

## ENVIRONMENT AND ECONOMY OVERVIEW AND SCRUTINY

<b>Date of Meeting</b>	Tuesday, 13 <sup>th</sup> June 2023
<b>Report Subject</b>	Deposit Return Scheme
<b>Cabinet Member</b>	Deputy Leader of the Council and Cabinet Member for Streetscene and Regional Transport Strategy
<b>Report Author</b>	Chief Officer, Streetscene & Transportation
<b>Type of Report</b>	Strategic

### **EXECUTIVE SUMMARY**

Welsh Government (WG) is aiming to introduce a Deposit Return Scheme (DRS) in 2025. A DRS is a system that encourages consumers to recycle an item by charging a monetary deposit at the point of purchase. This deposit is refunded when the item is returned for recycling.

Between 24 March 2021 and 4 June 2021, the UK Government held a public consultation seeking views on their plans to introduce a deposit return scheme for drinks containers in England, Wales and Northern Ireland. By creating a deposit return scheme, the aim is to increase the recycling rate of drinks containers and reduce littering. It is also believed that introducing such a scheme will help change consumer behaviour to encourage higher levels of drinks container recycling. Some countries have successfully used deposit return schemes (DRS) to increase recycling rates of drinks containers, with well-functioning schemes reported to be achieving collection targets of 90% or higher.

The proposed deposit return scheme has received strong support as outlined in the government response. The Department for Environment, Food and Rural Affairs (DEFRA) has subsequently confirmed that it will work with industry, Welsh Government, and the Department of Agriculture, Environment and Rural Affairs (DAERA) in Northern Ireland, to now set up the scheme. The expected start date for the scheme is October 2025.

Members of the Environment & Economy Overview & Scrutiny Committee have requested a report on the proposed deposit return scheme (DRS). This report provides an overview of the proposals and update on the next steps for scheme delivery in Wales.

### **RECOMMENDATIONS**

1	That Scrutiny notes the contents of the report and supports the proposals to deliver a Deposit Return Scheme (DRS) for Wales
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## REPORT DETAILS

1.00	EXPLAINING THE BACKGROUND TO THE DEPOSIT RETURN SCHEME
1.01	<p>Welsh Government announced in January 2023 that it intends to introduce a Deposit Return Scheme (DRS) by 2025. The announcement follows legislation to ban a number of single use plastics and Wales is working with England and Northern Ireland to set up a joint scheme. Scotland already has its own scheme, which will be starting later this year.</p> <p>Some countries have successfully used DRS to increase recycling rates of drinks containers, with well-functioning schemes reported to be achieving collection targets of 90% or higher. DRS will also play an important role in increasing the supply of high-quality plastic suitable for recycling and the aim is to use technology to enable consumers to redeem the deposit when recycling containers using existing council recycling services.</p>
1.02	<p>The concept of a DRS is not a new concept, with several national schemes in operation outside the UK and also historically used in the UK. In a DRS, the consumer pays a financial deposit when buying a drink, which is then refunded when they return the empty drink container. The financial deposit incentivises the consumer to return the empty container for recycling.</p> <p>The aim is to increase the recycling rate of drinks containers and reduce littering. It is also believed that introducing such a scheme will help change consumer behaviour to encourage higher levels of drinks container recycling. The materials that will be captured in the DRS in Wales will be drinks containers made from polyethylene terephthalate (PET) plastic, steel, glass, and aluminium.</p>
1.03	<p>It is a priority for government<sup>1</sup> to move towards a circular economy, where resources are protected and kept in use for as long as possible and waste is minimised. Introducing a DRS for single use drinks containers forms a key part of delivering this, as well as supporting government ambitions to reduce litter, and to combat the effects of plastic pollution.</p> <p>In early 2018, in the UK Government's 25 Year Environment Plan for England, DEFRA committed to develop and consult on a deposit return scheme for drinks containers and, in late 2018, set out its objectives for a DRS in the Resources and Waste Strategy. In the 2019 manifesto, the UK Government committed to introducing a DRS in England. The Environment Act 2021 includes the primary powers required to deliver a DRS.<sup>2</sup></p>
1.04	<p>Since waste management is a devolved policy area, it is the responsibility of each nation of the UK to decide on the approach to a DRS that fits its policy needs. In 2021, the Welsh Government published '<i>Beyond Recycling – A strategy to make the circular economy in Wales a reality</i>'.</p>

<sup>1</sup> UK government for England, Welsh Government for Wales and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland.

