

## Ecosurety Consultation Response on Packaging Recycling Targets 2018-2020

### **Q1. In your view, are the estimates made in the Flow reports for waste arisings the best available data?**

We recognise the significant amount of time and effort that has been contributed across the industries into the Flow reports. We believe there are rewards from each study and a sound methodology used on the best available information. Upon interpreting the consultation changes we have made the following comments:-

Woodflow data reporting has credible baseline dataset, but the results suggest as a country the UK is not achieving the rates of recycling it once believed. There are clear implications for getting the UK back to the higher recycling rates it appeared to be achieving. It will put considerable pressure on new collection systems, in addition to introducing new stretching targets.

Metalflow analysis from 2012/13 is starting to age so we believe it will become increasingly less representative. With the inclusion of around 130% increase through non-accredited Aluminium sources, this significantly bolsters the apparent performance of UK recycling, and assumes these non-accredited sources can be drawn into the system with few barriers. We believe this to be mostly true due to the value of the material (typically very high; between 2015 and 2016 baled aluminium can prices ranged from [£580/T up to £900/T based on industry publications](#)) versus typical PRN values (marginal per tonne by comparison), making the additional permits and administration a low value return but with adequate capacity in the recycling market. By comparison the marginal non-accredited reprocessing of steel does not impact the potential recycling rate significantly, and the base line data seems representative. Steel PRN revenue with increased recycling would not have a major impact on businesses, but would assist in price support mechanism. Projections for Steel seem plausible however the divergence of Aluminium suggest the targets proposed in this consultation are far from those 'autoregressive' projected.

Paper and Card Flow 2020 forecasts a zero growth, which is coherent with our own projections. We do not question the integrity of the data, however, the variance from known producer reporting data of 21% through non-obligated or un-registered flow, brings a significant change (on a tonnage basis) even with a small deviation from these projections. We believe further work should be conducted to validate this proportion of paper and card, to support the significant increase in recycling capacity this may bring.

### **Q1a. Are you aware of any other factors which may affect the level of packaging waste entering the waste stream?**

We agree with 0% rate of increase in pack handled for modelling purposes of this consultation. Ecosurety has taken a look across the market, and as a result considers these factors influencers on packaging waste entering the waste stream:-

**Outcome of WRAP work to increase consistency in household recycling in England;** with increased publicity and a consistent message delivered to the public, we believe the outcome will result in better segregation at household levels from general waste bins, thereby potentially increasing the amount of material coming back for recycling from 2017 onwards.

**Local authorities TEEP assessments of comingled versus household sortation;** the continued assessments under TEEP and advancements in technologies available to waste treatment facilities could 'clean' more waste streams to increase recovery and recycling rates. Local authorities have significant budget constraints pushing operating efficiencies, and they are also under pressure to improve recycling rates. There is a notable disparity between England, Wales and Scotland recycling rates from household waste, so, if best practice is adopted and alignment across the nations, further improvements could be made in the amount of packaging waste recovered.

**Alternative financing from PRN system;** at the end of 2016 the Environmental Services Association (ESA) put forward a paper to discuss alternative funding mechanisms from the PRN system which would impact

waste collected. In a scenario where PRN revenues went to collectors, rather than recyclers, added investment may allow new sources of packaging waste to become commercially viable, with the help of producers directly funding packaging waste collections.

Ecosurety has developed a platform to support a [direct investment model called Circularety](#), which financially supports recycling and increasing collections. This platform operates under the current Packaging Regulations, unlike the ESA discussion paper which looks at longer term Regulatory changes, but both aim to re-direct how the financing for PRN affects producers, recyclers and collectors, with the aim of increasing recycling rates.

**Q2. In your view, are there other factors which may affect the levels of obligated tonnage reported? Please provide us with as much evidence as possible to support your answer, so we can adjust our figures as necessary.**

We are not aware of any outside factors that may have a material impact on packaging waste, other than the changes that might have affected the metals data. Packaging definitions or scoping which may affect steel could have come about after the Metalfow study was conducted (Directive Change Oct 2013 with implementation into member returns in 2015/15). Notably this would have led to the inclusion of gas canisters. However, as a top level review of the Pack/Fill figures for 2013-2015 only shows a 6000T increase in packaging handled. This seems to suggest the change in packaging handled, and from which base line data was taken had not caused a significant impact.

As an overview across the market Ecosurety has considered these other factors influences obligated tonnage reported:-

**Interest rates and inflation uncertainty;** we believe the effect of national and global financial stability will start to impact consumer demand. We foresee increasing household income pressures which we believe will increase during 2017-18, thereby slowing the rate of increase in the consumption of packaged products and obligated packaging. The impacts would become apparent in 2018-19 obligated packaging handled datasets. The outlook for consumer behaviour has been fairly buoyant in recent years however, modelling back to the recession of 2008/09 may be an indicator for how the UK will perform over the next 2 years if there is a notable downturn in consumer confidence.

**Q3. Do you have any additional information or evidence to improve the analysis of the costs and benefits?**

No comment

**Q4. What is your preferred option? And why?**

Ecosurety favours the implementation of Option 3. We believe these are the most achievable targets within growth forecasts and offer the best returns on investment. We believe there will be adequate additional paper and wood tonnage from existing collection sources, whilst increasing the low paper PRN costs, will make more collection systems viable and attractive to waste management firms and schemes. While Steel and Aluminium would need significant increases in 'new' collections, Ecosurety believe there is an appetite in aluminium recycling industry and with protocol systems in place it will help make these apparent stretching targets achievable.

