for the considered scheme options the assumed deposit level is 20p, with an 85% collection rate for the containers in scope.

There is a baseline ‘Do nothing’ scenario included as option 1 where there is no deposit return scheme for drinks containers, but it is assumed that reforms to producer responsibility for packaging and consistency of municipal recycling collections would proceed, and that drinks containers could fall into the scope of these.

⁴ This Impact Assessment has been modelled on implementation of a deposit return scheme in 2023 for the purposes of this consultation. It was not possible to amend the analysis at short notice to reflect the update implementation date of late 2024. The Final Impact Assessment will reflect the proposed implementation date of the deposit return scheme.

Option 2 is a deposit return scheme for drink containers, including PET plastic bottles, glass bottles, aluminium and steel cans of any size (All-in). This would remove drinks containers from the wider producer responsibility packaging reforms, and the majority of drinks containers in scope would be expected to be collected via the deposit return scheme.

Option 3 is a deposit return scheme with drinks containers of the same materials as option 2 sold in single-format (i.e. not multipacks) and under 750ml in size in scope (on-the-Go).

Option 4 is a version of option 2 with glass containers not included (No Glass).

To note, the preferred economic option from the deposit return scheme Impact Assessment is an ‘All-in’ deposit return scheme to provide a baseline to inform the Impact Assessments for Extended Producer Responsibility and consistency. This is because the scope of a deposit return scheme will determine what is recycled at kerbside and what packaging is in scope of Extended Producer Responsibility. Fully assessing all possible options for consistency and Extended Producer Responsibility for different deposit return scheme outcomes was not feasible due to the number of scenarios it created. However, as mentioned the consultation remains open in scope to allow Ministers to further consider the scope of a final deposit return scheme. A decision on the scope of the deposit return scheme will be made in the summer of 2021.

The total net present value of these changes associated with the preferred economic option (option 2) is estimated at £5,885m over the appraisal period 2022-2032 (in 2018 prices and 2022 base year). The associated benefit to cost ratio equals 1.927, which is the highest of the options analysed in the Impact Assessment.

According to our analysis, the equivalent annual direct cost to business over the appraisal period (discounted 2018 prices, 2022 base year) will amount to £323m for the preferred economic option (All-in).

Background

England

In January 2018 the UK Government committed, in its *25 Year Environment Plan*⁵, to reform producer responsibility systems (including packaging waste regulations) to incentivise producers to take greater responsibility for the environmental impacts of their products. The UK Government's commitment to introducing a Deposit Return Scheme forms part of Government's action towards meeting that commitment.

As part of the *Litter Strategy for England*⁶ published in April 2017, Government established the Voluntary and Economic Incentives Working Group to report to ministers with advice on different incentives to improve recycling and re-use of packaging, and to reduce the incidence of commonly littered items. In autumn 2017 this working group held a call for evidence on measures to reduce littering of drinks containers and promote recycling. This included seeking evidence on; costs, benefits, and impacts of deposit and reward and return schemes for drinks containers.

A report by the working group⁷, published in February 2018, recommended that Government further investigate the potential for using a well-designed deposit return scheme alongside a reformed packaging and responsibility system. It also suggested that a deposit return scheme could increase recycling rates by 20%. In March 2018, the UK Government confirmed that it will introduce a deposit return scheme for drinks containers in England, aimed at boosting recycling rates and reducing littering, subject to consultation⁸.

In December 2018 Government published its *Resources and Waste Strategy for England*⁹ detailing its commitment to tackling waste, unsustainable use of resources, and the consumption of materials in large quantities to encourage more sustainable resource use. In the strategy, the UK Government committed to introduce a deposit return scheme for drinks containers in England, aimed at boosting recycling rates and reducing littering, subject to consultation. The 2019 manifesto on which the current Government was elected committed to introduce a deposit return scheme to incentivise people to recycle plastic and glass.

Wales

In September 2017 the Welsh Government commissioned a study on Extended Producer Responsibility options for key food and drink packaging types in order to reduce waste, increase recycling and reduce litter. This included drinks containers, and a deposit return scheme was one of the options considered. The study included consultation with key stakeholders through a series of workshops. It concluded it would be preferable for the Welsh Government to work together with the UK Government for England and the

⁵ <https://www.gov.uk/government/publications/25-year-environment-plan>

⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/630999/litter-strategy-for-england-2017-v2.pdf

⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/694916/voluntary-economic-incentives-working-group-report-drinks-containers-final.pdf

⁸ <https://www.gov.uk/government/news/deposit-return-scheme-in-fight-against-plastic>

⁹ <https://www.gov.uk/government/publications/resources-and-waste-strategy-for-england>

Department of Agriculture, Environment and Rural Affairs in Northern Ireland in order to bring about a single UK-wide deposit return scheme for drinks containers. The Welsh Government subsequently agreed to consider a UK-wide deposit return scheme, taking account of the risks and benefits to existing provisions and recycling levels and to build on the progress in recycling already achieved in Wales.

During 2020, the Welsh Government undertook a consultation and engagement programme as a precursor to its next waste strategy – *Beyond Recycling – A strategy to make the circular economy in Wales a reality*¹⁰. The strategy set the ambition for Wales to become a zero-waste nation by 2050, meaning any discarded materials are recycled and re-circulated within the Welsh economy, with no loss of materials from the system – effectively a 100% recycling rate from all sectors. To support this, *Beyond Recycling* set out high level objectives to tackle littering and to increase the range of plastic materials collected for recycling and develop more recycling infrastructure in Wales to reprocess it, including developing markets for recycled plastic in Welsh manufacturing. It specifically identified Deposit Return Schemes as a key lever to achieve this and made the commitment to work with the other Governments of the UK in developing legislation for a deposit return scheme for drinks containers.

One of the key challenges for the deposit return scheme in Wales is its implementation within the existing mature and successful household waste collection and recycling infrastructure that is delivering high recycling rates of around 65%. Welsh Government believe that the deposit return scheme is required to push these recycling rates even higher, tackle littering and improve the quality of collected recyclate.

Northern Ireland

In 2015 a Departmental paper was commissioned on options on the desirability and feasibility of a deposit return scheme in Northern Ireland. The paper looked at various aspects of the introduction of a scheme including its impact on littering and its effect on waste management in general. The paper concluded that whilst deposit return scheme was desirable and had the potential to increase recycling and influence behaviour on a wider environmental scope, it was not feasible to introduce a scheme on a Northern Ireland only basis. Northern Ireland continue to support the development of a deposit return scheme alongside England and Wales.

The New Decade New Approach agreement includes a commitment by the Northern Ireland Executive to create a plan to eliminate plastic pollution. The Programme for Government in Northern Ireland includes an indicator on improving the percentage of household waste that is reused or recycled, and a well-designed scheme will contribute to this through collection of high quality recyclate. It will also help reduce littering and change consumer behaviour. In a recent litter survey of Northern Ireland drinks containers were identified in all land use areas, with rural roads being particularly high with 82% of transects having at least one drinks container present (plastic bottle, can, take away cup)¹¹. Street cleansing in Northern Ireland currently costs around £29m per annum. Introduction of a deposit return scheme is also included in *The Waste Management Plan for Northern*

¹⁰Circular economy strategy | GOV.WALES

¹¹ <https://keepnorthernirelandbeautiful.etinu.net/keepnorthernirelandbeautiful/documents/007934.pdf>

Ireland 2019¹² and The Waste Prevention Programme 2019 (Stopping Waste in its tracks¹³).

Other consultations taking place

Respondents should also be aware that we are consulting for a second time on another adjacent policy proposal as part of the waste reforms.

- Introducing Extended Producer Responsibility for packaging across the UK. This consultation sets out plans to reform the existing UK packaging producer responsibility system that will see Extended Producer Responsibility for packaging established. This will require producers to meet the costs of managing packaging waste and support existing and improved packaging waste collection services for households and businesses UK wide. <https://consult.defra.gov.uk/extended-producer-responsibility/extended-producer-responsibility-for-packaging>

As the waste reform proposals form a package of measures the consultations are being run in parallel to give respondents the opportunity to consider the proposals together. We encourage you to look at the other consultations as you consider your response to this consultation. We also encourage you to respond to the other consultations.

Responding to this consultation

Please respond to this consultation in the following ways:

Online using the citizen space consultation at

<https://consult.defra.gov.uk/environment/consultation-on-introducing-deposit-return-scheme>

By email: drs@defra.gov.uk

Or in writing to:

Deposit Return Scheme consultation,

Consultation Coordinator,

Defra 2nd Floor,

¹² <https://www.daera-ni.gov.uk/sites/default/files/consultations/daera/Waste%20Management%20Plan%20for%20Northern%20Ireland%202019.pdf>

¹³ <https://www.daera-ni.gov.uk/sites/default/files/consultations/daera/Waste%20Management%20Plan%20for%20Northern%20Ireland%202019.pdf>

Foss House,

Kings Pool,

1-2 Peasholme Green,

York,

YO1 7PX.

Duration

This consultation will run for 10 weeks. This is in line with the Cabinet Office's 'Consultation Principles' which advises Government departments to adopt proportionate consultation procedures. The consultation opens on 24th March 2021. The consultation closes on 4 June 2021.

Please note, any responses sent by post must have **arrived** at the above address by the closing date of the consultation (4th June 2021) to be counted. Unfortunately, any responses received after this date will not be analysed. To ensure your response is included in the analysis, please consider responding online via Citizen Space.

Handling comments after the consultation

A summary of the responses to this consultation will be published at www.gov.uk/defra

The summary will include a list of names and organisations that responded, but not personal names, addresses or other contact details. However, information provided in response to this consultation document, including personal information, may be subject to publication or release to other parties, or disclosure in accordance with access to information regimes, such as the Freedom of Information Act 2000 and the Data Protection Act 2018.

If you want information, including personal data that you provide to be treated as confidential, please say so clearly in writing when you send your response to the consultation (if responding via mail or email) and explain why you need these details to be kept confidential. If responding via Citizen Space, you will be asked whether you would like your response to be treated as confidential or not. If we receive a request for a disclosure under the Freedom of Information Act 2000, we will take full account of your explanation, but due to the law we cannot provide any 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 a confidentiality request.

Defra is the data controller in respect of any personal data that you provide, and Defra's Personal Information Charter, which gives details of your rights in respect of the handling of personal data, can be found at

<https://www.gov.uk/government/organisations/department-for-environment-food-ruralaffairs/about/personal-information-charter>.

Defra has contracted the Office of Public Management Ltd, trading as Traverse, to support the analysis of responses to this consultation. Traverse will treat personal data they receive and analyse as confidential and will only have access to the response data for the period of the analysis, following which the data will be permanently removed from their system and supplied to Defra. Please find further information in the accompanying Privacy Notice for this consultation.

Compliance with the consultation principles

This consultation is being conducted in line with Consultation Principles set out in the Better Regulation Executive guidance, which can be found at:

<https://www.gov.uk/government/publications/consultation-principles-guidance>.

If you have any comments or complaints about the consultation process, please address them to:

By email: consultation.coordinator@defra.gov.uk

Or in writing to:

Consultation Co-ordinator

Defra 2nd Floor,

Foss House,

Kings Pool,

1-2 Peasholme Green,

York,

YO1 7PX.

About you

Q1. What is your name?

Q2. What is your email address?

This is optional, but if you enter your email address you will be able to return to edit your consultation on Citizen Space at any time until you submit it. You will also receive an acknowledgement email when you complete the consultation.

Q3. Which best describes you?

Please tick only one option. If multiple categories apply to you, please choose the one which **best describes you** and which you are representing in your response. (Required)

- Academic or researcher
- Business representative organisation/ trade body
- Charity or social enterprise
- Community group
- Consultancy
- Distributer
- Exporter
- Individual
- Local government
- Non-governmental organisation
- Product designer/ manufacturer/ pack filler
- Packaging designer/ manufacturer/ converter
- Operator/ Reprocessor
- Retailer including online marketplace
- Waste management company
- Other (please provide details...)

Q4. If you are responding on behalf of an organisation, what is its name?

Q5. Would you like your response to be confidential?

Yes / No

If you answered 'Yes' above, please give your reason.

What is a deposit return scheme?

A deposit return scheme is one example of producer responsibility. Producer responsibility is about making sure businesses that manufacture, import and sell certain products are responsible for their end of life environmental impact¹⁴.

A deposit return scheme is where a consumer pays an up-front deposit on an item (the deposit item) at the point of purchase, which is redeemed on return of the deposit item to a designated return point. The provision of even a relatively small financial incentive can change consumer behaviour encouraging higher levels of recycling. We are seeking powers to introduce deposit return schemes in the Environment Bill¹⁵, which can be set up to sustain, promote or secure an increase in recycling or reuse of materials, or to reduce the incidence of littering or fly-tipping.

This consultation refers solely to deposit return schemes for drinks containers.

First consultation

The UK Government for England published a consultation, with the Welsh Government and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland, on introducing a Deposit Return Scheme in February 2019¹⁶. The consultation was broad in scope and covered scheme design, scope of materials, and deposit levels. The consultation ran from 18 February until 13 May 2019.

Government published the summary of consultation responses and next steps on 23 July 2019¹⁷.

This set out that, given both the requirement to meet higher collection targets and the analysis of consultation responses, Government was minded to introduce a deposit return scheme for drinks containers in England, Wales and Northern Ireland from 2023 and that the introduction of a deposit return scheme would be subject to receiving additional

¹⁴ <https://www.gov.uk/government/collections/producer-responsibility-regulations>

¹⁵ <https://publications.parliament.uk/pa/bills/cbill/58-01/0009/20009.pdf>

¹⁶ <https://consult.defra.gov.uk/environment/introducing-a-deposit-return-scheme/>

¹⁷ [https://www.gov.uk/government/consultations/introducing-a-deposit-return-scheme-deposit return scheme-for-drinks-containers-bottles-and-cans](https://www.gov.uk/government/consultations/introducing-a-deposit-return-scheme-deposit-return-scheme-for-drinks-containers-bottles-and-cans)

evidence and carrying out further analysis on the costs and benefits of such a scheme. Updated information on the implementation timeline is provided later in this consultation.

The purpose of a deposit return scheme

The objective of a well-designed deposit return scheme for drinks containers is to make it easy for consumers to return drinks containers and to receive the deposit refund so that they can be recycled.

The primary objectives of a deposit return scheme are:

1. Increasing recycling rates of in-scope containers

Current recycling rates in the UK for in-scope drink containers are around 70%. This leaves approximately 4 billion plastic bottles, 2.7 billion cans and 1.5 billion glass bottles that are not recycled every year and demonstrates that there is still room for improvement. We consider that a well-designed deposit return scheme for drinks containers could achieve recycling rates of 90% or higher¹⁸.

2. Increasing the quality of recycled material to encourage closed loop recycling and circularity to ensure materials remain in use for as long as possible

The operational contamination rates at UK reprocessors are about 5.85% (2012). The cost impact of poor and inconsistent quality of recyclate for a group of nine UK reprocessors was £51 million annually representing an average cost per tonne of £15.67. This prevents reprocessors from investing in infrastructure. Moreover, contamination of materials means that they cannot be recycled to the highest quality and may be downcycled to make other products like textiles rather than keeping the same materials in use for a long period of time as drinks containers.

Deposit return schemes can create a segregated waste stream of in-scope drinks containers resulting in lower levels of contamination with other materials. As such the collected recyclate from a deposit return scheme can command higher prices due to its higher quality. We would also envisage that securing higher quality material from the system could create a competitive advantage for UK producers by having a steady supply of high quality recycled material available, rather than relying on the import of material from competitors abroad.

3. Reduce littering of in-scope containers;

It is estimated that 80% of man-made debris in the marine environment originated on land before being thrown, blown or washed into rivers, canals and the seas. Keep Britain Tidy surveys have found high levels of drinks related litter, including 52% of surveyed sites

¹⁸ See annex D summarising reported rates of packaging recycling in international deposit return scheme - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/694916/voluntary-economic-incentives-working-group-report-drinks-containers-final.pdf

containing non-alcoholic drinks related litter and 20% of litter on beaches demonstrated to be as a result of food and drinks packaging.

There are also some secondary benefits which should be maximised during the design of a deposit return scheme:

- *Job creation.* Studies have shown that the introduction of a deposit return scheme could increase the number of jobs available by between 3,000 and 4,300¹⁹. These new jobs would all be part of a Green Recovery from the current pandemic.
- *Increase in UK reprocessing capacity.* The *Resources and Waste Strategy for England* clearly states Defra's intention to increase the domestic reprocessing capacity to prevent reliance on waste exports and become more self-sufficient. A guaranteed supply of high-quality deposit return scheme materials should incentivise investment in the industry. There are some risks we have identified in terms of high-quality deposit return scheme material being exported which could undermine these first two secondary benefits.
- *Financial benefits to the voluntary sector and social enterprises.* International experience demonstrates that voluntary sector organisations have been able to benefit from the introduction of a deposit return scheme. Either, reverse vending machines can offer the opportunity to donate deposits to charity or charities/community organisations can set up and operate return points in order to reclaim deposits that might otherwise remain unredeemed.
- *Wider behaviour change.* A deposit return scheme targets consumer's behaviour rather than solely producers or delivery bodies. These changes could have wider effects on society in terms of environmental awareness.

A deposit return scheme in a post-Covid context

The Covid-19 pandemic has disrupted countries all over the world. The economic costs and the social sacrifices that have reached every single person have disrupted life as we knew it, and there is no question that life as we knew it will have changed considerably for many people. We are only too aware of this, and therefore recognise the importance of consulting again on a deposit return scheme, not just to present and take views on the proposed final scheme design, but to also ensure that introducing a deposit return scheme in England, Wales and Northern Ireland is still the right approach for achieving the primary objectives set out above.

We have engaged with contacts involved in deposit return schemes in other countries to understand how Covid-19 has affected these existing schemes. Reassuringly, the feedback suggests that deposit return schemes continue to function well throughout the pandemic, whilst taking into account the health and safety guidelines of respective Governments, particularly for consumers when returning containers at return points. The

19 https://www.cpre.org.uk/wp-content/uploads/2019/11/from_waste_to_work.pdf

feedback suggested that during the pandemic, whilst deposit return schemes did not stop functioning, consumer behaviour changed in the way purchases were made (e.g. increased online purchases) and the nature of returns. Some consumers were more inclined to store up their containers at home over longer periods, and then return in bulk but less frequently. Our consumer research has suggested such behaviour could occur anyway when introducing a deposit return scheme, with people incorporating returns into their weekly supermarket shop for example. However, this behaviour is perhaps more pronounced in the midst of a pandemic.

We have also engaged with Public Health England on the implementation of a deposit return scheme in light of Covid-19, and no concerns have been raised aside from pointing us to the relevant guidance for retailers and other industries operating under such restrictions. Taking into consideration the timeline we have set out in this consultation for implementing the deposit return scheme, one would hope that any lingering effects of the pandemic, at least in terms of social restrictions, will no longer be required. However, there are lessons we can of course learn and incorporate into the scheme.

That said, in the present moment, we recognise the possible impact of introducing a deposit return scheme given the process of economic recovery for businesses, particularly those in the retail and hospitality sector, and the additional hardships facing consumers. Government is committed to a green recovery from the pandemic, but also wants to ensure that the final design of a deposit return scheme, including the types of drinks containers that would be covered by such a scheme, is most appropriate given the current climate. It should be noted that the Welsh Government's preferred option for Wales is an all-in scheme but remain committed to working in partnership with the UK Government for England and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland so that the scheme is as consistent as possible across Wales, England and Northern Ireland. This is explored further in Chapter 1: Scope of the deposit return scheme.

- 6. Given the context of the Covid-19 pandemic we are currently experiencing, do you support or oppose our proposals to implement a deposit return scheme for drinks containers in 2024?**
 - a.) Support
 - b.) Neither support nor oppose
 - c.) Oppose
 - d.) Not sure

Please elaborate on your answer if you wish.

- 7. Do you believe the introduction of a deposit return scheme will have an impact on your everyday life?**
 - a.) Yes, a detrimental impact
 - b.) No, there will be no impact

If you answered yes the scheme would have a detrimental impact, how significant would this impact be?

- a.) No significant impact
- b.) Some impact but manageable
- c.) Large impact but still manageable
- d.) Large impact and impossible to comply with

8. Have your views towards implementation of a deposit return scheme been affected following the economic and social impacts of the Covid-19 pandemic?

- a) Yes – because of economic impacts
- b) Yes – because of social impacts
- c) Yes – because of both economic and social impacts
- d) No
- e) Not sure

Please elaborate on your answer if you wish.

