

Deposit Refund System – call for evidence

Submission of the Scottish Environmental Services Association

The Scottish Environmental Services Association (“SESA”) is the sectoral trade association for Scotland’s managers of waste and secondary resources. SESA’s Members have an integral role to play in making a success of Scotland’s Zero Waste Plan and in partnership with local authorities and commercial customers, our Members deliver a range of integrated waste management services and infrastructure designed to ensure regulatory compliance.

Opening remarks

A raft of waste management regulation and policy has recently heralded significant change for the way in which waste is collected, managed and treated in Scotland. While broadly welcomed by SESA, many of these have only recently been implemented and have yet to become fully embedded. With the policy framework now in place the industry needs a period of stability – with minimal interference – to allow a return on investment in relevant infrastructure and services. While we have little reason to doubt that Deposit Refund Schemes operate well in other countries, such a proposal not only signals a *significant* shifting of the ‘goal posts’ but is difficult to justify in the Scottish context where substantial investment has already been made in services and infrastructure designed to increase the capture and quality of recyclables through the system.

Operating in parallel to existing kerbside collections, a Scottish Deposit Refund Scheme (DRS) is unlikely to increase recycling rates but would instead simply ‘compete’ for the material collected at the kerbside. This in turn would increase the costs of operating existing collection systems. Furthermore, the reported litter reduction benefits would appear unfounded: a successful litter reduction strategy relies upon a more *holistic* approach – targeting all sources of litter rather than simply one part of the problem (ie beverage containers).

We are therefore disappointed that the Eunomia report for Zero Waste Scotland significantly underestimates the impact of a DRS on our industry, with only fleeting (and unquantified) references to ‘loss of revenue’. References to an overall net benefit to MRF operators (section 5.3) following the removal of plastic beverage containers points to a fundamental misunderstanding of the economics of such operations and the extent of wider impacts that would follow. PET and HDPE bottles as well as aluminium cans are all in the higher value spectrum of collected recyclables. An assessment of impacts on commercial waste collections (section 5.3.1) is presented solely from the perspective of the trade waste *customer*.

SESA is strongly opposed to proposals for a Scottish DRS and in our response below we offer a critique of the proposals contained within the report, *A Scottish Deposit Refund System, May 2015*, and identify shortcomings and likely impacts on our industry.

(1.1) A DRS for one-way packaging

The omission of any consideration of the existing DRS currently operating in Scotland (A.G.Barr) as part of the feasibility study is somewhat telling given the reported decline in capture rates reported by this scheme over the last couple of decades.

(2.0) A review of existing Deposit Refund Schemes

As part of the report, the design features of existing DRSs across the world were considered, with a view to understanding how such approaches could be taken forward in Scotland.

While some details of such schemes are provided in appendix A.1.0, this appears limited to an assessment of the various deposit *levels* applied in each country/jurisdiction rather than the actual structures of the DRSs. It is of course relatively easy to 'cherry pick' the positive outcomes from schemes operating elsewhere but to provide a meaningful comparison for Scotland, closer consideration is required of a) the geographical context (ie whether such schemes operate as a regional system within a nation state); and b) the primary objectives of such schemes (ie whether a country's DRS is used as the *principal* mechanism to deliver improved recycling performance).

With this in mind, we suggest that the number of existing DRSs which could be considered suitable candidate models for a Scottish approach would be more limited.

(4.1.2) Policy and law

While there is brief reference to European Commission advice on the potential implications of mandatory DRS on free trade, we feel the 'environmental justification' caveat should be fully explored within the Scottish context.

The European Commission has advised that a mandatory DRS is a potential barrier to free trade but can nonetheless be justified on environmental grounds, where such contributes to a general reduction in the amount of material disposed of.

It would therefore have been useful if the report had further explored how a Scottish DRS would operate in parallel with the existing policy framework of collection and recycling infrastructure. The Scottish Government already has in place an ambitious and robust set of measures (please see below), the combined effect of which will result in more waste diverted from landfill and driven further up the waste hierarchy, where it can increasingly be used as a resource. It might therefore be difficult to justify that *additional* environmental benefits could be derived from the introduction of a Scottish DRS.

Existing regulatory measures:

- 2025 70% recycling target;
- 5% landfill limit by 2025;
- 2021 ban on the landfill of biodegradable waste;
- business to present dry recyclables (which includes all the DRS target materials) for recycling, and local authorities to provide householders with a recycling collection system;
- a ban on the landfill or incineration of separately collected material;
- removal of plastic and metals from the residual waste stream prior to incineration;

(5.2.1) Implications for kerbside collection and disposal

The report attaches much significance on avoided landfill disposal charges and reduced costs of residual waste collection in concluding a net benefit (cost savings) of DRS to local authorities. However, this is somewhat misleading. The amount of material disposed in landfill has fallen by nearly 50% between 2005 and 2012 and will continue to do so as more waste is diverted from landfill to meet recycling targets and the 2021 ban on the landfill of biodegradable waste. Given the required lead-in time - should a DRS be introduced - it can be expected that landfill disposal would have decreased even further at point of DRS implementation, thus further reducing predicted net savings (through avoided disposal).

With a new requirement placed on local authorities to provide a recycling service to households it is reasonable to expect that more beverage containers will be diverted from residual waste to recycling collection systems. As acknowledged by the report, the reported cost savings to local authorities diminish significantly when target materials (particularly glass) are collected separately from the kerbside. We also note a general shift away from weekly residual waste collections in Scotland (where the benefit of a DRS would be greatest) with most authorities now providing a fortnightly service (and three or four weekly service mooted by some).

(5.3(6)) Implications for business

The report pays lip-service to the impacts on the waste management industry, and is largely limited to a single, fleeting reference to MRF operators. We are, however, somewhat perplexed by the net benefit that a DRS would apparently offer MRFs: we estimate that total costs to MRF operators for the loss of plastic bottles alone would likely exceed £3.8m a year¹.

Potential 'loss of revenue' is more damaging than alluded to in the report, as it is the revenue from the sale of materials which often covers the costs of waste collection activities, without which many enterprises would simply prove unviable. In order to compensate for this loss of revenue, the collection of the remaining - in some cases low value - recyclables would have to be priced higher, adding costs to local authorities. A fundamental change in law such as the introduction of a DRS would trigger waste contract renegotiations, which in themselves add costs and instability for businesses and local authorities. In addition, existing sorting infrastructure (and vehicles) is designed according to a specification, or waste composition, and changing that composition dramatically could force businesses to replace some of the infrastructure or take it out of operation altogether.

(6.2.1) Implications for recycling rates

The report correctly notes that the contribution of a DRS to Scotland's recycling targets would be negligible. Instead it would likely undermine investment in existing kerbside and bring-bank systems, as without the critical mass these would be more expensive to operate. We suggest that the recommended changes to vehicle specification/capacity are unlikely to help offset the additional costs (as demonstrated by the overall contribution of the 'vehicle optimisation' model to the total cost savings represented in figure 5.3).

¹ Based on mid point price for 'mixed plastic bottles', Letsrecycle (May 2015).