**Ecosurety packaging compliance scheme**

Ecosurety is a leading multi regulation compliance provider under the 3 producer responsibility regimes for WEEE, batteries and packaging. We represent over 1000 producer registrations plus other recycling partners, with whom we are increasing packaging recycling investment through the latest transparency platform Circularety. The future packaging recycling targets are an essential tool necessary for the UK to operate on a level playing field to European countries, and also to gently stretch and improve packaging design, material choices, and recycling systems available in the UK. The PRN system is one such way in which these are supported, and occasionally needs a readjustment to reflect current market conditions and consumer behaviour.

**Future recycling target strategy;**

The UK is in the early stages of proposing a future in exiting the EU. Through negotiations, option 3 leaves the UK with more flexible outcome in 2020, whereas option 2 suggests the UK will continue to follow EU Directive targets, which could be restrictive. The anticipated implementation of this consultations changes could allow the UK to review recycling targets again in late 2019/2020. This potentially aligns with timescales for exiting

the EU, whereby the UK has opportunity to build its own path, rather than follow the EU Packaging Directive or Circular Economy targets. If the UK adopted targets in option 2, we feel it would set a precedence for future target setting. This may be counterproductive if the UK was to take a step down from these higher targets should the UK opt to set lower targets upon exiting the EU in circa 2020. However, in option 3, there is more flexibility in targets beyond 2020; the UK may choose to step up recycling targets to mirror those of the Packaging Directive and Circular Economy package, or, continue to author our own future recycling targets which are in the best interests of UK consumers, businesses and the environment.

### **Material specific response;**

The UK steel industry has recently undergone a period of instability within the global market. Whilst it could be argued that increase PRN revenue could help this industry, the revenue would have to be used as price support, rather than future investment in recycling if this was the case. The UK steel recycling industry will most likely receive a boost from the depreciation of sterling and government support for the major plants. A large increase in PRNs could see increased revenues to these recyclers, however would not be enough to ensure recyclers remain in business and producing PRNs. This could result in a year of non-compliance as producers with higher obligations seek more PRNs from an ever-dwindling Steel PRN market.

Graph 1; <https://www.ecosurety.com/media/342495/graph1.jpg>

Graph 1 contained in the link above details the surplus/deficit scenario between Steel PRN demand & supply forecasted with a 7% increase in PRN supply over the three scenarios. Option 3 reaches a surplus from 2020. With all options a deficit is forecasted in year 1. However, as we are to assume the UK will find new sources or increase collections to produce the required PRNs to avoid non-compliance, we can assume that the PRN revenue to recyclers (from producers) across these 3 years will be front loaded and a larger proportion fed through in the 2018 period.

We favour a larger increase in the aluminium PRN market. The recyclers in this market receive a far larger revenue from their raw material and are therefore less likely to have to use this revenue to price support and are more likely to use this revenue in generating more collections and investing in the recycling infrastructure. Instability does exist in the aluminium market. Over the last two years the major causes of instability have been non-registration by recyclers. Working with other producers, recycling partners and their association Alupro, we support the position that targets should act as incentives to register as an accredited recycler. Based upon the targets increasing as described in option 3, aluminium recyclers will be required to generate a further 19,000 tonnes by 2020 to meet PRN demand, an increase of 22% over 3 years. Graph 2 detailed in the link below shows the deficit/surplus between projected aluminium supply and projected demand. Demand is calculated using only the increase in targets and therefore is a relatively conservative estimate. In option 3, a 10% year on year increase in aluminium recycling would ensure targets are met by 2020. Option 3 therefore provides the incentives for aluminium recyclers to register each year and the structure of the market should ensure these increased revenues lead to higher collection rates and increased recycling.

Graph 2; <https://www.ecosurety.com/media/342496/graph2.jpg>

The changes to Paper and Wood targets do not seem likely to cause problems in the PRN market. They will of course lead to high PRN obligations from producers, however we believe this will be a controlled fashion due to the huge surpluses already reported in these markets. The wood market is likely to find any increases in material from diverting material from biomass. The Environment Agency could act to introduce protocols for biomass recyclers to produce Wood PRNs to retain biomass recovery, but also issue PRN's.

### **Ecosurety sector specific commentary; Food and Drinks Industry representation.**

Collaborating with our biggest food and drink industry members, we have consolidated common views to support a consultation response. These members as part of our scheme obligation, represent a significant demand for PRNs and are therefore fully engaged with us on the debate over the future on the PRN system and Packaging Waste Regulations. Our industry representatives take a holistic view of the consultation but focus of material specific aspects which bring with it a bigger impact to their businesses.

With most aluminium and steel packaging being used in the food and drink sector, changes to packaging recycling targets will increase the required amounts of PRNs required each year. Our members have assessed the three available options and have chosen option 3 which they believe provides stability to the aluminium and steel markets, which potentially are the most consequential. Our food and drink industry representatives support the government and the recycling industry in their aims to increase the amount of packaging that is recycled in the UK. However, they would also like to ensure producers are protected from price volatility in the PRN market because these price changes have significant impacts on the overheads of the business.

Option 3 provides stretching targets for increasing recycling, but looks to stretch the aluminium recycling industry rather than the steel recycling industry.

As part of the retail, food and drink sector, metals make up a significant percentage of PRN obligations. Over the previous 3 years if Ecosurety were to have procured at the market rate, we would have seen budgets for these PRN materials double. Whilst we support and encourage the government to help the recycling industry increase the levels of recycling in the UK, we also ask they take the necessary steps to actively reduce volatility in this market.