Chapter 1: Scope of the deposit return scheme

This chapter sets out the participants in a deposit return scheme, their obligations and the scope of a deposit return scheme for drinks containers.

Scheme participants

Producers

Producers are those who place on the market branded beverage products in drinks containers within the scope of the deposit return scheme (the brand owner). Retailers are not included, unless they place own-branded drinks on the market, in which case they would be obligated producers under the scheme. This would include those who import beverage products to put on the market in England, Wales and Northern Ireland. This does not include those who manufacture the physical containers.

Retailers

Retailers are all retailers selling in-scope drinks containers in England, Wales or Northern Ireland.

Scheme Administrator

Any deposit return scheme requires a central scheme administrator to manage its operation. We envisage that this will be a new not-for-profit body, the Deposit Management Organisation, which will be appointed by Government to set-up and manage the operation of the deposit return scheme. Further details on scheme governance and the obligations that will be imposed on the Deposit Management Organisation is set out in chapter 3.

Producer obligations

As a form of producer responsibility, a deposit return scheme ensures that those responsible for placing packaging on the market are also responsible for the costs of collection and treatment. All drinks producers/importers will be obliged to sign up to the Deposit Management Organisation before they can place in-scope products on the market. This will include reporting obligations to the Deposit Management Organisation to allow it to carry out its functions and responsibilities, including reporting on the number of containers placed on the market.

Producers will be responsible for funding the set up and ongoing operational costs of the deposit return scheme through payment of a producer registration fee to the Deposit Management Organisation. Further details on the producer registration fee can be found in chapter 4.

Producers will be obliged to place a redeemable deposit on in-scope drinks containers (the deposit item) that they place on the market. The deposit value is added on top of the price of the drink, and this cost would be passed through the supply chain (consumer, retailer, distributor, producer).

The producer will pay the deposit value to the Deposit Management Organisation. This will allow the Deposit Management Organisation to pass the deposit amount on to retailers or those running return points to directly match the amount being refunded to consumers when they return empty drinks containers. This ensures that the paying of the deposit amount is transferred through the supply chain from producer to distributor, retailer and then consumer.

Producers will be required to label drinks containers to ensure the effective running of the scheme and to provide clarity for consumers. Further details on labelling requirements are set out in chapter 6.

Retailer obligations

Retailers selling in-scope drinks containers will be obligated to accept all deposit return scheme container returns to their store and refund the deposit amount to the consumer when an item is returned. In addition, retailers will be required to add the deposit price to the purchase price of the drink at the point of sale and ensure pricing information clearly demonstrates the price of a drink and the deposit attached to that container.

Further detail on retailer obligations in relation to return points are set out in chapter 5.

In-scope containers

Deposit Item

A deposit item is a one way single-use drinks container that is supplied by way of sale. The cap and label would also be included as part of the deposit item. Although, unlike most labels, the cap is not attached to the container and can be easily removed by hand, we consider that this would best be returned along with the drinks container under a deposit return scheme, rather than obligating the bottle cap under the reformed producer responsibility regime (Extended Producer Responsibility).

- 9. Do you agree that the cap should be included as part of the deposit item in a deposit return scheme for:**
 - a) Plastic bottle caps on plastic bottles – yes/no
 - b) Aluminium bottle caps on glass bottles – yes/no
 - c) Corks in glass bottles – yes/no
 - d) Foil on the top of a can / bottle or used to preserve some drinks – yes/no

Any secondary or tertiary packaging (for example, the sleeve of a multipack) would be obligated under the reformed packaging producer responsibility regime.

This definition does not include refillable containers. Containers that are part of a refillable scheme would be exempt from the deposit return scheme.

Size of container

In the first consultation, two options were given for a deposit return scheme; an ‘all-in’ scheme, which would not have any restriction on the size of drinks containers in scope; and an ‘on-the-go’ scheme, which would restrict containers in-scope to those less than 750ml and exclude multipacks. An on-the-go scheme would target drinks which are

potentially more commonly consumed away from home and is considered following a report in 2019 by The Voluntary and Economic Incentives Working Group which covered deposit return scheme²⁰. The report stated “...the scope of a deposit return scheme could focus on smaller drinks containers more likely to be used outside the home. Changing behaviour in relation to recycling outside the home is also an area that, arguably, could have a large impact on reducing litter”.

Respondents to the first consultation were asked to state their preferred option between an ‘all-in’ and on-the-go scheme.

The majority (69%) of the respondents to this question preferred the ‘all-in’ option, compared with 15% who preferred an on-the-go scheme. Over 200,000 campaign responses from Greenpeace, the Marine Conservation Society and 38 degrees were in support of an ‘all-in’ option.

Wales

In 2020 Welsh Government’s consultation Beyond Recycling: a strategy to make the circular economy in Wales a reality further committed Welsh Government to work with the UK Government for England and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland on a deposit return scheme. The upcoming final version of the Beyond Recycling Strategy makes the commitment to introduce a deposit return scheme.

As waste management policy is devolved to the Senedd the design of any deposit return scheme needs to fit with the policy needs of Wales and therefore work within the devolved framework of the UK.

There has been consistent interest in a deposit return scheme in Wales reflected in the Welsh Youth Parliament Report in 2020 on plastics and littering along with debates in the Senedd and through scrutiny committee reports and feedback. In particular, the Senedd’s Climate Change, Environment and Rural Affairs Committee June 2019 report²¹ on plastic pollution noted:

The Welsh Government should introduce a deposit return scheme that applies to the broadest variety of containers, so that no restrictions are placed on the size of containers eligible for the scheme. If the UK Government decides to introduce a scheme with a narrower scope, the Welsh Government should consult on a specific scheme for Wales, with a deposit return scheme with the broadest scope as its preferred and recommended option.

Welsh Ministers recognise the value of a deposit return scheme in pushing recycling rates even higher as well as helping tackle littering of deposit return scheme materials. Supporting the move to a circular economy, where less waste is produced, means

²⁰ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/694916/voluntaryeconomic-incentives-working-group-report-drinks-containers-final.pdf

²¹ Report on policies and proposals relating to plastic pollution and packaging waste - Climate Change, Environment and Rural Affairs Committee - June 2019

resources are kept in use longer, tackling the associated carbon emissions and helping Wales achieve a 100% recycling rate by 2050.

Given the ambitions and commitments in this area for Wales, the Welsh Government's position for this consultation is that the scope of the deposit return scheme in Wales should be for an "all-in" scheme capturing containers up to 3L in size.

Recognising the challenges to business that will be obligated under the deposit return scheme with integrated cross border supply chains, the practical challenges of implementation and to minimise confusion for consumers living near the boundaries of Wales/England and England/Scotland, the Welsh Government remains committed to working in partnership with the UK Government and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland so that the scheme is as consistent as possible across Wales, England and Northern Ireland.

England and Northern Ireland

Consumer research has been clear that keeping things simple when designing the scheme will be critical to successful delivery. The scope of the scheme is therefore a crucial aspect of the deposit return scheme, and the UK Government for England and Department of Agriculture, Environment and Rural Affairs believe it appropriate to keep options open for an all-in (drinks containers up to 3 litres in size) or on-the-go (drinks containers under 750ml excluding multipacks) scheme in England and Northern Ireland, seeking further views in this consultation.

The table below summarises the costs and benefits of implementing an all-in or on-the-go deposit return scheme. You will see that whilst the costs of an on-the-go scheme are lower than an all-in scheme, the benefits of implementing the all-in model are considerably greater. Therefore, an all-in deposit return scheme would provide a higher net benefit, leading to higher levels of recycling, increased litter reduction and greater carbon savings.

	All-in deposit return scheme (latest estimates)	on-the-go deposit return scheme (latest estimates)
Total Costs (Present Value)	£6,346m including set-up costs, changes in labelling, logistics costs, handling fees, reverse vending machine costs.	£3,503m including set-up costs, labelling costs, reverse vending machine costs, handling costs, logistic costs.
Total Benefits (PV)	£12,231m including material revenue to Deposit Management Organisation, litter disamenity reduction, greenhouse gas emissions	£3,785m including net material revenue, reduction in litter disamenity, greenhouse gas emission savings, litter clean-up cost reductions

	savings, litter clean-up cost reductions.	
Net Present Value	£5,885m	£282m

We remain neutral to whether the proposed deposit return scheme should be all-in or on-the-go, and therefore want to consider the appetite for each scope model further. The rationale for each model, and a summary of the key pros and cons for each model are further explored below.

All-in deposit return scheme

We acknowledge the support in responses to the first consultation for an ‘all-in’ model. This is also supported by consumer research commissioned by the Department for Environment, Food and Rural Affairs in 2019, which found that simplicity is essential to the success of a deposit return scheme. It recommended an ‘all in’ model in order to reduce the cognitive load on the public, to help instil habitual behaviours and to minimise any impacts on purchasing behaviour. 80% of respondents to this study preferred a deposit return scheme that included containers of all sizes.

The benefits for an ‘all-in’ model include:

- The potential to drive the highest recycling rates for drinks container materials as all formats/sizes are covered. A key objective of a deposit return scheme is to produce higher quality recyclate via an uncontaminated waste stream, and an all-in deposit return scheme gives the greatest potential for this.
- An ‘all-in’ model would account for 23.7 billion drinks containers placed on the market per year, whilst an on-the-go would only account for 7.4 billion bottles. Therefore, an on-the-go system would limit the amount of high-quality material that could be recycled into another bottle.
- Higher net social benefits, particularly leading to a reduction in litter disamenity and carbon emissions.
 - A litter disamenity reduction of £11,198m compared to £3,614m with an on-the-go model (latest estimates for litter disamenity reductions for an ‘all-in’ deposit return scheme are £1,452m per annum by year 3).
 - Our Impact Assessment estimated that: Net Carbon savings of £6m pa by year 11 of the scheme compared to £1m pa with an on-the-go model.
- Less consumer confusion and complexity in the system means it is likely to drive higher engagement and send clearer messages to consumers about recycling drinks containers through a deposit return scheme as being ‘the norm’. Therefore, having an all-in scheme avoids consumers questioning what / why a product may or may not be in scope of the deposit return scheme.
- An ‘all-in’ deposit return scheme reduces issues related to consumer purchasing habits changing, and industry choices for certain formats/sizes resulting in unintended market distortions.
- Greater secondary market impacts resulting from an all-in deposit return scheme include:
 - An increase in value of £48m a year from materials recovery in the UK.

- Additional value of exports £34m a year, on average – a positive contribution from materials recovery to the UK's balance of trade.
- Additional value of £47m a year generated by the UK reprocessing sector. UK supply of recycled plastics increased in value by £17m per year with the glass and aluminium industries contributing an additional value of £13m and £14m a year.

However, disadvantages with implementing an all-in scheme include:

- The total costs to business for implementing an all-in scheme are greater than with an on-the-go deposit return scheme, due to the higher volumes of material collected through an all-in scheme. The net cost to business, based on current assumptions and an 85% return rate, will be £266m per annum for all in vs £183m for on-the-go. The final net cost to business will be dependent on to what extent unredeemed deposits can be used to part-fund the system.
- An all-in scheme will remove more valuable material from local authority collections at kerbside. However, it is worth considering that a deposit return scheme would be introduced alongside Extended Producer Responsibility for packaging which will deliver significant savings to local authorities in England of around £976m once the scheme is fully operational as producers meet the costs. The deposit return scheme will also ensure that scheme producers cover the costs of any scheme material that appears in local authority waste streams (where the consumer has chosen not to redeem their deposit).
- Consumers who place in-scope containers in their household recycling to be collected will lose their deposit since this is not recognised as a return point within the scheme. Consumers will be required to take their drinks containers to a return point to be recycled and reclaim their deposit, for drinks consumed both on-the-go or in the home.

Depending on the final decision taken for the scope of the scheme, we may need to consider the impact this will have on local authorities. Proposals for how the Deposit Management Organisation could make payments to ensure that the costs of collection and treatment of any scheme material appearing in local authority waste streams does not fall to local authorities is included in chapter 7.

Upper limit

If the final decision on the scope of the deposit return scheme was for an all-in scheme, we would need to make a decision on the upper size limit for containers. In the first consultation we asked respondents if containers over a certain size should be excluded from an 'all-in' deposit return scheme.

There were mixed views about the inclusion of larger containers, with 51% stating that certain sizes of containers should be excluded. 38% stated that these containers should not be excluded from the scheme.

We also asked respondents what the maximum size cut-off should be. Three size options of '3 litres', '4 litres' and '5 litres' were given, together with an option for no maximum. Of the three size options, there was most support for a cut-off size of 3 litres (32%).

Almost half (49%) stated there should not be a maximum size cut-off. However, there would be implications on return points if there is no maximum size-cut off as there is a limit on the size of containers that can be accepted through reverse vending machines and at return points.

In line with consultation responses we propose that the upper limit should be 3 litres in volume.

On-the-go deposit return scheme

As part of our consumer research, some participants who took part in focus groups came to question elements of a deposit return scheme. They felt it asked a lot from consumers with no strong environmental benefit given the existence of kerbside recycling, though our economic research indicates potential for large increases to recycling and amenity benefits from reduced litter. The consumer research also demonstrated that older people, those in lower socio-economic grades and those without access to a household car may be less able to engage with a deposit return scheme for practical and financial reasons.

An on-the-go deposit return scheme could therefore address these concerns by having a minimal impact on current kerbside collections, since only small containers sold individually would be diverted from household collections to be collected via a deposit return scheme. There is also evidence²² that demonstrates smaller drinks containers are more commonly littered than larger containers, so we consider a more targeted on-the-go deposit return scheme focussed on collecting these smaller containers specifically could have a sizeable impact, whilst reducing the cost of the scheme compared to an all-in one.

In addition, we recognise the possibility for confused messaging that introducing an all-in deposit return scheme alongside the other waste reforms would have on consumers, where those who put an in-scope container in their kerbside recycling would effectively be penalised for doing so by foregoing their deposit, whilst still acting responsibly.

In a post Covid-19 context, with the worst economic impacts of the pandemic perhaps still to be felt, we are conscious of not imposing further burdens on those consumers who may find it difficult to engage with a deposit return scheme, particularly when existing recycling infrastructure at home is already in place. It is therefore appropriate that we consider the merits of an on-the-go scheme in this consultation too.

The benefits for an on-the-go model include:

- An on-the-go deposit return scheme would have lower net costs, based on current assumptions on treatment of unredeemed deposits. However, producers will still be meeting the costs of collection and treatment of those products excluded from the deposit return scheme (drinks containers 750ml in volume or greater) under Extended Producer Responsibility instead.

²² KBT Litter Composition Analysis March 2020

- There may be potential to implement this model quicker than an all-in deposit return scheme. However, this is unlikely to be by much as the process to appoint a scheme administrator and number of return points (to ensure ease of returns for consumers) will be the same under the all-in or on-the-go model.
- Consumers would be able to continue to put larger containers which don't have a deposit attached to them in their kerbside collections, reducing the inconvenience and change in behaviour required for drinks that may be more likely to be consumed from home. This reduces the risk of consumers losing their deposit if they decided to dispose of drinks container in their household recycling. In our current modelling for an all-in scheme, we expect approximately 7% of all deposit return scheme containers placed on the market to continue to be collected by kerbside collections.
- This would have minimal impact on current household collections, including current contractual arrangements in place for local authorities with waste management companies, that are based on tonnages of material collected.

However, disadvantages for implementing an on-the-go scheme include:

- Difficulty implementing an on-the-go scheme, as drinks of 750ml or less may not be consumed 'on-the-go' in practice. We can't predict where consumers will consume their drinks – they might purchase a typically 'on-the-go' drink, but evidence shows that smaller drink containers are still consumed at home, in which case people will still have to store and return these containers via return points if they wish to redeem their deposit.

As part of the consumer research conducted, survey participants who consumed drinks at home or away from home were asked what type of container the drinks came in. Generally, people were more likely to consume drinks in all types of containers at home than away from home. It was only small plastic bottles that consumers were more likely to consume away from home. This pattern was mirrored in the qualitative research, where participants completing online diaries were frequently consuming cans of soft drinks or small plastic bottles of water or soft drinks at home.

- Building on the above, there is a general issue of confusion amongst consumers questioning which products are in / out of the deposit return scheme. Clear labelling and comms would be essential to mitigate this, but concerns remain over public confusion which risks diminishing consumer engagement with the system. This would be contrary to the consumer research findings, which demonstrate that consumers are more likely to engage in a deposit return scheme if it is simple in design and applies to all drink containers.
- As mentioned in the all-in analysis above, an on-the-go deposit return scheme would limit the amount of high-quality material that could be recycled into another bottle. An 'all-in' model would account for 23.7 billion drinks containers placed on

the market per year, whilst an on-the-go scheme would only account for 7.4 billion containers.

- Considering the upcoming implementation of an all-in deposit return scheme in Scotland, we recognise issues for producers if an on-the-go scheme was in place across the rest of the UK. Producers placing drinks on the market across the UK will then be subject to different obligations for the same products (large drinks containers) depending on where this is placed on the market (the Scottish deposit return scheme in Scotland and Extended Producer Responsibility in England).
- An on-the-go deposit return scheme may introduce the potential for producers to change product sizes dependent on a size benchmark for in/out of the on-the-go scheme (currently proposed as under 750ml). There may also be implications for consumer purchasing habits, which may shift from preferring to purchase smaller drinks containers with the deposit on, to instead purchasing larger containers which do not have the deposit attached. We are concerned such a shift could see associated health implications of purchasing certain drinks in larger volumes.
- An on-the-go scheme has implications for the creation of secondary jobs, given difference in container tonnages handled in this type of scheme²³.

Questions

Note: For questions 10, 12, 13, 14, 15 respondents should note that these questions are only applicable to the outstanding decision on the final scope of a deposit return scheme to be made in England and Northern Ireland, since the Welsh Government have already presented a preference for an all-in deposit return scheme.

10. Do you believe we have identified the correct pros and cons for the all-in and on-the-go schemes described above?

- a.) Yes
- b.) No

Please elaborate on your answer.

11. Do you foresee any issues if the final scope of a deposit return scheme in England and Northern Ireland does not match the all-in decision taken in Wales? E.g. an on-the-go scheme in England and an all-in scheme in Wales.

- a) Yes
- b) No

Please elaborate on your answer.

²³ https://www.cpre.org.uk/wp-content/uploads/2019/11/from_waste_to_work.pdf

12. Having read the rationale for either an all-in or on-the-go scheme, which do you consider to be the best option for our deposit return scheme?

- a) All-in
- b) on-the-go

Please elaborate on your answer.

13. Given the impact Covid-19 has had on the economy, on businesses and consumers, and on everyday life, do you believe an on-the-go scheme would be less disruptive to consumers?

- a) Yes
- b) No

14. Do you agree with our proposed definition of an on-the-go scheme (restricting the drinks containers in-scope to less than 750ml in size and excluding multipack containers)?

- a.) Yes
- b.) No

b) If no, how would you change the definition of an on-the-go scheme?

15. Do you agree that the size of containers suggested to be included under an on-the-go scheme are more commonly consumed out of the home than in it?

- a) Yes
- b) No
- c) Difficult to say

Materials

First consultation

The previous consultation proposed that the materials included in a deposit return scheme could be:

- Polyethylene terephthalate and High-Density polyethylene plastic bottles
- Steel and aluminium cans
- Glass bottles

In the first consultation the majority of respondents wanted all materials included in a deposit return scheme. The large majority of respondents considered that Polyethylene terephthalate bottles (94%), High-Density polyethylene containers (84%), aluminium (94%), steel cans (90%), and glass (86%) should be included in the deposit return scheme. All campaign responses from Greenpeace, Marine Conservation Society and 38

Degrees expressed a preference for all materials to be included in a deposit return scheme.

Stakeholders that supported inclusion of all materials were of the view that it would reduce littering and support recycling rates.

The consultation also included proposals regarding the type of drinks that could be included in a deposit return scheme. These included:

- soft drinks (including water and juices)
- alcoholic drinks
- drinks containing milk and plant-based drinks
- milk
- plant based drinks

Across all types of drink, the large majority of respondents wanted all types of drinks included but there was less support for milk and plant-based drinks to be included in a deposit return scheme. Campaign responses from Greenpeace, Marine Conservation Society and 38 Degrees were also in favour of including all drink types.

The reasons for the inclusion of all these drinks types were; increase in recycling rates, reduction in consumer confusion about what is and is not included and promoting behavioural change among drinks producers.

Position

We consider that the scope of a deposit return scheme should be determined based on material rather than product. From consultation responses, the key issue for respondents was not what the containers have in them, but the containers themselves, which is related to their environmental performance.

We propose that the scope of the deposit return scheme should include the following materials:

- Polyethylene terephthalate bottles
- Steel and aluminium cans
- Glass bottles

There was overwhelming support for inclusion of polyethylene terephthalate bottles (94%) and aluminium (94%) and steel (90%) cans,

There was also strong support for the inclusion of glass bottles in the first consultation (86%). Developing a deposit return scheme which captures glass bottles within its scope is part of the manifesto commitment upon which Government was elected. However, we recognise concerns raised by industry regarding the inclusion of glass in a deposit return scheme. The main concerns raised were the significant increase in handling costs and equipment complexity due to the weight of glass; that given the weight of glass packaging consumers may prefer not to take their glass packaging back to return points and that, by

taking the majority of glass out of kerbside recycling, the recycling of the remaining glass collected at kerbside could be undermined.

We have conducted further cost benefit analysis of the inclusion of glass in a deposit return scheme. This analysis demonstrates that the inclusion of glass in a deposit return scheme has a higher value over the long term than not including glass given the potential for increased collection and recycling and the resulting greater reduction in greenhouse gas emissions.

In terms of the present values, a deposit return scheme with glass has a present value of benefits of £12.23 bn. compared to a present value of benefits of £9.07 bn without glass over a ten-year period. In terms of the benefits/cost ratio, that for a deposit return scheme with glass is 1.93, whilst that of excluding glass is 1.65. The assessment is conducted on the basis that the currently available reverse vending machines, which will be the main receptor for returned containers, will be readily capable of compacting glass into suitable pieces.

The compaction will involve breaking glass bottles into 4, 5, or 6 separate parts and is to be clearly distinguished from crushing glass. The advantage of such compaction is that it substantially reduces the volume and thereby the storage and transport costs compared to whole, “soft drop”, bottles. It also avoids the difficulties involved with crushing glass on collection which results in material loss as well as impacts on the ability to separate different types (e.g. colours) of glass. This analysis is set out in the accompanying Impact Assessment²⁴.

The higher net present value for the inclusion of glass would only be the case if we introduce glass from the outset. If we decided to expand the scope of a deposit return scheme to subsequently include glass, then this would result in increased costs in terms of having to retrofit or replace reverse vending machines collecting plastic bottles and cans. This would also include finding additional space in stores to host these reverse vending machines given the need for additional storage space. Further communications would also be required if we were to change the scope of the scheme once it was in operation to make consumers aware of any change, which would be another additional cost of the scheme.

Question

16. Please provide any information on the capability of reverse vending machines to compact glass?

Exclusions

We have carefully considered the implications and impacts of excluding a number of materials and container types from a deposit return scheme. As set out above, we

²⁴ Impact Assessment for Introducing a Deposit Return Scheme on beverage containers

consider that the scope of a deposit return scheme should be determined based on material rather than product. Any materials not included within the scope of a deposit return scheme will be included under the reformed packaging producer responsibility regime.

High-Density Polyethylene

We are proposing that High-Density polyethylene should be excluded from the scope of a deposit return scheme. We consider that the scope of a deposit return scheme should be determined based on material rather than product and recognise that the majority of High-Density polyethylene drinks containers contain milk (88.1%).

Our first consultation proposed excluding milk and plant-based alternatives as these are considered by many as an essential product. The majority of respondents wanted to see all or some of these drinks included in a deposit return scheme, though this was lower for milk (65%) than milk-based alternatives (73%) and noticeably lower than support for inclusion of other types of drinks, e.g. alcoholic drinks (89%) and soft drinks (84%). Concerns raised by consumers on the inclusion of milk included the impact on lower socioeconomic groups, the potential impact on the dairy sector and issues with hygiene.

Beverage Cartons

73% of consultation respondents were in favour of including cartons in the scope of a deposit return scheme. The carton industry indicated that they supported the inclusion of beverage cartons so that a wide range of products and of lightweight materials are included to reduce consumer confusion, to increase system efficiency and to create a level playing field for all materials. We consider that including cartons in a scope of a deposit return scheme could have environmental benefits. However, a full feasibility study would need to be completed, including how dealing with the additional volume of cartons would impact the current recycling infrastructure and the available end markets for this material. We propose that beverage cartons should be excluded from the scope of a deposit return scheme. Instead, the consultation on consistent household and business collections will propose including food and drinks cartons in the core list of materials to be collected in the dry recyclable waste streams.

Sachets and pouches

In the first consultation 61% of respondents supported including sachets and pouches in a deposit return scheme. However, concern was raised on the practicality of including these materials due to the high levels of contamination caused from product residues likely in pouches and sachets- which will make deposit return scheme return points difficult to keep clean and less appealing for consumers to use. Due to this, we consider that these materials will be better dealt with under the reformed producer responsibility system for packaging, which will include modulated fees to disincentivise the placing on the market of non-recyclable or difficult to recycle packaging.

Disposable single-use cups

Whilst the inclusion of disposable single-use cups received support from industry, concerns were expressed about the practicality of including disposable cups, which are often contaminated and would need separate machines to other containers if included in the deposit return scheme.

In the parallel consultation on reforming the packaging producer responsibility system, we asked whether disposable cups would be best included in the packaging producer responsibility system (Extended Producer Responsibility) or in a deposit return scheme. 47% of respondents preferred Extended Producer Responsibility, while 33% said both, and less than 10% said deposit return scheme.

Given the widespread support for disposable cups being encompassed into Extended Producer Responsibility, and the practical barriers to including them in a deposit return scheme, we propose including them in Extended Producer Responsibility. In our summary of responses to the consultation on reforming Extended Producer Responsibility, published in July 2019, we supported the introduction of a recycling target for disposable cups, whether by product or material type. Further detail on proposals to manage disposable cups through Extended Producer Responsibility is provided as part of the second Extended Producer Responsibility consultation.

17. Do you agree that the scope of a deposit return scheme should be based on container material rather than product?

Yes / No

18. Do you agree with the proposed list of materials to be included in scope?

Yes / No

19. Do you consider there will be any material switching as a result of the proposed scope? Please provide evidence to support your response.

Yes / No

Chapter 2: Targets

The UK Government for England, the Welsh Government and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland want to achieve more ambitious recycling targets and reduce littering. These are key aims of introducing a deposit return scheme and setting high collection targets is the main driver to ensure that the objectives of the scheme are met.

First consultation

In our first consultation we proposed that the Deposit Management Organisation should be responsible for meeting the high collection targets set by Government for drinks containers within scope of the deposit return scheme. This position was supported by 67% of respondents to the consultation. High collection targets will ensure there is a stream of high-quality material which should, as a result, ensure higher levels of recycling.

We also asked whether high recycling targets should be imposed, and this was supported by 66% of respondents.

Collection targets

Legislation will set out targets for a proportion of drinks containers (deposit items) placed on the market to be collected for recycling. We consider that the obligation to meet the collection target should be placed on the Deposit Management Organisation. As the Deposit Management Organisation will manage the day to day logistics of the deposit return scheme, the Deposit Management Organisation has the greatest ability to make changes to the scheme in order to increase collection rates and ensure collection targets are met. For example, by ensuring adequate provision of return points, setting the deposit level and through communication campaigns to encourage consumers to participate in the scheme.

To ensure all producers are participating in the scheme, we consider there should be an obligation for producers to join the Deposit Management Organisation. Producers will already be obligated to place a deposit on drinks containers and meet labelling requirements. In comparison to the Deposit Management Organisation, if the obligation to meet high collection targets is placed on producers, there is potentially little impact they, as individual producers, will be able to have on the collection rate of the scheme.

Return rates

For the purpose of analysis, our Impact Assessment assumes that a deposit level of 20p will produce a return rate of 75% in the first year, 80% in the second year and 85% from the third year (see chapter 10).

We do, however, consider that these are conservative estimates and that a well-designed, well-performing scheme could result in return rates of 90% or higher (especially if it is an all-in scheme). Our aim is to introduce a deposit return scheme that is ambitious across these parts of the United Kingdom .

We propose there should be an obligation placed on the Deposit Management Organisation to achieve a 90% collection rate after three years from the introduction of the scheme. This collection target will need to be met in England, Wales and Northern Ireland in order to ensure high performance of the scheme.

We consider that this collection target will be phased in over a period of three years and we are seeking views on how the targets should be effectively implemented.

20. Which of the following approaches do you consider should be taken to phase in a 90% collection target over 3 years?

- a) 70% in year 1, 80% in year 2, 90% in year 3 and thereafter
- b) 75% in year 1, 80% in year 2, 90% in year 3 and thereafter
- c) 75% in year 1, 85% in year 2, 90% in year 3 and thereafter
- d) 80% in year 1, 85% in year 2, 90% in year 3 and thereafter

Collection targets will not be set by material, but we consider that a minimum collection target, for example 85%, should be achieved for each material. This will ensure that high collection rates are achieved across all materials rather than the target being met as a result of achieving very high collection rates for some materials.

21. What collection rate do you consider should be achieved as a minimum for all materials after 3 years?

- a) 80%
- b) 85%
- c) 90% collection rate should be achieved for all materials

22. Is it reasonable to assume that the same collection targets could be met with an on-the-go scheme as those proposed for an all-in scheme for in-scope materials?

Yes / No

Please provide any evidence to support your answer

Targets by England, Wales and Northern Ireland

England, Wales and Northern Ireland will have the same statutory targets set out either in regulations for England, Wales and Northern Ireland or separate parts of the United Kingdom (England, Wales and Northern Ireland) specific regulations. The Deposit Management Organisation will therefore be required to report on the number of containers collected in each part of the United Kingdom (England, Wales and Northern Ireland) captured under our deposit return scheme.

This will also require data on the number of containers (or tonnages of material) placed on the market in England, Wales and Northern Ireland. We are considering where this obligation should be placed. This will either involve an obligation placed on producers to report volumes of deposit return scheme material to the Deposit Management Organisation placed on the market in each part of the United Kingdom (England, Wales and Northern Ireland), or an obligation placed on the retailer.

23. Who should report on the volumes of deposit return scheme material placed on the market in each part of the United Kingdom (England, Wales and Northern Ireland) for the proposed deposit return scheme, and what would be the implications of these obligations?

- a) The producer/importer
- b) The retailer
- c) Both the producer/importer and retailer

Counting centres and reprocessors

Material collected through the scheme's return points (especially through manual return points) will be collected and transported to counting/sorting centres so that the collected material can be accurately recorded and sorted into separate material types where required. The Deposit Management Organisation will oversee this operation. The material will then be sold to reprocessors who will pay the Deposit Management Organisation for the high-quality material which can then be recycled. These reprocessors may be based in the UK or alternatively act as exporters who sell the material to overseas reprocessing markets (this is explored further below in this chapter). One of the benefits of a deposit return scheme that we want to ignite is an increase in UK reprocessing capacity as a result of this new high-quality material stream in the UK.

Evidence of recycling

As the material that is collected through a deposit return scheme is of a high-quality, separately collected material stream we consider that this material will go on to be recycled. However, we want to ensure that this is the case as well as being able to measure how much deposit return scheme material is recycled.

We discussed in the first consultation whether, as well as a collection target, a recycling target should be imposed on the Deposit Management Organisation. Although this position was supported, difficulties were raised in response to the consultation and through further stakeholder engagement on how the Deposit Management Organisation would be able to ensure that material is recycled once it has been sold on to a reprocessor.

We therefore do not propose that recycling targets should be imposed on the Deposit Management Organisation in addition to collection targets. Instead, in order to ensure that all material collected through a deposit return scheme will be recycled, we propose that there should be a legal obligation on the Deposit Management Organisation to ensure that the material that is collected via a deposit return scheme is passed on to a reprocessor and provide evidence of this. The point at which material will be counted towards recycling targets (deemed to have been recycled) will be the point at which it reaches already established end of waste criteria (where they exist) or the point at which no further sorting, cleaning or processing is required before entering the final recycling process – this is the “front of furnace” point. This reflects the current point at which evidence is generated in the existing packaging regime and the proposed approach for measuring recycling under Extended Producer Responsibility for packaging.

Therefore, we consider the point of recycling is when the Deposit Management Organisation passes deposit return scheme material to a reprocessor. Evidence will therefore be required from the Deposit Management Organisation to demonstrate that deposit return scheme material has reached the point of recycling where no further sorting, cleaning or processing is required.

24. What evidence will be required to ensure that all material collected is passed to a reprocessor for the purpose of calculating the rate of recycling of deposit return scheme material?

Exports

The Deposit Management Organisation will need to provide proof of recycling or reprocessing for material that is exported. Government recognises there are difficulties in obtaining this information from overseas sites and proposals to strengthen reporting and monitoring arrangements for packaging waste exports are discussed as part of the consultation on Extended Producer Responsibility for packaging. Any requirements on exporters for packaging waste will also apply to those exporting materials for recycling or reprocessing that are part of the deposit return scheme.

Overall packaging recycling rates

Collection targets under a deposit return scheme will contribute to national recycling targets for packaging.

Under the current packaging waste regulations obligated producers are required to meet annual recycling targets (known as business targets), with overall packaging waste recycling rates reported annually by Government. In future, producer responsibility for packaging will be managed through three producer-led schemes (A deposit return scheme for England, Wales and Northern Ireland, the deposit and return scheme for Scotland Regulations, and UK-wide Extended Producer Responsibility for packaging).

It is therefore proposed that an obligation is placed on each Government to report overall packaging recycling rates in England, Wales and Northern Ireland in 2025 and 2030. This reporting would reflect the packaging recycled through both Extended Producer Responsibility and the deposit return scheme.

Chapter 3: Scheme governance

The Deposit Management Organisation is the central body whose role is to manage the operation of the deposit return scheme. As set out in chapter 2, the Deposit Management Organisation will be responsible for meeting high collection targets set out in legislation for drinks containers within scope of the deposit return scheme and report evidence of meeting these. The UK Government for England, the Welsh Government and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland will appoint an organisation to be the Deposit Management Organisation via a competitive tender process. The Deposit Management Organisation will operate across these parts of the United Kingdom and functions will be conferred on it via a combination of regulations and a contract, managed jointly by the UK Government for England, the Welsh Government and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland .

There has been strong support for the Deposit Management Organisation to be an independent, not for profit and private organisation. This is a model that has been successfully utilised internationally and ensures that the scheme can be managed in the most cost-effective manner. The Deposit Management Organisation will have control over the critical levers that will allow it to drive optimal performance whilst also being held to account for delivering the primary and secondary benefits of the scheme.

First consultation

During the first consultation, Defra consulted on a number of functions, asking respondents to determine whether they thought the Deposit Management Organisation should be responsible for those aspects of the scheme.

The majority of respondents thought that the Deposit Management Organisation should be responsible for meeting Government targets and that accountability for these targets sitting with one organisation was more effective than resting with individual drinks producers. Moreover, respondents were clear that both the Deposit Management Organisation and the regulatory body should be not-for-profit and entirely independent from central Government. The majority of respondents agreed with the areas of responsibility set out in the first consultation.

The role of the Deposit Management Organisation

The purpose of the Deposit Management Organisation is to support, manage and oversee the deposit return scheme. The responses to the first consultation coupled with further engagement through a deposit return scheme Industry Working Group, sector forums and bilateral meetings have led to us proposing the Deposit Management Organisation holding responsibility for the following functions.

a. Be legally responsible for high collection targets set by Government.

As set out in chapter 2, regulations will set targets specifying that the Deposit Management Organisation must collect a percentage of deposit return scheme drinks containers placed on the market. To meet these targets, the Deposit Management Organisation will have to manage the day to day operations of a deposit return scheme, making key design decisions. For example, decisions regarding the deposit level, the required infrastructure,

communications campaigns, utilisation of technology and setting the appropriate fee levels.

b. Set producer/importer fees.

The Deposit Management Organisation will be responsible for setting producer registration fees. Further details on the producer fee is set out in chapter 4.

c. Be responsible for tracking deposits and financial flows in the deposit return scheme.

The Deposit Management Organisation will collate the necessary data to ensure a clear understanding of the material flows around the deposit return scheme. Moreover, it will monitor the movement of the deposits around the scheme and manage its revenue streams to ensure a high performing deposit return scheme system can be financed. The management of financial flows across the system is set out in chapter 4.

d. Set and distribute the handling fees for return points.

Regulations will outline what a reasonable handling fee, paid from the Deposit Management Organisation to return point hosts, should cover (outlined in chapter 5). There will be an equivalent fee for online takeback services. The Deposit Management Organisation will be responsible for calculating reasonable handling fees accordingly. Organisations bidding to be the Deposit Management Organisation will be asked to outline their methodology for calculating handling fees as part of the tender process.

e. Own the material returned by consumers.

The Deposit Management Organisation will own the material that is returned to return points. This provides a clear incentive for the Deposit Management Organisation to seek to collect as many deposit return scheme containers as possible as the sale of deposit return scheme material to recyclers will constitute a revenue stream for the organisation.

f. Reimburse and manage the contracts of those transporting drinks containers to recycler/counting centres.

The Deposit Management Organisation will have to source and identify the best organisations to service return points to ensure timely collections, accessibility for consumers and a smooth flow of materials through the system.

g. Measure and report recycling rates to Government.

Beyond reporting the collection rates, the Deposit Management Organisation will have to provide evidence that materials collected have been recycled. We view this as an obligation to provide evidence that material collected has been passed to a reprocessor. (as outlined in chapter 2).

h. Setting deposit levels within parameters set by Government.

The first consultation proposed that the Deposit Management Organisation should advise Government on the setting of deposit levels. However, we consider the setting of the deposit level is a key lever for the Deposit Management Organisation to ensure that it can operate a high performing scheme. We propose that Regulations will set parameters within

which the Deposit Management Organisation will be able to set the deposit level. This will also allow the Deposit Management Organisation to decide whether to have a fixed or variable deposit. A methodology for changing the deposit level will be set out in legislation to ensure due process is undertaken when changing the deposit level post implementation. Further details regarding the deposit level is set out in chapter 4.

i. Run communications campaigns to aid consumer and retailer understanding of the deposit return scheme.

Social research studies carried out in England and Wales by Kantar have demonstrated that communications campaigns will be essential to the success of the deposit return scheme.²⁵ Consumers need to understand why they are being asked to return deposit return scheme containers and how they can do this most efficiently. This responsibility has been amended since the consultation to also include communications to retailers as it is important that retailers understand their own role in this process, in particular regarding the set-up of return points and exemptions. The Deposit Management Organisation will be held to account for the effectiveness of its communications through contractual arrangements. If the scheme in England or Northern Ireland is an on-the-go model, then having clear and extensive communications to the public will be even more important to ensure consumers understand what is in and out of scope.

j. Be responsible for ensuring that there are appropriate provisions for drinks containers in place and that these are accessible to all populations.

This responsibility has been updated since the first consultation to make it clear that the Deposit Management Organisation will be responsible for ensuring that return points are accessible ‘to all populations’. This is particularly important for communities that do not live within a reasonable distance of in-scope retailers acting as return points. The Deposit Management Organisation will have to work with alternative return point hosts like businesses, the third sector and/or local authorities to ensure ease of access to consumers.

The following two responsibilities have also been added since the first consultation:

k. Ensure financial provisions are made available to pay local authorities for deposit return scheme material appearing in kerbside.

The Deposit Management Organisation will have to ensure that financial provisions are made available to make payments to local authorities and/or the Extended Producer Responsibility scheme administrator to fund the collection of deposit return scheme containers that are collected through local authority waste streams. The recipient of these funds will depend on the methodology chosen as outlined in chapter 7 regarding local authorities. If the final scheme design is for an on-the-go deposit return scheme, then this responsibility may not be required due to the lack of deposit return scheme containers collected through local authority waste streams.

I. Interact with other scheme administrators.

²⁵ Kantar Social Research Study -
<http://sciencesearch.defra.gov.uk/Default.aspx?Menu=Menu&Module=More&Location=None&Completed=220&ProjectID=20253>

The Deposit Management Organisation will have to interact with scheme administrators of other deposit return schemes to minimise fraud and maximise learnings. Moreover, it will have to communicate with the Extended Producer Responsibility scheme administrator to ensure the schemes remain aligned post implementation.

After further analysis and engagement, the Deposit Management Organisation being ‘responsible for the maintenance of reverse vending machines and the provision of containers to those running manual return points’ was removed. Depending on decisions taken by the Deposit Management Organisation, there may be different ownership structures for reverse vending machines or alternative return point infrastructure rolled out (e.g. smart bins) and therefore this should be left to the Deposit Management Organisation. The cost of any return point will be covered by producers through retailer handling fees.

Appointment of the Deposit Management Organisation

The UK Government for England, the Welsh Government and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland will run a competitive tender to appoint the Deposit Management Organisation. A competitive tender will:

- Incentivise the best designed scheme possible, encouraging bidders to take into account the primary and secondary benefits of a deposit return scheme;
- Provide greater flexibility by having a contract that can be changed and reviewed more regularly than legislation;
- The combination of regulations and contractual agreements will set out in more detail how a deposit return scheme will be expected to work, creating greater certainty. Moreover, where responsibility lies for the delivery of different aspects of a deposit return scheme will be more transparent;
- A competitive tender can help to deliver a well-designed scheme whilst ensuring the Deposit Management Organisation is appointed as an independent organisation.

25. What length of contract do you think would be most appropriate for the successful bidder to operate as the Deposit Management Organisation?

- a) 3-5 years
- b) 5 – 7 years
- c) 7 – 10 years
- d) 10 years +

Composition of the Deposit Management Organisation

The leadership of the Deposit Management Organisation would need to be representative of and trusted by drinks producers and by retailers, as well as by consumers. The Deposit Management Organisation will be an industry-led organisation and is likely to be made up of a number of individual companies or trade associations which represent some/all of the following industries: drinks producers, retailers, importers and logistics.

Given that a deposit return scheme is a method of producer responsibility for drinks beverage producers, it is our preference that some relevant drinks producers associations are involved in any successful bid. It is equally important that retailers or trade associations representing retailers are involved, as this will be a return to retail deposit

return scheme. There will be an obligation in the tender process that any successful bid must be made up of or demonstrate the support of the relevant drinks producers and retailer trade associations. There are of course other stakeholder groups impacted by the deposit return scheme, and bidders may need to also demonstrate their support and/or representation in the Deposit Management Organisation.

Accountability

Holding the Deposit Management Organisation to account for its performance will be essential to the success of the scheme. There will be three formal mechanisms by which the Deposit Management Organisation will be held to account in the form of regulations, the tender process and contractual performance indicators. There is still some further scoping work to be done to ensure the right balance of accountability between the three.

Regulations

In regulations you can expect to see the following obligations placed on the Deposit Management Organisation:

- Collection targets
- The scope of producer registration fees and handling fees will be defined for the Deposit Management Organisation to set.
- Data and reporting requirements
- The parameters within which the Deposit Management Organisation can set the deposit and the methodology to change the deposit level.
- The Deposit Management Organisations revenue streams will be defined including the ownership of materials within the scheme.
- Functionality of the deposit return scheme system to ensure it is easy for consumers and householders to interact with the scheme, wide availability of return points, need to minimise fraud and rapid processing of deposit reimbursement back to retailers.

Tender Process

As part of the tender process, bidders will be asked to answer questions regarding how they plan to run the deposit return scheme. These questions could include topics such as:

- Outlining a plan to demonstrate how the organisation will meet the stated objectives of the scheme.
- Ensuring representation and feedback from a wide variety of affected stakeholders throughout the decision-making process.
- Ensuring clear dispute resolution pathways are set out and accessible to all affected parties.
- Outlining a clear communications strategy and how its performance would be evaluated, including wider messaging such as anti-littering and behaviour change campaigns.
- Outlining a methodology for how handling fees and producer fees would be determined.
- Outlining the environmental ambitions of the operation of the scheme itself.

- Overall cost plan for the scheme and how you will maximise value for money, including proposals for using unredeemed deposits effectively – how to achieve the outcomes at the best cost.
- How the consumer experience will be managed and enhanced ensuring deposits are as easy to redeem as it is to purchase the drink in the first place.
- How innovation could be deployed to maximise the effectiveness of the scheme.
- How existing collection and recycling infrastructure could be utilised to provide greater value for money.
- What fraud prevention measures will be included and how fraud will be managed and minimised.
- Demonstrating the social value that the scheme will deliver, and specific initiatives bidders would employ to maximise this value.

26. Do you agree that the above issues should be covered by the tender process?

Yes / No

Please list any further issues you believe should be covered as part of the tender process.

Contract management

As part of the contract, a contract management team will sit within Defra with support and governance oversight jointly with Welsh Government and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland. They will assess the performance of the Deposit Management Organisation against the agreed contract. The purpose of Key Performance Indicators will be to identify areas of improvement for the Deposit Management Organisation. Key Performance Indicators within that contract could include:

- Assessing the speed and efficiency of registering and on boarding in-scope drinks producers to the deposit return scheme.
- Assessing the speed and efficiency of payment flows between the Deposit Management Organisation and key figures within the scheme. For example;
 - o How will the Deposit Management Organisation set out the process of paying handling fees to retailers and how is this process being adhered to in a timely manner.
 - o How will the Deposit Management Organisation set out the process of paying the redeemed deposits back to retailers and how is this process being adhered to in a timely manner.
- Assessing the impacts that the deposit return scheme is having on the littering of in-scope containers.
- Assessing the effectiveness of the Deposit Management Organisation resolving technical problems which affect the consumers ability to utilise the service. For example:
 - o How long does it take for broken machines to be repaired?
 - o How long does it take to collect material from a full return point?
- Assessing consumer satisfaction with the scheme by a regular survey which offers feedback forums and consumer assessments of the usability of the scheme.
- Assessing the accessibility of the scheme from a geographical point of view as well as from a disability perspective.

- Assessing the carbon emissions created by the implementation of the scheme.
- Levels of fraud and effectiveness of fraud prevention measures.

27. Do you agree that the above issues should be monitored as Key Performance Indicators ?

Yes / No

Please list any further issues you believe should be covered by Key Performance Indicators .

Digital infrastructure for the deposit return scheme

Digital Design

The collection, handling and use of data required by deposit return scheme will need to be underpinned by digital infrastructure to support a range of activities. This digital infrastructure will need to be designed around the needs of its users. For deposit return scheme users this will include, but is not limited to, the Deposit Management Organisation, regulators in England, Wales and Northern Ireland, producers of packaging, and potentially local authorities, and organisations across the waste management chain.

Some of this digital infrastructure will be specified by the Deposit Management Organisation. In particular the funding and installation of reverse vending machines or alternative return point infrastructure should be left to the Deposit Management Organisation (this is explored further in chapter 5) as should the IT needed to support its core activities such as operation of the counting centres and the administration of financial flows.

Other aspects of the required digital infrastructure will be similar to that required by Extended Producer Responsibility (for example registration of producers, submission of evidence on packaging placed on the market). In these circumstances Governments will look for opportunities to provide simple, consistent digital services that could support the needs of users under both sets of reforms (e.g. potentially a single registration portal, and a single way of submitting packaging and container information).

Government is minded to lead on the design and development of digital infrastructure where it could provide a simple and consistent experience for users across Extended Producer Responsibility and the deposit return scheme. The costs of running these digital services would be recovered from Extended Producer Responsibility and deposit return scheme charges on the Deposit Management Organisation. Data collected through these services would be made accessible to users such as the Deposit Management Organisation and regulators to process and utilise in accordance with their roles.

In parallel to work on Extended Producer Responsibility and deposit return scheme Government is progressing work to introduce the electronic tracking of waste, and this will

be subject to a separate consultation. Consideration will be given to the extent to which waste tracking can support any elements of deposit return scheme.

Questions

28. Do you agree that Government should design, develop and own the digital infrastructure required to register, and receive evidence on containers placed on the market on behalf of the Deposit Management Organisation and regulators?

Yes / No

Please elaborate on your answer

29. Government will need to understand the needs of users to build digital services for deposit return scheme. Would you like your contact details to be added to a user panel for deposit return scheme so that we can invite you to participate in user research (e.g. surveys, workshops interviews) or to test digital services as they are designed and built?

Yes / No

Chapter 4: Financial flows

This chapter will outline how the financial flows will work throughout the deposit return scheme.

First consultation

The first consultation endorsed support for the principle of full-net cost recovery, meaning that producers cover the net cost of managing their products at the end-of-life stage. Producer responsibility is about making sure businesses that manufacture, import and sell certain products are responsible for their end-of-life environmental impact.

The majority of respondents stated that the producers should cover the Deposit Management Organisation set-up costs, with only 7% thinking that others should be responsible. Local authorities and waste management companies most strongly supported the proposals.

77% of respondents also thought that producers should cover the operational costs of the scheme. The majority of those who provided a reason for their view were clear that the 'polluter should pay'.

There were a small number of respondents who argued that smaller producers should not be expected to contribute to the scheme's operational costs, as doing so could limit their competitiveness and their willingness and/or ability to invest in alternative packaging materials.

Deposit Management Organisation revenue streams

The Deposit Management Organisation will be funded by three revenue streams:

Material revenue

The material collected by the Deposit Management Organisation will be sold to reprocessors for recycling. The sale of this material has a value associated with it which is determined by its quality. As deposit return scheme material is separately collected and of high quality, it is therefore expected to attract high prices. By providing a revenue stream for the Deposit Management Organisation, this provides a clear incentive for the Deposit Management Organisation to collect as much high-quality material as possible in turn leading to greater circularity of materials.

Producer registration fees

As a form of producer responsibility, a deposit return scheme ensures that those responsible for placing packaging on the market are also responsible for the costs of collection and treatment. All drinks producers/importers will be obliged to sign up to the Deposit Management Organisation before they can place in-scope products on the market.

Producer registration fees will be set by the Deposit Management Organisation. The producer registration fee will be expected, along with the other revenue streams, to cover the costs to the Deposit Management Organisation of operating the scheme

(administration costs and the costs of treating the different types of material that producers place on the market) and the costs incurred by the regulator (with duties of the regulators explored further in chapter 8). We consider producers should pay costs proportionate to the types of materials they place on the market to reflect the different costs involved in collecting, separating and treating different material types. This would be reflected in the producer registration fee set by the Deposit Management Organisation.

No producer will be able to opt-out from the scheme. That said, we want to protect the smallest drinks producers from the cost burden associated with the introduction of a deposit return scheme. Whilst all producers will still have to comply with statutory obligations imposed on drinks producers, for example the mandatory placing of a deposit on container and labelling requirements, we want to minimise the burden on the smallest drinks producers. This can be achieved, for instance, by allowing them to pay minimal or no annual registration fees, as a form of exemption to producer obligations.

We have a clear expectation that producer fees will be transparently calculated and shared publicly.

30. What is an appropriate measure of small producers for the purposes of determining the payment of registration fees?

- Taxable Turnover
- Drinks containers placed on the market
- Any other

Unredeemed deposits

No deposit return scheme is able to achieve a 100% return rate. There are always a number of consumers who choose to forego the deposit value. These consumers pay the deposit value of the container yet leave that money in the system rather than recovering it. This is a potentially significant value stream for the Deposit Management Organisation and can help contribute to making improvements to the design of the scheme. The risk to be considered is the creation of a perverse incentive whereby the Deposit Management Organisation gains more revenue from unredeemed deposits whilst the scheme fails to meet its collection targets as a result of lower return rates.

The first consultation asked respondents whether unredeemed deposits should be used to part-fund the costs of the deposit return scheme system.

- 68% agreed that unredeemed deposits should part-fund the scheme whilst 21% disagreed.
- Local authorities provided the most vocal opposition to this approach and argued that unredeemed deposits would be better spent on other things like funding kerbside collections and being donated to charitable organisations with an environmental focus.
- 63% of respondents agreed that unredeemed deposits should not be passed onto Government if they are not used to part fund the scheme.

Our analysis demonstrates that if unredeemed deposits are used to part-fund the system, this will have a significant impact on the level of producer fees. For example:

1. At an 85% return rate, unredeemed deposits would constitute £739M per year. Based on current analysis this would mean that if unredeemed deposits were allocated to cover all the costs, producer fees would not be necessary.
2. At a 90% return rate, unredeemed deposits would constitute £492M per year, meaning that producer fees are estimated to be approximately £170.6M.

31. Is a high level of unredeemed deposits funding the scheme problematic?

Yes / No. Please explain your answer.

It is unlikely that producer fees will ever be set at zero, as there is no time limit on when containers can be returned into the system. International experience demonstrates that deposits can be reclaimed on bottles up to 10 years after it was placed on the market. Unredeemed deposits, however, will lower producer fees and could be a significant annual revenue stream.

Whilst unredeemed deposits will have a part to play in funding the system, there are several considerations to ensure they are not misused or misinterpreted for running the scheme:

- The purpose of the scheme is to achieve high recycling rates, reduce littering and increase the circularity of drinks bottles. Therefore, the priority is ensuring that collection targets are met.
- The role of enforcement is essential to ensure that fines are imposed if the Deposit Management Organisation misses those targets.
- It is a consumer choice if deposits are not being redeemed. However, the scheme has a duty to ensure provisions are made to make returning containers as accessible as possible for consumers. The deposit return scheme must avoid any situation where that choice a consumer has for redeeming a deposit is taken away from them unfairly.
- The Deposit Management Organisation will be not-for-profit so there will be no incentive for the Deposit Management Organisation to hoard money to pay shareholders for example.

Our Impact Assessment currently assumes that 50% of the net costs (after material revenue has been deducted) will be covered by producers with the remaining 50% covered by unredeemed deposits. Any surplus funds from unredeemed deposits would be for the Deposit Management Organisation to reinvest into improving the system. The tender process would ask how the Deposit Management Organisation would utilise any excess funds, if there are any. Should there be funds that go above and beyond the required annual spend to meet collection targets, the contract management team can then hold the Deposit Management Organisation to account.

This results in the following level of producer fees and surplus funds:

1. At an 85% return rate, with unredeemed deposits at £739m, producer fees would be set at £295m and there would be surplus unredeemed deposits of £444m.
2. At a 90% return rate, with unredeemed deposits at £492m, producer fees would be £359m and there would be surplus unredeemed deposits of £133m.

Option 1: We allow unredeemed deposits to part-fund the scheme (preferred option)

We propose that we should allow unredeemed deposits to part fund the scheme to whatever extent they are collected.

As unredeemed deposits are only attained when the scheme is not operating most effectively (where containers are not being returned into the system) there is an opportunity to create perverse incentives. Government would therefore need to prevent the Deposit Management Organisation from gaining financially when unredeemed deposits increase to a level where the scheme is not meeting its legal obligations.

The Deposit Management Organisation would be held to account for meeting high targets via:

- Legal obligation set out in regulations to meet high collection targets.
- Sufficient monetary penalties set out in regulations being imposed on the Deposit Management Organisation for not meeting its collection targets. We would like this to counteract any potential financial gains made by the Deposit Management Organisation as a result of not meeting its obligations. For example, if the collection target is not met in one or more part of the United Kingdom (England, Wales and Northern Ireland), the fine imposed on the Deposit Management Organisation could equate or be more than the amount of revenue that it would have received from unredeemed deposits up to the collection target.

As explained previously, we assume it is unlikely that producer fees would ever be set at zero due to the potential for containers to be returned into the system in the future. In addition, there is the need for the Deposit Management Organisation to ensure it can fund the system should there be a fall in revenue from unredeemed deposits. The system should not operate with surplus funds since revenue should always be invested back into the system.

Option 2 – unredeemed deposits part fund the system but there is a minimum producer fee per annum and excess funds are asked about during tender

Alternatively, regulations could stipulate that producer fees could be set so they have to cover a minimum amount of the Deposit Management Organisation's annual operational spending. This would mean that no matter what the collection rate is, producers would have to contribute to a set proportion of the costs of running the scheme. The challenge would be finding the correct level whereby there are still incentives for the Deposit Management Organisation to make the scheme as cost effective as possible but also ensuring a meaningful contribution.

Under the option:

- We allow unredeemed deposits to part fund the scheme but place a floor on the producer fees (e.g. 50% of net costs) that have to be raised in order to meet a set proportion of the annual costs of the scheme.
- We ask a question in the tender process regarding the utilisation of any excess funds so that that contract management team within Defra can hold the Deposit Management Organisation to account should there be funds that go above and beyond the required annual spend to meet the targets.

Any surpluses that might remain from unredeemed deposits, over and above the costs of the scheme, would be for the Deposit Management Organisation to spend. Engagement to date has demonstrated a desire to reinvest into the performance of the scheme as well as paying off the initial loan needed to fund the set-up costs of the deposit return scheme. There is no reason the Deposit Management Organisation could not put this money towards environmental causes in general.

The purpose of the percentage floor would be to ensure that producers continue to contribute to the scheme. However, we want to avoid a level of fees whereby the producers have no incentive to encourage a cost-efficient system.

Questions

32. Which option to treatment of unredeemed deposits do you support?

Option 1 / Option 2

33. With option 2, do you foresee any unintended consequences of setting a minimum percentage of the net costs of the deposit return scheme that must be met through the producer fee?

34. If a floor is set do you consider that this should be set at:

- a) 25% of net costs
- b) 33% of net costs
- c) 50% of net costs
- d) Other

Please provide any evidence to support your response.

35. Do you agree that any excess funds should be reinvested in the scheme or spent on other environmental causes?

Invested in the scheme/ other environmental causes

Start-up costs and operational costs

Following the principle of full net cost recovery, we believe that packaging producers and importers should be responsible for funding the collection, transport, sorting and treatment of packaging waste. By registering with the Deposit Management Organisation, producers would be meeting their full-net cost recovery obligations.

The Deposit Management Organisation will finance the start-up costs that will allow the scheme to be operational from day one. We expect this to include for example, the organisational set-up costs and roll out of counting and bulking centres, IT set up and development, and the roll out of collection centres. These costs are explored more in the accompanying Impact Assessment to this consultation.

Once bottles have been deposited at return points, they will need to be collected and transported to bulking points and sometimes on to counting centres. There will likely be opportunities for backhauling or reverse supply chain logistics to be utilised to reduce costs of transportation. Either way, the Deposit Management Organisation will likely contract distribution and transportation companies to deliver services on their behalf.

The Deposit Management Organisation will be expected to secure private loans to meet such costs.

The Deposit Management Organisation will also be responsible for funding the operational costs of the scheme. These costs will include funding the collection, transport, sorting and treatment of packaging waste. Moreover, they include funding consumer and retailer communication campaigns and the clean-up costs of deposit return scheme containers that still go through local authority waste streams. These costs are clearly set out in the impact assessment.²⁶

The deposit level

First consultation

The first consultation asked for views on the optimum deposit level and received a mixture of responses with the most popular range being between 20 and 50p. It also put forward the question around flat rate and variable rate deposits. 57% of respondents thought that the deposit level should be a flat rate. Reasons given included financial and revenue forecasts being easier to calculate and less confusion for consumers. Of the respondents that were opposed to a flat rate, 34% viewed a variable deposit set by container size as the best mechanism for setting the deposit level and 75% were clear that the deposit level should be the same for both single and multipack containers.

Position

The deposit level will not be fixed in legislation as it has been in comparable schemes. In contrast, we propose to set out a minimum and, possibly, maximum deposit within secondary legislation, which will describe the methodology to be used for altering the deposit level. We want the Deposit Management Organisation to have the flexibility and control to ensure it is able to meet its statutory collection targets. We believe the ability to set and then change the deposit level is a critical lever to ensure the Deposit Management Organisation can meet these targets.

²⁶ Impact Assessment for Introducing a Deposit Return Scheme for drinks containers

As a result, the Deposit Management Organisation will have the ability to set either a fixed rate or a variable rate deposit level. In a fixed system, all drinks container in scope will have the same deposit placed on them. This would be a simpler design and might be easier for consumers to understand. In a variable system, different drinks containers in scope will have different deposit levels placed on them. The most popular way of placing a variable deposit in response to the first consultation was by size. This could be more complicated to administer but might prevent significant shifts in consumer behaviour to reflect the greater proportion of multipacks sold in the UK for example.

Drinks containers sold in mutlipacks are regularly purchased by consumers, and the additional charge of a deposit on each container sold in the multipack could mean consumers pay significantly more for these purchases, with the deposits adding up to what some may view as a disproportionate additional cost compared to the retail price of the items.

Providing the Deposit Management Organisation with flexible deposit levels will also future proof the system with respect to technology innovation. For example, as technology develops it may be possible for variable deposits to be set at an individual container level, reducing the overall deposit charge on multipack purchases in comparison to an individual bottle.

Regarding deposit level, the social research conducted by Kantar²⁷ showed clearly that the deposit level needs to be high enough to motivate use without influencing affordability. Moreover, it found that a round number would help to increase the sense of value from the scheme. For example, 5 containers (20p) equate to £1 or 10 containers (10p) equate to £1. The quantitative study found equal support for a 10p and a 20p deposit, but the qualitative evidence pointed towards a deposit level in the region of 15p to 25p. The important points to consider were how deposits could accumulate, framing the deposit from a loss averse perspective and the importance to consumers of clearly being able to track the deposit.

A methodology will be set out in secondary legislation which outlines the process that the Deposit Management Organisation would be expected to undertake to make a change to the deposit level. In setting and amending the deposit level, the Deposit Management Organisation should give specific consideration to the impact of the deposit with regards to affordability for consumers.

Allowing for a flexible approach to setting the deposit level will also provide the opportunity for the Deposit Management Organisation to set deposit levels for different product types or groupings. This would support integration with other policies such as minimum unit alcohol pricing

36. What should be the minimum deposit level set in legislation?

- a.) 10p
- b.) 15p
- c.) 20p
- d.) Other

37. Do you agree that there should be a maximum deposit level set in legislation?

²⁷ Defra Consumer Research to Inform Design of an Effective Deposit Return Scheme Inform

Yes / no

If yes, what should be the maximum deposit level set in legislation?

- a.) 30p
- b.) 40p
- c.) 50p
- d.) Other

38. Recognising the potentially significant deposit costs consumers could pay on a multipack purchase, how best can we minimise the impact of the scheme on consumers buying multipacks?

39. Do you agree with our approach to letting the Deposit Management Organisation decide on whether to adopt a fixed or variable deposit level, particularly with regards to multipacks?

Please provide evidence to support your answer

Chapter 5: Return points

This chapter sets out further details of retailer obligations in the deposit return scheme, and the proposed policy for how return points will be made available under the scheme. It is our view that the proposals below would remain the same whether it is an all-in or on-the-go deposit return scheme (recognising Welsh Government's preference for an all-in deposit return scheme), with a few nuances explained in some sections.

To ensure the deposit return scheme is as successful as possible, we need to make sure that the network of return point infrastructure is as comprehensive and accessible as possible. Consumers should be able to redeem their deposit as simply as possible and to easily return their drinks containers to either the place they brought it, or an alternative return point.

We recognise there are nuances to how different industries and retailers operate, but are confident that our proposed policy position provides an effective framework that reflects the needs of all businesses required to operate a return point, whilst also providing reasonable grounds for exempting businesses where it would not be possible or effective to host a return point.

First consultation

In the previous consultation we argued that in a well-functioning deposit return scheme it will be easy for consumers to return drinks containers and obtain their deposit refund, proposing that all retailers would be obligated to host a return point unless they fell below a potential de minimis which would exempt them from hosting a return point.

75% of respondents to the first consultation agreed that businesses selling in-scope containers should host return points. 90% of respondents also thought that retailers who do not stock in-scope drinks containers should be able to opt-in and offer return points. The majority of respondents however believed that there should not be a de minimis below which retailers should be exempted to host a return point.

We outlined the payment of a handling fee to retailers hosting a return point, and the possible additional range of places return points could be hosted, such as transport hubs, leisure facilities and stadiums. We also set out the need for return point provisions for those not easily able to access a physical return point, perhaps due to mobility issues or a reliance on online shopping due to geographical factors, and a need for a pick-up service in remote and rural areas.

In the responses, concerns were raised regarding floor space, impracticalities and costs for small and medium enterprises of hosting return points, which we have considered as part of the limited exemption criteria discussed below. However, the social research was clear, reinforced by consultation responses, that accessibility would be the key factor in the success of a deposit return scheme. Ensuring deposit and container returns for the consumer are quick and easy will reduce the demands for behavioural change in consumers.

We also noted the practicalities of applying a deposit and return scheme when the sale of in scope containers takes place on the premises of on-trade businesses such as hotels, bars and restaurants, and where the nature of the consumption is on the site itself. Many

respondents noted that, whilst the pub/bar should pay the deposit on the in scope items, so long as consumption stayed on site then the staff could collect the bottle once empty and redeem the deposit themselves, without having to pass the deposit onto the consumer.

Retailer obligations

As set out above, the fundamental principle underpinning the proposed deposit return scheme is that returning an in-scope drinks container should be as easy as purchasing one in the first place. To meet this ambition, and considering the responses received to our first consultation, legislation will set out an obligation on all retailers selling in-scope drinks containers to accept all deposit return scheme container returns to their store, and refund the deposit amount to the consumer when an item is returned. In addition, retailers will be required to add the deposit price to the purchase price of the drink at the point of sale. We propose this obligation on retailers to accept all deposit return scheme container returns would remain the same in both an all-in and on-the-go scheme.

These obligations extend to online retailers, who must also ensure the deposit price is added to the purchase price when advertising an in-scope material online, and we are considering whether such retailers should be obligated to offer consumers a take-back service for the container purchased.

The obligation will be for retailers to accept returns of deposit return scheme containers. This means retailers can choose to host a return point with a reverse vending machine or a manual return point. The return point type would be agreed with the Deposit Management Organisation. If the scheme in England/Northern Ireland was an on-the-go scheme, then retailers (especially larger supermarkets) may reconsider how many reverse vending machines they would require, to reflect the quantity of material being returned in that type of scheme compared to an all-in model.

By imposing the obligation on retailers to purely host a return point, and not specifying what type of return point this might be, we are endeavouring to leave it open for other technological innovations (e.g. smart bins, or scanning containers and placing in your household waste bins for collection) that might be available to be incorporated into the scheme as additional return points for consumers to use.

The funding and installation of return points across retailers will be a decision for the Deposit Management Organisation to make. Depending on decisions taken by the Deposit Management Organisation, there may be different ownership structures of the reverse vending machines (or alternative return point infrastructure) and therefore this should be left to the Deposit Management Organisation. Options may include the Deposit Management Organisation bulk purchasing reverse vending machines and leasing them out to retailers, or alternatively the Deposit Management Organisation may prefer to provide guidance to retailers regarding what type of reverse vending machines would be acceptable for them to host, and the retailer can then choose the reverse vending machine most suited to their needs. In both instances, and as clarified under The Role of the Deposit Management Organisation within the Scheme Governance chapter of this consultation (chapter 3), the Deposit Management Organisation would be liable to cover the costs of the reverse vending machines, most likely refunded through the handling fee.

Question

40. Do you agree that all retailers selling in-scope drinks containers should be obligated to host a return point, whether it is an all-in or on-the-go deposit return scheme?

Please provide any evidence to further explain your answer.

41. Given the proposed extensive distribution and availability of return points for consumers to return bottles to, do you think customers would be likely to experience delays / inconveniences in returning drinks containers? If so, how long or how frequently would such delays be likely to arise for?

Online purchases of in-scope drinks containers

Online retailers

As mentioned, accessibility and ease of return is an essential principle for our return points policy, and subsequent success of the scheme. We are considering how this principle should extend to purchases of in-scope drinks containers made online, whilst also ensuring the scheme is working effectively and does not result in unintended consequences, such as additional journeys to collect material.

On this basis, we are considering whether to obligate online retailers who sell in-scope drinks containers to offer a take-back service for the empty drinks containers free of charge to the consumer. The takeback would be like for like and there would be no time limit placed on when the collection would need to take place by. We believe this is an important obligation to consider, ensuring consumer convenience and inclusivity in the scheme, where they may otherwise struggle to return containers and redeem deposits (such as for mobility reasons or living in rural locations creating a reliance on online grocery shopping).

Where major retailers have a widespread delivery system in place currently, we would expect that this takeback service could be fitted into the current operation to avoid additional journeys being made. We also expect that many consumers would generally choose to decline the offer of a takeback service if they make a purchase online, since they would likely find it easier to return any containers they purchase through this sale to a physical return point during the course of their daily lives. Consumer research showed that 84% of respondents visited a large supermarket regularly, suggesting it should be relatively simple for consumers to return bottles as part of these trips. Whilst the provisions above might apply naturally to those receiving regular online grocery deliveries, we appreciate that this might not be proportionate for all online purchases of in-scope drinks containers. There are concerns that the environmental benefits obtained by collecting the container back into the system could be offset by the logistics and individual and/or additional journeys required to collect the containers from the consumer. Unlike a consumer receiving a regular grocery delivery where they can simply hand over their old drinks containers, the ad-hoc nature of some purchases, particularly from small and independent retailers, could result in complex logistics and additional journeys made in silos to collect individual containers.

At the same time however, there is a need to ensure the scheme is not discriminatory towards consumers who make this type of purchase and are not able to easily access a return point to return their containers and redeem the deposits. Such consumers would be reliant on a takeback service being offered to ensure they are able to fairly participate in the scheme.

Takeaway meal delivery services

Many consumers will purchase in-scope containers as part of a take-away meal which may be purchased directly through the retailer, or alternatively by ordering through a third-party food order and delivery service. Containers purchased by the customer which fall in scope of the deposit return scheme will still have a deposit placed on them, which the consumer will pay on purchasing the product.

We are considering whether the retailer (e.g. restaurant) in this instance should carry the obligation to offer and provide a takeback service for the containers to any consumer who requires this, ensuring the scheme remains accessible to all. To make it clear, the responsibility for offering the takeback service would sit with the original retailer, and not with a third-party food order and delivery service. There may still be a role for such providers in retrieving containers from consumers.

However, we are again aware of the practicalities for these retailers in offering a takeback service given the logistical complexities required by the retailer to revisit the consumer to collect a single bottle. Again, we are conscious of the potential environmental impact of having to make many journeys to pick up a small number of containers.

Our position

Recognising the concerns mentioned in this section, we must carefully consider the right approach with regards to obligations on retailers selling in-scope containers via online transactions. We do not want to develop a policy which creates a significant number of additional journeys for collecting containers sold this way, or places a disproportionate burden on small and medium enterprise retailers and restaurants, if the environmental benefit of collecting the container is not proportionate to the effort and emissions released by a journey to collect that container.

Consumption of containers purchased this way may therefore benefit from a more centralised take-back service where the Deposit Management Organisation could help facilitate the collection of containers purchased this way, in partnership with the retailers and food order and delivery service providers, if this could be made cost-effective and environmentally sustainable. This could be particularly helpful for small businesses and takeaway meal delivery services, who could be otherwise obligated to provide a takeback service. A centralised takeback system run by the Deposit Management Organisation could help remove the risk of inefficient collections taking place in silos, and therefore could be encouraged as part of the environmental credentials of the scheme, reducing individual journeys to collect containers and contributing to carbon emissions.

However, there is also the view that for many consumers purchasing in-scope containers via online transactions, it will still remain more convenient for them to return the container themselves at a time of their convenience e.g. as part of their weekly shop. In this scenario, consumers should be able to decline the offer of a take-back service for the container when they are making their purchase, to avoid unnecessary journeys and complex logistical solutions when not required.

We are therefore considering the following options with regards to online takeback obligations for retailers:

Option 1 – obligate all retailers selling in-scope containers online to offer a takeback service

Based on the principles of ensuring it is as easy to return an in-scope drinks container as it is to buy one in the first place, this option would mean an obligation is put in the regulations that means all retailers would be obligated to offer a takeback service. The Deposit Management Organisation could be encouraged to form a centralised take-back service to help facilitate the collection of containers purchased online and make the system as efficient as possible.

Option 2 – use a de minimis based approach to obligate qualifying retailers selling in-scope containers to offer a takeback service

To address some of the concerns regarding efficiency of online takeback, this option would mean that some form of de minimis or exemption is placed on certain retailers selling in-scope containers online. This could take the form of a de minimis based on the size of the business and / or the volume of in scope containers sold either in total or to a single customer, and retailers under a certain size or selling only low volumes would be exempt from offering a takeback service.

This should ensure that national retailers typically used by consumers for regular grocery shops would be captured by the obligation to provide a takeback service, which would be proportionate, like for like in terms of containers collected, and without a stipulated time limit on the collection taking place. However, purchases of in-scope containers from smaller retailers or restaurant/takeaway outlets, perhaps made on an ad hoc basis, may not be covered by the takeback obligation, so it would be up to the consumer to make provisions for the return of these containers to redeem their deposits.

The Deposit Management Organisation could also still be encouraged to consider forming a centralised take-back service to help facilitate the collection of containers purchased online, if this could be made cost-effective.

Option 3 – no obligation placed on retailers selling in-scope containers to offer a takeback service

This option would remove any obligation on retailers selling in-scope containers online to offer consumers a takeback service. This could mean some consumers find it more difficult

to return their containers and redeem their deposits. However, this option would avoid any unnecessary journeys being made to collect individual containers, which could be damaging (e.g. environmentally in terms of vehicle emissions) to the wider benefits of the scheme.

Question

42. Do you have a preference, based on the 3 options described above, on what the schemes approach to online takeback obligations should be? We welcome views from stakeholders on who this obligation should apply to, including if there should be an exception for smaller retailers or low volume sales. **Please explain your answer.**

Anyone transporting waste (in this case collected scheme articles) will need to determine if they require a waste carrier licence. We continue to engage with the environmental regulators in England, Wales and Northern Ireland on this and expect any business that is transporting empty scheme articles for treatment (i.e. to be sent for reprocessing) will need to have a waste carrier licence. This is likely to be a lower tier registration.

Handling fee

The retailer will receive a retailer handling fee from the Deposit Management Organisation to compensate them for any costs incurred in hosting a return point. The fee paid to retailers will be based on a series of criteria which will be set out in legislation. These criteria should take into account the requirements for:

- Costs of purchase, lease, maintenance or upkeep of any collection/storage infrastructure, including any vehicle used for collections.
- Costs of materials for collection/storage of containers
- Space requirements of return point
- Staffing
- Utility costs of operating the return point (e.g. electricity)

The calculation and modelling of the retailer handling fee will be left to the Deposit Management Organisation to determine.

Online retailers will also receive a handling fee to cover the costs involved to them providing a take-back service. This would only be paid to the retailer, not to couriers for example, who may be operating on behalf of retailers in making deliveries of their goods.

Questions:

43. Do you agree with the proposed criteria for the calculation of the handling fee?

Yes / No

Would you propose any additional criteria are included for the calculation of the handling fee?

Conditions of take-back

Whilst all retailers who sell an in-scope container will be obligated to offer a take back service for in-scope deposit return scheme containers, in certain circumstances the retailer will be exempted from having to accept a return. There are two instances in which this might be the case:

Condition of container

The retailer may refuse a return when the container being returned is:

- Not identifiable as within the scope of the deposit return scheme;
- Not empty;
- Not intact.

Reasonable

Retailers should only be obligated to take back what is considered reasonable. Our intention is to give a non-exhaustive list of examples in legislation for what constitutes an unreasonable return, and for which the retailer could refuse to take back the consumer's containers. Examples of what would breach the grounds of reasonable include:

- If a customer intends to return an amount of in-scope containers far greater than the quantity of containers sold by the retailer in a normal transaction, then the retailer may refuse to accept the return;
- If the Deposit Management Organisation has not collected materials and the retailer's storage of containers has reached capacity, then they should not have to offer a take-back service until a collection has taken place.
- A premise that doesn't stock a particular type of product in an in-scope container, such as alcoholic drinks for cultural reasons, wouldn't be obliged to accept returns of those containers.

By giving clear examples of what constitutes reasonable, this should then create a path to enforcement of the exemption to take-back containers. Retailers should be provided with clear advice, developed by the Deposit Management Organisation and appropriate enforcement agency, which sets out their obligations and rights to refuse to take back a container if it breaches the grounds of a reasonable return.

Exemptions to hosting a return point

All retailers selling in-scope drinks containers will be obligated to host a return point, regardless of their size and thus capturing both large supermarkets and small independent newsagents. However, in certain cases, retailers obligated to host a return point will be

able to apply to the Deposit Management Organisation for an exemption to hosting a return point, where they meet one of the two criteria below. Whilst we want to give all retailers the opportunity to host a return point, these exemptions may be of particular relevance to smaller, micro-sized retailers where they do not feel it appropriate or able to host a return point.

Exemptions for retailers that are in close proximity to one another

It will be the responsibility of the Deposit Management Organisation to ensure that there are appropriate return provisions for drinks containers in place and that these are accessible for all populations to return their containers to. Retailers wishing to apply for an exemption on the basis of close proximity may do so, where they consider it unnecessary to host a return point when an alternative return point is located within reasonable proximity to the premises.

The onus for applying for an exemption on the grounds of close proximity will fall on a retailer. Retailers would apply to the Deposit Management Organisation directly when seeking such an exemption, specifying why they believe they should be exempt from hosting a return point. In their application, they would be required to give various pieces of information, such as the location of the nearest alternative return point.

The Deposit Management Organisation may consider it appropriate to undertake direct liaison with retailers who wish to seek an exemption, giving consideration to the optimum number of return points to ensure continued accessibility for populations. Granting exemptions shall be the duty of the Deposit Management Organisation, who should consider factors such as locations consumers most frequent, and ultimately ensuring there are sufficient return point provisions for consumers.

If a retailer meets the exemption criteria and this causes accessibility issues to available return points then it will be the responsibility of the Deposit Management Organisation to mitigate this risk rather than the responsibility of the exempted retailer.

The Deposit Management Organisation may undertake strategic mapping projects for example, to support the assessment of exemption applications and ensure appropriate return point provisions are in place. However, this would not change the obligation on all retailers to host a return point unless they apply for an exemption. Exemptions may be granted using the data provided by the mapping exercise.

Exemption to hosting a return point on the basis of a compromise of safety

Retailers may apply for an exemption to hosting a return point where the logistics of hosting a return point (e.g. location or layout, of the retail premises) would make it difficult to continue the operation of that return point without breaching health and safety obligations on the site.

Retailers wishing to apply for this exemption must send their application to the Deposit Management Organisation, demonstrating why they believe that the logistical arrangements of their retail premises do not permit the retailer to operate a return point safely on that site.

Question:

44. Please tick which exemptions you agree should be included under the scheme:

- Close proximity
- Breach of safety

Any further comments you wish to make

45. Please can you provide any evidence on how many small and micro sized retail businesses we might likely expect to apply for an exemption to hosting a return point, on the grounds of either close proximity to another return point or on the compromise of safety considerations?

Obligations on exempted retailers

Retailers who are granted an exemption will still have obligations under the deposit return scheme to add the deposit price onto the purchase price of the item at the point of sale.

We are also considering what obligations should be placed on retailers exempt from hosting a return point. In order to avoid confusion and ensure it is as easy as possible for consumers to return a container when they wish to, we are minded to introduce obligations for such retailers to display information stating they do not host a return point. In addition, we are considering whether retailers exempt from hosting a return point should also be required to display information signposting consumers to where they can find the nearest return point.

Close proximity

All retailers who are granted an exemption on the basis of close proximity must then clearly display that they do not operate a return point and display information regarding the location of the nearest / alternative return point they can access.

Breach of safety

Retailers granted an exemption on the basis of a breach of safety will be required to display signage that they do not host a return point on the premises. However, in contrast to those exempted on the basis of close proximity, these retailers will not be required to display information relating to the nearest return point. There are concerns that retailers genuinely unable to host a return point would be forced to advertise another business by displaying such signage. Therefore, it could be deemed reasonable that retailers unable to host a return point due to a breach of safety should not have to signpost to another retailer.

Questions:

46. Do you think obligations should be placed on retailers exempted from hosting a return point to display specific information informing consumers of their exemption?

If yes, please tick what information retailers should be required to display:

- a.) Signage to demonstrate they don't host a return point;
- b.) Signage to signpost consumers to the nearest return point;
- c.) Anything else?

47. Do you agree with our rationale for not requiring retailers exempted on the basis of a breach of safety not to be required to signpost to another retailer?

Yes / No

Please explain your answer.

Revoking an exemption

It should be made clear that when the Deposit Management Organisation grant an exemption, this is not a permanent exemption and the Deposit Management Organisation will have the power to revoke a retailer's exemption to hosting a return point should there be a change in circumstance.

Exemptions will need to be time limited to accommodate changing circumstances both for the retailer and the application of technological innovation. A review point for each exemption will therefore be required, with a process set out by the Deposit Management Organisation for retailers to reapply through.

This change in circumstances may be accredited to the reason the exemption was granted in the first place e.g. new design of premises would facilitate a return point being hosted, or a retailer hosting a return point on behalf of another retailer who is no longer able to host that return point). Alternatively, the retailer may have failed to comply with their obligations as an exempted retailer, and the Deposit Management Organisation therefore see no reason to continue exempting that retailer from hosting a return point. Finally, the retailer may themselves request to have their exemption revoked if they wish to operate a return point.

Part of the Deposit Management Organisation's responsibility should be to ensure exempted retailers are meeting their duties, and all exempted retailers are made clear of their duty to report a change in circumstances to the Deposit Management Organisation at the earliest opportunity so that the necessary action can be taken to ensure appropriate and accessible return provisions for drinks containers are in place.

Questions

48. How long do you think exemptions should be granted for until a review date is required to ensure the exemption is still required?

- a.) 1 year
- b.) 3 years
- c.) 5 years or longer

Hotels, Restaurants and Cafes (HORECA)

We recognise the specific issues of HORECA industries providing a take-back service, such as people queuing at the bar with large quantities of bottles, particularly at the end of a trading day. This will make it more difficult for customers to be served and will take up significant amounts of staff time, as well as causing significant difficulties in a potentially crowded venue e.g. space.

In recognition that where drinks are consumed on site, in a closed-loop environment, HORECA will be required to pay the deposit price on drinks they purchase for sale on their premises but will not be required to pass the deposit price on to the consumer. Businesses may still choose to pass the deposit price on to the consumer, but if they do they will then need to provide a take-back service in line with the requirements set out above for retailers.

These premises will be able to collect the containers of drinks consumed on site and arrange for collection with the Deposit Management Organisation to reclaim their deposit. HORECA will receive, like other retailers, a bespoke handling fee that reflects the costs of the services they are providing in the deposit return scheme, such as the cost of materials used in respect of the collection and storage of scheme packaging, and staff time required to facilitate this.

Voluntary return points

We consider that anyone wishing to host a return point, other than a retailer, should be able to apply to the Deposit Management Organisation to become a return point. In accepting this request, the Deposit Management Organisation should weigh up whether it would be reasonable and practicable to collect from that return point against the additional accessibility that that voluntary return point would provide.

We would expect the Deposit Management Organisation to work with the third sector, encouraging community groups and not-for-profit organisations to get involved in the scheme, such as by hosting return points. The potential of this has been seen in New South Wales, Australia, where their Return and Earn Scheme has delivered over \$1 billion of funding for the third sector via return point donations.

Other examples of actors who may wish to voluntarily set up a return point include local authorities, national parks and owners of transport hubs / shopping centres. For the latter, it may be feasible that a number of retailers are located in close proximity to one another, and it may be thought more effective for a reverse vending machine to be placed in an appropriate place in the communal area of the venue/hub, which is of a close proximity to all retailers in that venue/hub. The provision of this return point would need to be agreed in accordance with the exemption criteria set out above for retailers in close proximity to one another.

Vending sector

Products sold in scope of the deposit return scheme will also be found in vending machines. The deposit level will need to be added to the purchase price of these products, just as it will be in any other retail environment where an in-scope container is sold, and clearly advertised on the machine (likely via sticker or on screen).

However, if a vending machine is situated on a site where there are no other catering / retail facilities selling scheme articles, then there would be no requirement for the vending machine operator to host a return point on the site. Signage may instead be required to inform consumers of the nearest return point to that machine.

Using technology in a deposit return scheme

As stated already in this chapter, retailers will be obligated to accept returns of in-scope containers, but without specific methods of return (reverse vending machines, manual return points) being specified in legislation to leave the scheme open to possible innovations and other technological solutions.

We are keen to see innovation in the deployed deposit return scheme system and have been in discussions with providers developing technology solutions based around the unique coding of containers coupled with the ability to scan the code using smart phone applications allowing the electronic redemption of a deposit.

This approach allows the alignment of the point of deposit return closer to the point of consumption and not tied to the point of purchase. As the location of the deposit return point becomes more flexible, in theory if the right infrastructure is in place, it could be wherever the drink is consumed. From in the home, on-the-go high footfall locations such as transport hubs, parks and other public places as well as return to retailer.

With the reduction on the reliance of fixed retailer return points and with a deposit redemption in the home it would be possible to utilise existing household recycling infrastructure particularly in areas of segregated kerbside sorting and collection. Thereby reducing the implementation and running costs.

We are not envisaging removing the proposed requirement on retailers to act as return points but if the digital deposit return scheme can utilise existing household collection infrastructure the number of containers going through the retailer route would be reduced.

As well as a more flexible and easier to use option for the consumer and householder the use of a unique identification of individual containers and electronic reconciliation means once the deposit is paid the deposit value on the container is lost. Therefore, a bottle cannot be returned multiple times.

This potentially mitigates against fraudulent activity, with the deposit value lost once paid, issues over security of collected containers, due to their retained deposit value, is removed.

In addition, with unique identification of individual containers the technology could allow the variable deposits to be added to the set for multipack purchases. This removes the disparity of overall cost of a multipack vs a single larger individual bottle.

However, if such technology were to be used, this would still need to enable the scheme to fulfil the objectives, namely in improving the quality of material collected. We are still working to understand how such technology can be used whilst ensuring materials are collected to the high standard required to be accepted by a reverse vending machine, and what other risks, such as fraudulent behaviour, could be seen with this more flexible approach to returning containers.

A number of trials are currently underway to evaluate this technology, with providers suggesting their system would have lower set up and running costs as it reduces, but not eliminates, the need for fixed reverse vending machines. At the time of going to consultation the costs of these alternative technology solutions are not available. However,

as the trials are progressed, we hope to be able to access more information concerning the costs which could be reflected in the final impact assessment.

Questions

49. Do you think the scheme could benefit from technological solutions being incorporated as a method of return, alongside reverse vending machines and manual return points?

Yes / No

50. How could a digital deposit return scheme solution be integrated into existing waste collection infrastructure? Please explain your answer.

51. What are the potential fraud control measures a digital deposit return scheme could bring? Please explain your answer.

52. Do you think a digital deposit return scheme could ensure the same level of material quality in the returns compared to a tradition return to retail model, given containers may not be returned via a reverse vending machine or manual return point where there is likely to be a greater scrutiny on quality of the container before being accepted?

Yes / No

Please explain your answer.

53. If the digital deposit return scheme system can be integrated into the existing waste collection infrastructure would its implementation and running costs be lower? Please provide evidence to support your answer.

Planning permission for hosting a reverse vending machine

Planning permission may be required for retailers hosting a return point. This would be the case where a retailer chooses to host a reverse vending machine outside their premises, such as in a supermarket car park or on an external wall. Where the reverse vending machine would be hosted inside of the premises without any external alterations, planning permission would not be required.

Permitted development rights are a national grant of planning permission. They are published in the General Permitted Development Order and are used to provide a simpler and more certain route to encourage development and speed up the planning system. These could be used as a vehicle for ensuring reverse vending machines can be granted permission in appropriate locations, removing unnecessary administrative burdens on local planning authorities. They are subject to limitations and conditions to control associated impacts.

It may be sensible for us to therefore introduce a new permitted development right to support the role out of the deposit return scheme. This would mean that retailers or those hosting a reverse vending machine outside would be able to do so under the new

permitted development right, so long as the specification and placement of the reverse vending machine was in accordance with the scope of the permitted development right.

In order to control the associated impacts, we propose the following parameters be imposed on any new permitted development right to allow for reverse vending machine:

- There should be no limit on the number of reverse vending machines that can be installed within the curtilage of a shop.
- When a reverse vending machine is installed in the wall of a shop, any part of the development must not protrude 2 metres beyond the outer surface of that wall.
- The reverse vending machine must not exceed 4 metres in height.
- The footprint of the reverse vending machine must not exceed 80 square metres.
- The permitted development right would not apply where any part of the development would be between a shop front and a highway where the distance between the shop front and the boundary of the curtilage of the premises is less than 5 metres.
- The reverse vending machine must not be situated within 15 metres of the curtilage of a building used for residential purposes.
- The permitted development right would not apply to proposed installation of a reverse vending machines in a Site of Special Scientific Interest or the curtilage of a listed building/scheduled monument.

Questions:

54. Do you support the proposal to introduce a new permitted development right for reverse vending machines, to support the ease of implementation for the scheme?

Yes / No

Do you have any amendments or additional parameters you would propose are reflected in the permitted development right?

Chapter 6: Labelling

We consider that labelling forms a key component of any deposit return scheme. Clear labelling and consumer messaging will help drive consumer behaviour change, enabling the deposit return scheme to meet its objectives, whilst also acting as a measure to prevent the risk of fraud in the system. Suitable labelling and marking should serve a dual function of allowing for quick identification of products within scope of the deposit return scheme and minimising the risk of unscrupulous consumers trying to obtain refunds for out-of-scope containers.

First consultation

The previous consultation set out the different approaches taken in other countries, where labelling is used as a measure to overcome fraud. The consultation also explored the practicalities of running a deposit return scheme, in terms of return points validating containers as part of a deposit return scheme. Labelling forms a key part of this, in particular when containers are scanned by a reverse vending machine or when using handheld scanners at manual return points to check barcodes and confirm whether a drinks container is in scope.

The majority of respondents to the previous consultation felt the need for labelling requirements to help reduce fraud. Respondents considered that this is especially important if there are different schemes operating across England, Wales, Northern Ireland and Scotland. 55% of respondents thought existing barcodes could provide labelling, while 46% felt there should be a marking that indicates that a container is part of the deposit return scheme.

Rationale

It is anticipated that some form of markings on drinks containers will be necessary for the running of the scheme so that retailers, on-trade sites, consumers and those responsible for recycling or reusing containers, are able to quickly and easily identify in-scope containers. This will be particularly important if the final deposit return scheme scope incorporates an on-the-go model in either England or Northern Ireland, as consumers will need to easily understand what items are captured by the deposit return scheme and which are not.

Reverse vending machines will need to be able to read something in order to know that a product is part of a deposit return scheme and provide a refund. Likewise, manual return points will need to be able to identify products that are part of a deposit return scheme and return the deposit to customers.

Anti-fraud measures

Anti-fraud measures were highlighted in the first consultation, especially where there may be differences between the deposit return scheme that will be in operation in Scotland from 2022, a proposed deposit return scheme in the Republic of Ireland, and a deposit return scheme in the rest of the UK. Labels will help to ensure products marked as being part of an individual deposit return scheme will get a refund and will avoid other products finding their way into the system. A mandatory marking will be necessary to ensure that technology can recognise in-scope containers. Where technology may not be available, for example

where a small retailer hosts a manual return point, a clear label would also help them understand whether to accept or not.

A label would also help to ensure the compliance of producers. Producers would report the number of containers they place on the market and this would inform their producer fee. A label would be read at each stage in the system, tracking the container at each point and ensuring the correct number of containers was being recorded by the Producer.

Clarity

Simplicity is seen as key to the design in any deposit return scheme. It will therefore be important for consumers to be able to easily distinguish between those products that are included as part of a deposit return scheme and those that are not, as well as immediately knowing what the deposit level is. This was supported by the recent Kantar study²⁸ into consumer research to inform the design of an effective deposit return scheme. The study found that a focus on simplicity should ideally extend to all aspects of the scheme. By having a clear label that identifies that a product is part of a deposit return scheme will reduce the cognitive load on the consumer in understanding how the product should be returned to reclaim their deposit.

Mandatory labelling in a deposit return scheme also complements proposals for labelling on other forms of packaging. As part of the consultation on reforming the packaging producer responsibility system, Government has proposed a mandatory UK-wide labelling system that requires producers to provide clear on pack information to help consumers know what they can and cannot recycle. Following strong support for the proposal from the previous consultation, Government has set out proposals to implement mandatory labelling in the consultation on Extended Producer Responsibility for packaging.

Mandatory labelling requirements under both a deposit return scheme and the reformed producer responsibility regime for packaging will ensure that all packaging products have clear on pack information to help people to recycle.

Auditing

Labelling products included in a deposit return scheme is also important from an auditing perspective as clear labels should improve the ability and accuracy of tracking bottles through the system. This will provide clear information about the number of products placed on the market, numbers sold and returned. This should give an indication to the scale and success of the scheme in meeting any targets.

Labelling requirements

We consider that a mandatory requirement should be included in legislation to ensure all in-scope drinks products are marked so they can be identified as being part of the deposit return scheme. It is our intention to leave the details of the label (where, what, how) to the Deposit Management Organisation.

²⁸ <http://sciencesearch.defra.gov.uk/Default.aspx?Menu=Menu&Module=More&Location=None&Completed=220&ProjectID=20253>

Although the details of the label would be left to the Deposit Management Organisation, we envisage that there should be a requirement in legislation to label the containers with the following:

- a) An identification marker for reverse vending machines / manual handling scanners to read e.g. a barcode
- b) A mark to identify the product as part of deposit return scheme e.g. a deposit return scheme logo that makes it clear to the consumer that the container should be returned through the deposit return scheme, so their deposit can be refunded.

There is also the option of the label including the deposit price, to make clear how much the deposit is and what consumers are entitled to be refunded to. This will be particularly important should the Deposit Management Organisation decide to introduce variable deposit levels.

For an on-the-go scheme, in particular, we consider there would need to be clear labelling of which drinks are in and out of scope of a deposit return scheme. This should avoid consumer confusion (as in some instances small containers may be consumed at home) and will allow the retailer to identify which containers can be accepted at a return point to allow the deposit to be redeemed.

55. Do you agree that the following should be part of a mandatory label for deposit return scheme products?

- a) an identification marker that can be read by reverse vending machines and manual handling scanners.
- b) a mark to identify the product as part of a deposit return scheme.
- c) the deposit price.

56. Are you aware of further measures that can be taken to reduce the incidence and likelihood of fraud in the system?

UK Internal Market Act – Mutual recognition of goods

Pricing measures have been explicitly ruled out from the scope of the mutual recognition principle in the UK Internal Markets Act 2020. Our understanding is that this applies to the requirement to add a deposit to a product placed on the market.

However, a deposit return scheme goes beyond pricing measures and the UK Internal Markets Act 2020 will have implications on our proposed scheme design for a deposit return scheme in England, Wales and Northern Ireland. Labelling requirements will interact with the mutual recognition principle (goods produced in or imported into one part of the UK and can be sold there without contravening any relevant requirements that would apply to their sale, can be sold in any other part of the UK, free from any relevant requirements that would otherwise apply to the sale). The UK Internal Markets Act 2020 does not prevent us from imposing labelling requirements on deposit return scheme products placed on the market in England, Wales or Northern Ireland. However, as there are no labelling requirements set

out under the Scottish deposit return scheme, drinks containers that are produced in Scotland or imported into Scotland, could be sold in England without a label on them.

We therefore need to consider the likely impact this could have on our proposals to mandate a labelling requirement. For example, if it appears that a large number of drinks containers placed on the UK market originate in Scotland or are imported into Scotland before being placed on other markets across the UK, then this could pose issues for the practicality and enforceability of labelling requirements under our deposit return scheme. For those items coming from Scotland, we would not be able to impose labelling requirements. This means that there is a risk of unlabelled drinks containers entering the market in England, Wales and Northern Ireland which could increase the incidence of fraud or introduce consumer confusion into the system.

Question

57. Do you agree with our proposals to introduce mandatory labelling, considering the above risk with regards to containers placed on the market in Scotland?

Yes / No

58. Do you consider the risk of incorrectly labelled products entering the markets of England, Wales or Northern Ireland via Scotland to be a significant risk? Please provide any evidence to support your answer.

Without any labelling requirement, we would be reliant on industry voluntarily labelling their products so they can be identified as being part of the deposit return scheme and to reduce the incidence of fraud but with no means of enforcing this.

59. Do you consider leaving any labelling requirements to industry to be a better option than legislating for mandatory labelling requirements? Please explain your answer.

Impact on small producers

Mandatory labelling will result in an additional cost burden on producers. In particular some small producers do not currently label their products at all. We are working with producers to ensure costs are not prohibitive and to explore potential solutions such as the Deposit Management Organisation providing stickers to those producers for their products.

60. Are you aware of any other solutions for smaller producers who may not currently label their products? Please explain your answer.

Lead in times

Our previous consultation responses indicated that a lead in time for mandatory labelling could be 2–3 years. Further engagement with industry has supported this position. We understand for some smaller producers that a lead in time of 6–9 months could be sufficient.

Labelling will be required to ensure the deposit return scheme can operate effectively once it comes into operation. Therefore, required lead in times for producers to introduce mandatory labelling will impact how quickly a deposit return scheme can be implemented. We would welcome views from industry on lead in times to introduce mandatory labelling as we consider that labelling is needed when a deposit return scheme goes live.

- 61. We believe 18 months is a sufficient period of time for necessary labelling changes to be made. Do you agree?**
a.) Yes/ No

Can you provide any evidence to support your answer?

Producer / retailer processes

Producers and retailers may potentially need to change their processes to accommodate having to have different Stock Keeping Units for products depending on where these are placed on the market. In particular, producers may need to have separate Stock Keeping Units to allow for differences in labelling requirements under the proposed deposit return scheme in England, Wales and Northern Ireland and products being placed on the market elsewhere. For retailers and wholesalers this could impact on their stock control in order to ensure products that are placed on the market in England, Wales and Northern Ireland can be separated, if required, from products being placed on the market elsewhere.

- 62. Will your processes change as a result of mandatory labelling? Yes/ No/ Don't know. Please explain your answer.**

Future proofing

New technology and innovation are developing all the time and we are aware of potential new technology that can be used in conjunction with return points. This is further explored in Chapter 5.

There is a lot of innovation concerning the use of barcodes. However, we are unclear as to the direction this thinking is heading. We need to ensure that what is in legislation is open enough to take into account any future changes.

- 63. Do you agree that our proposed approach to labelling will be able to accommodate any future changes and innovation? Yes / No / Don't know**

Are you aware of any upcoming technology in the field of labelling?

Chapter 7: Local authorities and local councils

Under an all-in deposit return scheme, which includes containers of all sizes, it is inevitable that some deposit return scheme containers will continue to travel through local authority waste streams (household recycling, residual waste and litter). We want to ensure that local authorities are not financially disadvantaged by the appearance of deposit return scheme containers in these waste streams. Moreover, packaging Extended Producer Responsibility producers, who will be covering the full net costs that local authorities incur to run an efficient and effective collection service for packaging waste, should not also cover the costs of deposit return scheme containers.

This section outlines three options on how to deal with deposit return scheme containers which appear in local authority waste streams and seeks views from stakeholders regarding their preferred course of action.

First consultation

Local authorities are important stakeholders for a deposit return scheme due to its interaction with their waste collection duties. The first consultation set out how a deposit return scheme may interact with these duties. The key areas covered were:

- **Littering.** Local authorities fund the management of litter in their areas. The Voluntary and Economic Incentives Working Group expected that an introduction of a deposit return scheme would likely reduce the costs to local authorities associated with clearing litter²⁹. These savings are reflected in the Impact Assessment, where litter clean-up savings are estimated at £86m for the ‘all-in’ deposit return scheme and £25m for the ‘on-the-go’ deposit return scheme annually by the third year of operation.
- **Waste Collection.** Local authorities who are legally designated as Waste Collection Authorities have a statutory duty to collect waste generated from households within their area, in line with the requirements of the Environmental Protection Act 1990 and the Waste and Contaminated Land Order (Northern Ireland) 1997. A deposit return scheme may move some of the more valuable recyclable materials away from local authority kerbside and on-the-go collections, instead placing them under the ownership of the Deposit Management Organisation, meaning a reduction in the income usually used to offset waste management costs for local authorities.
- **Commercial waste collections.** Many local authorities provide some form of collection system for commercial properties within their area; for example, they can apply reasonable charges to commercial waste collections. Under a deposit return scheme, these local authorities could compete with private collectors to service designated deposit return scheme return points and would be compensated by the Deposit Management Organisation for providing these services.
- **Long term contracts.** Many local authority waste collection contracts are based on forecast amount of recyclables income and various risk sharing approaches with waste collection contractors. The diversion of deposit return scheme materials, as

²⁹ Voluntary and Incentives Working Group Report, page 3.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/694916/voluntary-economic-incentives-working-group-report-drinks-containers-final.pdf

well as the implementation of Extended Producer Responsibility and Consistency, from local authorities is likely to impact on the viability of these collection contracts.

- **Statutory local authority recycling targets in Wales.** Local authorities in Wales have to meet statutory recycling targets set in section 3 of the Waste (Wales) Measure 2010. Deposit return scheme materials are a key part of the dry recyclables most targeted by local authorities to meet these targets.

Responses to the first consultation identified positive impacts of a deposit return scheme which included cost savings from less waste and reduced littering, increased recycling rates, the potential for a deposit return scheme design to ensure any costs associated with collection are covered and positive impacts on attitudes towards recycling in general.

The negative impacts that were identified included the risks of net additional costs to local authorities, the loss of revenue from recycling and the difficulties of integrating the schemes across devolved administrations.

Deposit return scheme, Extended Producer Responsibility and Consistency

It is important to place the changes made as a result of the introduction of a deposit return scheme in the context of the other collection and packaging reforms, Extended Producer Responsibility for packaging and Consistency (in England). As set out in the Resources and Waste Strategy for England, the UK Government will ensure that local authorities in England are resourced to meet new net costs arising from the policies in this strategy in line with the New Burdens Doctrine, including upfront transition costs and ongoing operational costs³⁰.

Deposit return scheme containers and kerbside

A key decision that will affect the impact a deposit return scheme will have on local authorities will be the treatment of deposit return scheme containers that, despite the introduction of the deposit return scheme, still end up in local authority waste streams. These containers need to be dealt with taking the following into consideration:

- Costs of an efficient and effective collection service for deposit return scheme containers in local authority waste streams.
- The placement of incentives to ensure the Deposit Management Organisation pursues a strategy of collecting as many deposit return scheme containers as possible.
- Incentivising the return of high-quality materials to ensure bottle to bottle recycling of all deposit return scheme containers.
- Fair treatment of local authorities, Extended Producer Responsibility producers and deposit return scheme producers.
- Transparency of financial flows to ensure a clear understanding for all parties.
- Simplicity of any proposed payment mechanisms.

³⁰ Resources and Waste Strategy - <https://www.gov.uk/government/publications/resources-and-waste-strategy-for-england/resources-and-waste-strategy-at-a-glance>

Expected numbers of deposit return scheme containers in kerbside

Once a deposit return scheme is up and running, 90% of deposit return scheme containers placed on the market are expected to be collected through the scheme. Of the remaining 10%, and taking into account the assumptions made in Defra's impact assessment that 70% of deposit return scheme containers are currently recycled, we would expect 70% of the remaining containers to go through kerbside collections. As a result, we expect approximately 7% of all deposit return scheme containers placed on the market to continue to be collected by kerbside collections.

Deposit value in kerbside

Under the assumptions made in the impact assessment, 85% return rate and 20p deposit, the expected maximum potential value of unredeemed deposits that would correspond to recyclability of any kind from recoverable kerbside collections would be approximately £359m. This is assuming the current 70% recycling rates in kerbside collections continue post deposit return scheme. However, this potential must be distinguished from the likely attainable quantity of materials for local authorities.

The requirement to separate deposit return scheme materials for many local authorities via a material recovery facility sorting process could be prohibitive to regaining the deposit value because of the costs involved. Only 9.5% of local authorities indicate that they do not have to pay gate fees because they have their own material recovery facilities.³¹ These local authorities would have no problem separating deposit return scheme materials in an efficient manner. For the other local authorities, it is difficult to predict the likely amount of deposit return scheme materials that will be extractable as it will depend on the costs of changing operations.

This is likely to be affected by current kerbside practices of collecting deposit return scheme scope containers. For example, local authorities running a comingled collection might find it more difficult to separate containers to the requisite quality. As of 2018/19, 89 local authorities operated a multi-stream collection service where households are asked to separate by material type before further separating post collections whereas 216 operated co-mingled streams and 146 operated two stream services³².

To further understand the impact of the deposit return scheme on Welsh local authorities Wrap Cymru were commissioned to undertake additional analysis. The analysis showed that at an all Wales level the introduction of a deposit return scheme would provide a net benefit to local authority costs due to the reduction in costs associated with residual treatment and Material Recovery Facility fees. Depending on the collection rate this was between £500k and £800k. There is further information on this study in Annex 1.

Options

We have identified the following three options to deal with these deposit return scheme containers in local authority waste streams considering the criteria set out above.

³¹ Gate Fees 2018/19 Report, WRAP, p.26

³² WRAP - Local Authority Waste and Recycling Information Portal

In all options, deposit return scheme material would be taken out of compositional analysis of material appearing in local authorities' waste streams when calculating the funding to local authorities under the reformed producer responsibility regime for packaging.

Option 1: Do nothing. Local authorities redeem deposits of deposit return scheme containers in collection streams

In this scenario, in order to finance the collection of deposit return scheme material, the local authority would need to separate deposit return scheme containers from kerbside collections. The deposit value would act as a financial incentive to do so even if local authorities do not currently have the capability to do so. If a local authority is unable to separate containers cost effectively, it could make an agreement with its material recovery facility operator to account for the increased value of dry recyclable collections when setting gate fees or come to a profit sharing agreement if the material recovery facility is able to separate deposit return scheme containers and redeem these deposits.

This is the simplest solution that would see a deposit paid out by the Deposit Management Organisation only for containers that meet its quality criteria whilst also giving local authorities an opportunity to gain significant funds as a result of deposit value per container. This could include an arrangement between the local authorities and the Deposit Management Organisation to collect this material directly from local authorities so that it can go back into the system and count towards the Deposit Management Organisation's collection target.

For those containers that do not meet the quality criteria to be accepted back into the deposit return scheme, we would expect local authorities to collect and sell on to reprocessors as they currently do.

Under an on-the-go deposit return scheme, we assume that the drinks containers appearing in kerbside will be minimal, with larger containers falling within scope of Extended Producer Responsibility for packaging. We therefore consider that option 1 could be the appropriate course of action for an on-the-go scheme.

The benefits of this approach include that it:

- Ensures local authorities and the Deposit Management Organisation are incentivised to maximise the number of containers going through the scheme leading to maximum circularity and maximises the life of resources.
- Gives flexibility to local authorities dependant on whether they are able to separate deposit return scheme containers independently or negotiate agreements with material recovery facilities to do so.
- Means local authorities still have the option to sell these materials for market value, as they would now, albeit for lower prices than they would receive for regaining the deposit value.

Conversely, there could be potential negative impacts as a result of:

- Uncertainty for local authorities in terms of budgeting for income from deposit redemptions as each authority will encounter different challenges in separating containers to a sufficient quality standard. In addition, consumer's use of kerbside once a deposit return scheme is in place will be challenging to predict.

- There would be no Deposit Management Organisation payments to local authorities for deposit return scheme materials in their waste streams where the deposit cannot be redeemed. Local authorities would only receive funding for packaging covered under the Extended Producer Responsibility regime, excluding deposit return scheme material.
- No payments would be made for deposit return scheme containers that go through litter or residual streams.
- Local authority collections shouldn't be seen as an alternative route for collecting deposit return scheme material and meeting collection targets as this is effectively a failure of the deposit return scheme system.

64. Do you agree that local authorities will be able to separate deposit return scheme containers either themselves or via agreements with material recovery facilities to regain the deposit value?

- Yes
- No

Please explain your answer

65. Do you agree that local authorities will be able to negotiate agreements with material recovery facilities to ensure gate fees reflect the increased deposit values in waste streams or a profit sharing agreement on returned deposit return scheme containers was put in place?

- Yes
- No

Please explain your answer.

Option 2 – The Deposit Management Organisation makes payments for deposit return scheme containers appearing in all local authority waste streams (preferred option)

Under the proposed packaging Extended Producer Responsibility funding formula approach, packaging producers will be required to meet the net costs of managing household packaging waste in local authority waste streams. This includes collection, treatment and disposal costs as well as costs of managing their packaging that is littered.

Subject to agreement with the Extended Producer Responsibility Scheme Administrator and improved compositional analysis, deposit return scheme materials within local authority waste streams could be identified and included as another element within Extended Producer Responsibility payments to local authorities.

To streamline payments for all parties, the Extended Producer Responsibility funding formula payments to local authorities for packaging in recycling, residual and litter streams

would include deposit return scheme containers. A payment would be made by the Deposit Management Organisation to the Extended Producer Responsibility Scheme Administrator to cover the costs of managing deposit return scheme containers through efficient and effective systems.

This option recognises that as a deposit return scheme is a form of producer responsibility which aims to incentivise producers to take responsibility for the environmental impacts of their products, deposit return scheme producers should be responsible for their end of life environmental impact. Where deposit return scheme containers appear in local authority system waste streams this is effectively a failure of the deposit return scheme system and any cost associated with this material should be covered by deposit return scheme producers.

Under this option local authorities could still redeem deposits of deposit return scheme containers in kerbside if they can be separated and are of sufficient quality to be returned to the deposit return scheme. Therefore, there is a risk of double payments from deposit return scheme producers. However, unlike in option 1, it is unlikely that there would be any formal arrangement in place between the local authority and the Deposit Management Organisation given that the Deposit Management Organisation would already be required to cover the cost of this material.

The benefits of this approach include that:

- Local authorities receive stable financial flows per deposit return scheme container appearing in local authority work streams.
- It provides greater certainty than option 1 for local authorities in the form of some tonnage based payments for efficient and effective systems.
- It means local authorities still have the option to sell materials collected at kerbside for market value, as they would now, albeit for lower prices than they would receive for regaining the deposit value.
- The deposit value would remain on the containers collected by local authorities.
- Potential for local authorities to also separate these materials to redeem deposit amounts on containers that meet the quality criteria to be accepted back into the deposit return scheme.

Conversely, there could be potential negative impacts as a result of:

- This approach relies on robust compositional analysis being widely available.
- This is not the optimal outcome from an environmental perspective as kerbside recycling will be of lower quality than the uncontaminated deposit return scheme stream leading to less circularity.
- There is a risk of double payments on behalf of deposit return scheme producers who would be paying for the costs of containers being collected which could then still be returned into the deposit return scheme and the deposit value redeemed by local authorities, who in effect would also receive a double payment for collecting the material and returning it via return points.
- Less lucrative for local authorities, especially those that deem it feasible to separate deposit return scheme containers from collections and redeem deposits.

- As these payments would be calculated on the basis of net cost payments, these could in fact be very small amounts to local authorities because the value of selling the deposit return scheme materials is likely to cover the majority of the costs of collecting the same material.

66. In order to minimise the risk of double payments from the Deposit Management Organisation to local authorities, where should data be collected regarding the compositional analysis to prevent the containers then being allowed to be redeemed via return points?

Option 3 – Hybrid option. The Deposit Management Organisation pays a deposit value on containers that are returned and any additional deposit return scheme material in local authority waste streams is covered by a funding formula.

This option has been developed in order to avoid the double payment to producers that could occur under option 2, but to ensure that local authorities receive payment for deposit return scheme material that appears in all local authority waste streams. Where local authorities are able to separate deposit return scheme material, that meets the required quality criteria to be returned to the Deposit Management Organisation, the Deposit Management Organisation would pay the deposit value on those containers. Any additional deposit return scheme material would then be covered by a funding formula payment. The payment would be calculated by deducting the tonnage of material returned from the formula that determines the remaining deposit return scheme material in kerbside, litter and residual streams.

The benefits of this approach include:

- Ensuring local authorities receive payment on all deposit return scheme material whilst preventing double payments on containers.
- Local authorities would still get a tonnage based payment for deposit return scheme containers not returned to the system.
- Incentivises more deposit return scheme containers to be returned through the system.
- Gives flexibility to local authorities dependant on whether they are able to separate independently or negotiate agreements with material recovery facilities.

Conversely, there could be potential negative impacts as a result of:

- Possibility for material recovery facilities to return container to Deposit Management Organisation and receive deposit value and not share with local authorities (who would then not receive funding formula payment).
- Reliant on robust compositional analysis and reporting of tonnages on drinks containers returned to the deposit return scheme.
- Increased separating costs involved in redeeming deposit value remains.
- General complexity to calculate and administer what the funding formula and payment should be.
- The point of measurement could be problematic. Need to ensure that composition is measured at a point where those same bottles could not then also be redeemed for their deposit value.

67. How difficult do you think this option would be to administer, given the need to have robust compositional analysis in place? Please explain your answer.

68. What option do you think best deals with the issue of deposit return scheme containers that continue to end up in local authority waste streams?

- a. Option 1
- b. Option 2
- c. Option 3

Please briefly state the reasons for your response. Where available, please share evidence to support your view.

Chapter 8: Compliance monitoring and enforcement

First consultation

The previous consultation considered how a deposit return scheme could be monitored and enforced. A successful deposit return scheme would require a monitoring/enforcement body(ies) to take responsibility for:

- Ensuring fairness in the system (including for those contributing financially)
- Audit and inspection of the operation of the deposit return scheme (including participation of producers/importers, management of financial and material flows, setting of the deposit level/s (if this is done by the Deposit Management Organisation)).
- Ensuring reported collection rates and the financial accounts of the Deposit Management Organisation are accurate (for example that the Deposit Management Organisation is being run as not-for-profit).
- Handling complaints against the Deposit Management Organisation.

The consultation considered who would be best placed to act as Scheme Regulator, how often producers should be checked for non-compliance and where the potential vulnerable points were in a deposit return scheme.

The majority of respondents to the previous consultation felt that the environmental regulators in England, Wales and Northern Ireland are in the best position to act as Regulators for a deposit return scheme (54%). The consultation also found that the majority of respondents (53%) thought that producers should be checked for compliance annually, with the focus being on all producers (53%). Respondents strongly felt (64%) that any penalties on the Deposit Management Organisation, producers or importers should be set by the Regulator.

227 respondents identified several points in the process that could be susceptible to fraud within a deposit return scheme, the top five of which are discussed below:

- 1) Return payments at manual return points. 21% of respondents identified risks with manual return points. Respondents were concerned that consumers may try and return out of scope containers in a bid to obtain a refund for them.
- 2) Reporting. A significant minority of respondents (13%) highlighted concerns about producers and even the Deposit Management Organisation falsifying data and reports to avoid missing targets and facing a fine.
- 3) Use of foreign suppliers. Importers may claim that foreign drinks suppliers do not have to comply with scheme labelling or other aspects of a deposit return scheme.
- 4) Misaligned schemes between a deposit return scheme in England, Wales and Northern Ireland and a deposit return scheme in Scotland, with different container types included, alternative deposit levels and varied approaches for collecting and storing bottles, and for returning deposits.

- 5) Cash transactions. Any system that promotes the use of cash can be more susceptible to fraud. Cash is likely to be one of the options for returning deposits due to the simplicity and convenience of the process for retailers and consumers. However, suitable security measures will need to be taken at both manual and reverse vending machine return points to make sure theft and other criminal activity is minimised, particularly in terms of cash storage and transportation.

Responsibilities of the Regulator

As the deposit return scheme will operate across England, Wales and Northern Ireland, the enforcement framework needs to be able to operate across these parts of the United Kingdom. It is also our intention to work with Regulators in Scotland to develop a coherent approach across the UK. We consider there are three regulatory elements of the system:

- Regulation of the Deposit Management Organisation, including cross checking information with other systems.
- Regulation in England, Wales and Northern Ireland of all sectors in that jurisdiction.
- Regulation of organisations that cross borders.

We consider the environmental regulators in England, Wales and Northern Ireland are best placed to be Scheme Regulators for a deposit return scheme for drinks containers and to monitor and enforce the actors that are obligated under the scheme. In addition to this, we consider there is a role for Trading Standards to regulate the consumer-facing obligations that are placed on retailers.

Regulation of the Deposit Management Organisation

The Deposit Management Organisation would be responsible for the operation of the deposit return scheme including the material and financial flows, meeting collection targets set by Government, and reporting evidence of meeting these obligations.

The environmental regulators in England, Wales and Northern Ireland are best placed to be Scheme Regulators to enforce the obligations placed on the Deposit Management Organisation.

Regulators will monitor compliance and enforce the obligations of the Deposit Management Organisation as set out in chapter 3, such as ensuring it meets the collection targets in England, Wales and Northern Ireland and reports correctly on containers collected and recycled.

The Scheme Regulators will monitor and enforce Deposit Management Organisation obligations within their respective nations; this is expected to include reporting requirements and meeting targets. Work is continuing to ensure this will be done in a coherent way.

Regulation of Producer Obligations

The Environmental Regulators would be responsible for the monitoring and enforcement of obligations imposed on producers in the regulations. Regulators currently carry out their

regulatory activity without undertaking monitoring and enforcement in another part of the United Kingdom (England, Wales and Northern Ireland); this will continue in the same way under a reciprocal arrangement.

Environmental Regulators will monitor compliance and enforce the obligations on producers. These include:

- Ensuring in-scope containers, placed on the market are registered with the Deposit Management Organisation.
- Reporting obligations for products placed on the market are met.
- Producer fees are paid to the Deposit Management Organisation,
- adding a deposit to the price of a container placed on the market.
- Ensuring products placed on the market are clearly labelled.

Question:

69. Are there any other producer obligations you believe the Environmental Regulators should be responsible for monitoring and enforcing?

Regulation of retailer obligations

The Environmental Regulators would also be responsible for the in-nation regulation of some obligations placed on retailers. The table below provide further information as to the responsibilities of the Environmental Regulators.

We consider that the obligations placed on retailers that are consumer-facing (such as obligations related to the sale or return of deposit items) should be regulated by local authorities, via trading standards, which could make use of the well-established Primary Authority Scheme. Primary Authority is a means for businesses to receive assured and tailored advice on meeting regulations such as environmental health, trading standards or fire safety through a single point of contact. This enables all businesses to invest with confidence in products, practices and procedures, knowing that the resources they devote to compliance are well spent.

Primary Authority is based on legal partnerships between businesses and individual local authorities. Businesses can set up their own partnership or belong to a trade association (or other type of group) with an existing partnership with a local authority.

Once the business/trade association has formed a partnership with a local authority, the chosen authority will be responsible for providing the regulatory advice and guidance to that business throughout the country. So long as the business is in compliance with the advice the local authority has provided, then it will be covered against any enforcement action elsewhere in the country that could be brought against them.

Given the obligations to be placed on retailers, as outlined in the Return Points chapter of this consultation (chapter 5), it appears trading standards would be well placed to provide guidance and the necessary enforcement action when required. In particular, they could add value within the interface between a retailer and consumer, for example ensuring retailers are not stocking illegal imports or that the signage in store for a deposit return scheme is correct.

It would be the responsibility of trading standards to enforce the consumer-facing obligations on retailers:

- Ensuring retailers obligated to accept returns of drinks containers are hosting a return point in line with health and safety requirements.
- Ensuring the cost price and deposit price of an in-scope drinks container is clearly displayed.
- Ensuring the necessary deposit return scheme signage is visible on the premises, including when a retailer has been exempted from accepting returns of drinks containers.

Question

70. Are local authorities (through the role Trading Standards and the Primary Authority Scheme) best placed to enforce certain retailer obligations?

Yes /No

Please give any alternative suggestions.

To what extent will local authorities be able to add monitoring and enforcement work for the deposit return scheme to existing duties they carry out with retailers?

Breaches

Below is a list of potential breaches of regulations by stakeholder. These breaches will be enforced by either Government, Environmental Regulators or other regulators such as Trading Standards. It is also expected that the Deposit Management Organisation would have a role to play in providing advice and seeking compliance with obligations.

Breach
Producers
Non-registration with Deposit Management Organisation and non-payment of fee
Providing inaccurate or false data
Not paying deposit amount to Deposit Management Organisation
Not adding deposit price to product
Not adding a label to product

Retailers

Not selling in-scope containers

Retailers not hosting a return point when no exemption applies to them

Not providing or providing inaccurate or false placed on market data by each part of the United Kingdom (England, Wales and Northern Ireland)

N on-registration with Deposit Management Organisation

Not adding deposit price to the purchase price at point of sale

Not accepting returned containers and refunding the customer

Not disposing of materials in the required way

Not storing returned material safely

Not meeting online retail obligations

Scheme Administrator

Not meeting collection targets

Not setting correct producer fees

Not adequately monitoring or reporting producer data requested by Regulator

Not setting deposit level in accordance with legislation

Not ensuring adequate provision of return points

Not paying local authorities, WMCs and operators correctly or on time

Not collecting or disposing of material in accordance with the scheme

Counting Centres

Not providing data to the Deposit Management Organisation

71. In addition to those in the table, are there any other types of breaches not on this list that you think should be? If so, what are they? These may include offences for participants not listed e.g. reprocessors or exporters.

72. Are there any vulnerable points in the system? Please explain your answer?

73. Do you see a role for the Deposit Management Organisation to seek compliance before escalating to the Regulator?

Enforcement response options

In England and Wales civil sanctions have proven a successful enforcement measure since they were introduced through the Regulatory Enforcement Sanctions Act 2008. These Regulatory Enforcement Sanctions Act 2008 civil sanctions can be applied in relation to an offence, as an alternative to criminal proceedings, where allowed under specific legislation.

The Environment Bill allows for regulations to be made in such a way that specified breaches will attract civil sanctions. Criminal offences are then only available in relation to a failure to comply with civil sanctions. Deposit return scheme Regulations can make provision for civil sanctions of a kind found in Regulatory Enforcement Sanctions Act 2008.

An example of the civil sanctions that can be imposed under deposit return scheme regulations are discretionary requirements. This could take a form similar to a variable monetary penalty under Regulatory Enforcement Sanctions Act 2008 and the maximum penalty for a particular breach would be set out in the regulations. Regulators would determine what a deposit return scheme variable monetary penalty should be based on their enforcement policy, which itself is based on the Environmental Sentencing Guidelines. The regulators can calculate deposit return scheme civil penalties by adjusting the maximum penalty according to the size and culpability of the organisation in breach, followed by consideration of specified aggravating and mitigating factors.

Government proposes the use of civil sanctions in England, Wales and Northern Ireland under the deposit return scheme system in conjunction with offences for breach of those sanctions. Northern Ireland does not currently have civil powers, however in line with the requirements of the Northern Ireland Protocol, transposition of the EU Packaging Waste Directive under the powers granted by the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) will also include the laying of appropriate legislation to allow for civil sanctions to be imposed under a deposit return scheme.

Regulators could have a combination of the following enforcement response options available to manage non-compliance:

- Advice and guidance –lowest level of intervention usually used with the objective of bringing an operator into compliance and remaining compliant.
- Warning – either via a letter or a site warning.
- Notices, powers and orders – the service of specific enforcement or information (Notices require actions to get back into compliance, or supply information, or take any actions deemed necessary to secure compliance, or investigate as necessary).
- Civil Sanctions can be imposed to achieve the outcomes desired. These include:
 - Fixed monetary penalty - a low-level fixed penalty for minor offences.
 - Discretionary requirements (variable monetary penalty) - a Notice requiring an offender to pay a proportionate monetary penalty to the regulator of such amount as the regulator may determine up to a limit set in regulations.
 - Enforcement Undertakings - a voluntary offer from an offender containing actions dealing with the cause and effect of their offending. The regulator can accept or reject the offer following a full criminal investigation.
- Formal Caution – where an offender admits the offence and consents to a caution, a caution may deter future offending.
- Prosecution under criminal law.

Failure of the Deposit Management Organisation to meet statutory collection targets would be a significant breach. The enforcement response would need to address the extent to which the Deposit Management Organisation has missed their targets. A discretionary requirement (variable monetary penalty) could address this by using a prescribed formula.

74. Do you agree with the position set out regarding enforcement response options? If not, please expand your answer.

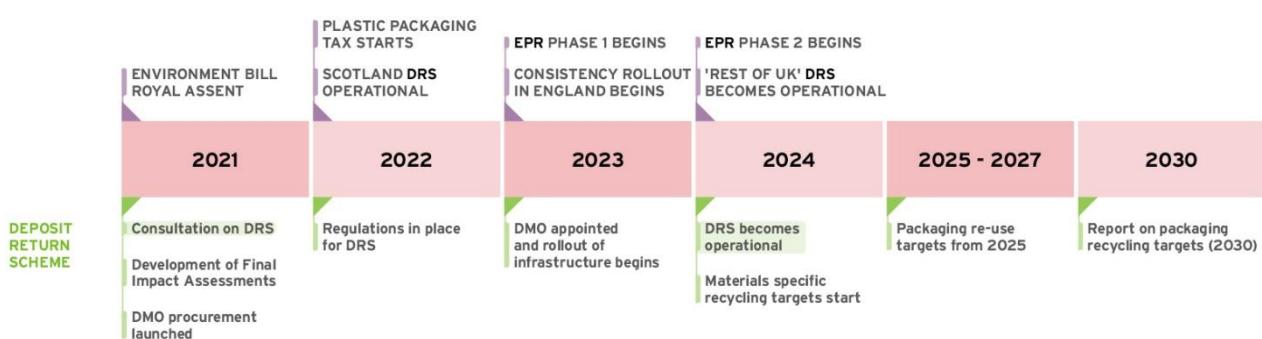
Chapter 9: Implementation Timeline

There are a number of activities required in advance of a deposit return scheme going live including:

- Carrying out this second consultation, analysing the responses and publishing a Government response - 2021;
- Finalising the Impact Assessment - 2021;
- Securing the primary powers in the Environment Bill - 2021;
- Securing the secondary legislation required – 2022;
- Procuring the Deposit Management Organisation – anticipated to start late 2021 and appoint by early 2023;
- Development of new IT solutions;
- Rollout of infrastructure and other mobilisation activities – anticipated to take 18 months from the point the Deposit Management Organisation is appointed.

We have carried out a review of the delivery timeline for the deposit return scheme and we currently anticipate that the scheme would launch in late 2024, subject to the outcome of this consultation and parliamentary passage of the Environment Bill. In the previous consultation response from 2019, we had anticipated that the scheme would launch from 2023 but that was subject to legislation being in place in 2021 – we now anticipate the secondary legislation being in place in 2022. This is an ambitious timeline with a number of challenges – we will keep stakeholders informed of any changes to these anticipated dates if they occur.

The diagram below summarises the anticipated delivery timeline for the deposit return scheme and related milestones.



We welcome comments through this consultation on this delivery timeline. In particular, we invite feedback on the time the Deposit Management Organisation will need for mobilisation - the delivery dates above assume the Deposit Management Organisation will require 18 months from appointment by early 2023, to the deposit return scheme becoming operational in 2024. A summary of the anticipated activities for the Deposit Management Organisation in this period are set out below.

Following appointment of Deposit Management Organisation, in the mobilisation period we expect it will need to:		
Initial set up	18 months before start date:	12 months before start date:
<ul style="list-style-type: none"> - Agree Governance structure and found company to bid to act as Deposit Management Organisation - Recruit core management and staff - Develop deposit return scheme implementation plan - Develop tender to secure contract to run Deposit Management Organisation 	<ul style="list-style-type: none"> - Recruit core management and staff - Appoint Deposit Management Organisation procurement lead - Arrange financials (loans or guarantees) - Make final design of system including: <ul style="list-style-type: none"> o Way of handling returned containers o Logistics o Counting / sorting centres - Write tenders/specifications <ul style="list-style-type: none"> o Counting / sorting centre equipment o Reverse vending machines o Consideration of digital technology available o Logistics o Mandatory deposit return scheme labelling specification released - Drafting of Deposit Management Organisation member contracts - Select software / IT provider / scope IT needs 	<ul style="list-style-type: none"> - Recruitment of wider Deposit Management Organisation management and staff - Send out tenders - Roll-out of reverse vending machines/ counting and sorting centres / digital tech - Start consumer communication - Software development - Finalise budgets / fees - Contracting - Starting database for reporting

75. Do you have any comments on the delivery timeline for the deposit return scheme? Please pose any views on implementation steps missing from the above?

76. How long does the Deposit Management Organisation need from appointment to the scheme going live, taking into account the time required to set up the necessary infrastructure? Please provide evidence to support your answer.

- a.) 12 months
- b.) 14 months
- c.) 18 months
- d.) Any other (please specify)

77. Depending on the final decision taken on the scope of the scheme in England and Northern Ireland – all-in or on-the-go – what, if any, impact does this have on the proposed implementation period?

Chapter 10: Summary of approach to Impact Assessment

Alongside this consultation, we have published a consultation stage Impact Assessment which provides a full analysis of our proposed deposit return scheme models ('all-in', 'on-the-go' and 'no glass'). The Impact Assessment goes some way to providing a more comprehensive assessment of the costs and benefits of implementing a deposit return scheme and looks at the impact across the UK as a whole. However, we recognise that there are still evidence gaps in the analysis, including data that more specifically addresses Wales and Northern Ireland, and welcome your contributions to addressing this as part of this consultation. **The Impact Assessment should be considered when responding to the questions in this section.**

Beyond this consultation, the Impact Assessment will be revised to account for the consultation responses, underpinning evidence that is still being developed and any feedback received from the Regulatory Policy Committee. A final stage Impact Assessment will then be developed as part of the implementation of a deposit return scheme ³³.

The Impact Assessment analyses the material costs and benefits associated with the introduction of a deposit return scheme, and as such, there may be some costs/benefits that are not fully captured within the Impact Assessment. For example, the environmental benefits from reducing plastic pollution are likely to be partially captured within litter disamenity estimates (as some consumers factor environmental reasons into preferences to reduce litter). However, the full benefits of this, and of collecting higher quality material for recycling, are difficult to quantify and have not been monetised at this time. The net benefit figures in the Impact Assessment therefore only partially capture the benefits of a deposit return scheme that are not readily monetisable.

Development of the Impact Assessment

The Impact Assessment uses figures of drinks containers placed on the market ³⁴ in order to calculate costs and benefits of the deposit return scheme options.

Option 1 is a 'do-nothing' scenario. A deposit return scheme would not be introduced, whilst other recycling policies, particularly reforms of producer responsibility for packaging and consistency of municipal recycling collections, would proceed. Please see Scenario 1 in the 'Reforming Packaging Producer Responsibility' Impact Assessment for an assessment of the costs and benefits of this. An alternative option to introducing a deposit

³³ This Impact Assessment has been modelled on implementation of a deposit return scheme in 2023 for the purposes of this consultation. It was not possible to amend the analysis to reflect the implementation date of late 2024. The Final Impact Assessment will reflect the proposed implementation date of the deposit return scheme.

³⁴ Figures contained in a Waste and Resources Action Programme (wrap) Report: Drinks Recycling on-the-Go.
<http://www.wrap.org.uk/resources/report/drinks-recycling-go>

return scheme would be for all drinks containers to instead be captured under the reformed packaging producer responsibility system.

Option 2 is to introduce an ‘all-in’ deposit return scheme, to be implemented in 2023. This would remove drinks containers from packaging producer responsibility reform, and the majority of drinks containers in scope would be expected to be collected via the deposit return scheme. This Impact Assessment looks at the direct costs and benefits of introducing a deposit return scheme above baseline recycling and litter rates for these materials. Please see Scenario 2 in the ‘Reforming Packaging Producer Responsibility’ Impact Assessment for an assessment of the impact on kerbside collection of an ‘all-in’ deposit return scheme interacting with parallel reforms of packaging producer responsibility and consistency of municipal recycling collection.

Option 3 is to introduce an ‘on-the-go’ deposit return scheme in 2023. The Impact Assessment looks at the direct costs and benefits of introducing a deposit return scheme of more limited scope against baseline recycling and litter rates for these materials. Please see Scenario 3 in the ‘Reforming Packaging Producer Responsibility Impact Assessment’ for an assessment of the interaction of an ‘on-the-go’ deposit return scheme with parallel reforms of packaging producer responsibility and consistency of municipal recycling kerbside collection.

Option 4 is to introduce an ‘all-in’ deposit return scheme similar to option 2, but with glass containers not in scope, to be implemented in 2023. This would remove drinks containers from packaging producer responsibility reform, and the majority of drinks containers in scope would be expected to be collected via the deposit return scheme. This Impact Assessment looks at the direct costs and benefits of introducing a deposit return scheme above baseline recycling and litter rates for these materials.

For the purpose of the Impact Assessment, for the deposit return scheme options considered the assumed deposit level is 20p, with an 85% collection rate. This is based on average deposit rates in other deposit return schemes internationally and on the assumption of meeting an overall 90% collection rate by 2030 (this would be 85% collected through a deposit return scheme, with the additional amount expected to be recovered through kerbside collection). The Impact Assessment also runs an analysis of a potential optimistic scenario for a direct capture rate of 90% by the deposit return scheme.

In addition we have also analysed the costs of a lower return rate for the on-the-go deposit return scheme option, taking into account the uncertainties of directly applying international findings to situations where this option has rarely, if ever been implemented on its own in practice. These results are included in the annex section of the Impact Assessment for reference.

Economic costs

The following key costs associated with implementing a deposit return scheme were estimated within the impact assessment:

1. Set up and re-labelling costs
2. Reverse vending machines
3. Manual take back
4. Logistics
5. Counting Centre and Central Administration

Benefits

The following key material benefits associated with implementing a deposit return scheme were estimated within the impact assessment:

1. Net incremental material revenue to the Deposit Management Organisation
2. Greenhouse gas emissions reductions and savings
3. Reduction in litter cleaning costs
4. Reduction in disamenity value/cost of litter

Differential impacts on stakeholders

Differential impacts on stakeholders disaggregates the overall national outcomes and also refers to the transfer of revenue within the deposit return scheme system that is neither a cost of running the deposit return scheme system nor a material benefit of its implementation. The following differential impacts on stakeholders were considered as part of the impact assessment:

1. Contribution of producers
2. Impact on local authorities and the kerbside recycling system
3. Unredeemed deposits

Summary of impact for an all-in deposit return scheme

The total economic costs of running the all-in deposit return scheme are **£2,150 million** in transition costs and **£172 million** average per annum thereafter. This cost is covered by a

transfer from producers in the form of producer fees, and the material revenue gained from selling materials to be recycled.

This gives a central total cost estimate, discounted with 2018 as the base year, of **£6,346 million** over the first eleven years of the scheme (assumed to be starting in 2023).

The economic benefits of running a deposit return scheme are gained from a number of sources. With an 85% return rate, the net incremental material revenue is estimated at £15 million in year 1, rising to £57 million by year 11; the reduction in disamenity of litter is estimated at approximately £1,452 million per annum; greenhouse gas emissions savings are estimated to be a net negative of £1.5 million in year 1 (as a result of increased need for transportation), rising to a net positive of £6 million by year 11; the reduction in the cost of cleaning litter is estimated at approx. £86 million per annum.

This gives a central total benefit estimate, discounted with 2018 as the base year, of **£12,231 million** over the first eleven years of the scheme (assumed to be starting in 2023).

This gives a net present value of **£5,885 million**.

Summary of impact for an on-the-go deposit return scheme

On-the-go sizes

For the purpose of the impact assessment analysis, for the on-the-go option we have restricted the drinks beverage containers to those below 750ml and single format containers. This would result in multipacks not being under the scope of an on-the-go deposit return scheme. This was decided based on data from Valpak's On The Go

report,³⁵ which indicated that the majority of drinks consumed on-the-go were in containers of <750ml (see table 1).

Table 1 - Single Format Drinks Packaging placed on the UK market in 2017 by container size (billions)³⁷

Packaging Type	All Sizes	<500ml	500-749ml	750-999ml	1000ml+
Plastic Bottles (PET)	7.5	1.1	3.4	0.3	2.7
Plastic Bottles (HDPE) ³⁶	3.0	0.2	0.3	0.0	2.4
Metal Cans (aluminium and steel)	1.3	1.2	0.1	0.0	0.0
Glass bottles	3.1	0.7	0.9	1.3	0.2

The total economic costs of running the on-the-go deposit return scheme are **£1,235 million** in transition costs, and **£85 million** average per annum thereafter. This cost is covered by a transfer from producers in the form of producer fees, and the material revenue gained from selling materials to be recycled.

This gives a central total cost estimate, discounted with 2018 as the base year, of **£3,503 million** over the first eleven years of the scheme (assumed to be starting in 2023).

The economic benefits of running a deposit return scheme are gained from a number of sources. With an 85% return rate, the net material revenue is estimated at £8.2 million in year 1, rising to £14.6 million in year 11; the reduction in disamenity of litter is estimated at approximately £453 million per annum; greenhouse gas emissions savings are estimated to be a net negative of £0.5 million in year 1 (as a result of increased need for transportation), rising to a net positive of £1 million by year 11; the reduction in the cost of cleaning litter is estimated at approx. £25 million per annum.

This gives a central total benefit estimate, discounted with 2018 as the base year, of **£3,785 million** over the first eleven years of the scheme (assumed to be starting in 2023).

The gives a central net present value of **£282 million**.

³⁵<http://www.wrap.org.uk/resources/report/drinks-recycling-go>

³⁶ Most HDPE bottles contain fresh milk. The majority of these containers would therefore not be in scope of a deposit return scheme.

³⁷ Excludes multipack containers.

Summary of impact for a no glass deposit return scheme

The total economic costs of running the ‘no glass’ deposit return scheme are **£1,738 million** in transition costs, and **£171 million** average per annum thereafter. This cost is covered by a transfer from producers in the form of producer fees, and the material revenue gained from selling materials to be recycled.

This gives a central total cost estimate, discounted with 2018 as the base year, of **£5,491 million** over the first eleven years of the scheme (assumed to be starting in 2023).

The economic benefits of running a deposit return scheme are gained from a number of sources. With an 85% return rate, the net material revenue is estimated at £9.5 million in year 1, rising to £78.4 million in year 11; the reduction in disamenity of litter is estimated at approximately £1,049 million per annum; greenhouse gas emissions savings are estimated to be a net negative of £1 million in year 1 (as a result of increased need for transportation), rising to a net positive of £6.6 million by year 11; the reduction in the cost of cleaning litter is estimated at approx. £62 million per annum.

This gives a central total benefit estimate, discounted with 2018 as the base year, of **£9,074 million** over the first eleven years of the scheme (assumed to be starting in 2023).

This gives a central net present value of **£3,582 million**.

Outcome

Overall summary of net present value for all deposit return scheme options:

Net present value best estimate (£million)	
‘All-in’ deposit return scheme	5,885
‘on-the-Go’ deposit return scheme	282
‘No Glass’ deposit return scheme	3,582

Based on the findings of the Impact Assessment, an ‘all-in’ deposit return scheme provides the greatest net social benefit.

Questions

78. Do you agree with the analysis presented in our Impact Assessment?
Yes/No

Please briefly state the reasons for your response. Where available, please share evidence to support your view

Glossary of selected acronyms and terms

All-in: An ‘all-in’ deposit return scheme would include all drinks containers irrespective of size (The consultation did propose some exemptions, such as beer kegs and bottles used in water coolers).

Consistency: In this document ‘consistency’ refers to the range of measures being proposed by Government to improve the quantity and quality of recycling in England.

DAs: Devolved Administrations

Deposit Management Organisation (DMO): The central body whose role is to manage the operation of the deposit return scheme, including financial flows (deposit values, unredeemed deposits, producer fees, handling fees and material revenue from recycling), logistics (ensuring collected material reaches the recycler), some deposit return scheme infrastructure (e.g. maintenance of reverse vending machines) and reporting to Government on collection rates.

deposit return scheme (DRS): A scheme where consumers pay an up-front deposit on an item – such as a sealed drink – at point of purchase, which is redeemed on return of the empty drinks container.

EAs (Environment Agencies): The Environment Agencies in England, Wales and Northern Ireland

FNCR (Full net cost recovery): The principle by which producers cover the net cost (taking account of revenue from the sale of materials) of managing their products at end-of-life).

HDPE: high density polyethylene plastic bottles

HORECA: Hotels, Restaurants and Cafes

IA: Impact Assessment

LA: Local Authority

on-the-go / OTG: An ‘on-the-go’ deposit return scheme would target drinks containers most commonly consumed away from the home. The consultation proposes that this could be containers smaller than 750mls and drinks sold in single format containers

PET: polyethylene terephthalate plastic bottles

Producer Responsibility and Extended Producer Responsibility: A scheme where producers are required to bear greater responsibility for the costs of managing their products at the end-of-life stage. The overall objective of producer responsibility schemes is to incentivise more sustainable product design and increase product recyclability

Return/Collection Points: Where consumers can redeem their deposit, most likely retailers hosting a reverse vending machine or, for small retailers, a manual over-the-counter return point

RHF (Retailer Handling Fee): Those hosting return points would be paid a handling fee by the Deposit Management Organisation to reimburse them for associated costs.

RVM (reverse vending machines): A device that accepts used (empty) beverage containers in a deposit return scheme so that the consumer can redeem their deposit.

Annex 1: WRAP Cymru Study

To further understand the impact of the deposit return scheme on Welsh local authorities Wrap Cymru were commissioned to undertake additional analysis. The analysis showed that at an all Wales level the introduction of a deposit return scheme would provide a net benefit to local authority costs due to the reduction in costs associated with residual treatment and materials recovery facility fees. Depending on the collection rate this was between £500k and £800k.

However, there was a difference between local authorities that collect materials separately between kerbside sorting and comingled collections. Kerbside sort authorities were impacted by the loss of income from this waste stream, for these local authorities the average negative financial impact depending on collection rates was between £61k and £96k. Compared to an average per local authority positive financial gain for comingled collections of between £154k and £244k depending on collection rates.

The analysis also looked at the impact on recycling estimating the gap created to reach a 70% overall recycling rate with deposit return scheme material removed from local authority waste streams. Depending on the deposit return scheme capture rate the all Wales figure creates a shortfall of between 0.94% and 1.12%.

The work also looked at the potential value of the unredeemed deposits still remaining in the waste streams, that if, collected by the local authority could be a source of income. This is a gross figure, therefore not accounting for any infrastructure costs need to recover the deposit return scheme material and claim the deposit back. At an all Wales level with a capture rate of 85% there is an estimated £116m in unredeemed deposits remaining in the local authority waste streams, this reduces to £17m if the capture rate is at 95%. This assumes a flat deposit rate of 20 pence per container.