<sup>2</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1130296/DRS\\_Government\\_response\\_Jan\\_2023.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1130296/DRS_Government_response_Jan_2023.pdf)

	<p>The strategy sets 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. WG’s goal is that discarded materials are reused, recycled and re-circulated within the economy, with the strategy setting out objectives to tackle littering, improve recycling and infrastructure, with a specific commitment to introducing a DRS as a key lever to achieve this. WG also made a commitment to work with the other governments of the UK in developing legislation for a DRS for drinks containers.</p>
1.05	<p>Two consultations have been held on developing a DRS. The first, in 2019, explored the design and scope that a DRS model could take. Subsequently, on 24 March 2021, the UK Government, the Welsh Government (WG) and the Department of Agriculture, Environment and Rural Affairs (DAERA) in Northern Ireland launched a second consultation on the delivery of a DRS for single use drinks containers. The consultation ran for 10 weeks and closed on 4 June 2021 receiving 2,590 responses from a broad range of stakeholders. The Government response to the consultation and consultation response analysis can be found at:</p> <p><a href="https://www.gov.uk/government/consultations/introduction-of-a-deposit-return-scheme-in-england-wales-and-northern-ireland">https://www.gov.uk/government/consultations/introduction-of-a-deposit-return-scheme-in-england-wales-and-northern-ireland</a></p>
1.06	<p>The proposed deposit return scheme received strong support as outlined in the government response with 83% of respondents expressing support for the introduction of a scheme. They cited the impacts that the pandemic has had on the environment, including the creation of more waste combined with more time spent outdoors, which in turn has resulted in increased levels of littering, meaning that the need for a DRS is even greater. Responses also set out the benefits of economic stimulation through investment and the creation of jobs from the scheme.<sup>3</sup></p>
1.07	<p>Some respondents raised concerns about the costs and implementation time required for the scheme and suggested delaying the scheme or reviewing its implementation programme in response to the pandemic, as many businesses continue to recover. The intention is that the costs of operating the DRS will largely be met by revenue from the sale of collected material and revenue from unredeemed deposits, as a result it is anticipated that minimal costs will be passed on by the producers of drinks containers covered by the scheme to consumers.</p>
1.08	<p>In Wales, a pilot scheme to run a digital DRS was set up in one area of Conwy to better understand the implications of implementing and operating a scheme in Wales, how the approach could be integrated into existing kerbside recycling services, and to test the experience of householders using the technology.</p>

<sup>3</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1130296/DRS\\_Government\\_response\\_Jan\\_2023.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1130296/DRS_Government_response_Jan_2023.pdf)

1.09	<p>A digital DRS (DDRS) system is based on the use of a unique code included on a drinks container. When the code is scanned using a smartphone or another mobile device, it will allow a deposit to be returned to the consumer after completing a further sequence of scanning actions. This approach allows the point of deposit return to be closer to the point of product consumption and potentially allows a far greater range of return points to be offered to the consumer.</p>
1.10	<p>The pilot scheme in Conwy has provided additional understanding and information about how a DDRS could be developed using an existing kerbside recycling collection and has helped identify areas of further research. Details of the pilot scheme run in Conwy and findings are available at:</p> <p><a href="https://wrapcymru.org.uk/resources/report/digital-deposit-return-scheme-pilot-review">https://wrapcymru.org.uk/resources/report/digital-deposit-return-scheme-pilot-review</a></p>
1.11	<p><u>Next Steps and Legislation</u></p> <p>Regulations made using powers in the Environment Act 2021 will be used to establish the DRSs in England, Wales and Northern Ireland. Government aims to take secondary legislation through Parliament, which will set the framework for, and obligations under, the schemes. Welsh Government intends to bring forward its own separate regulations to establish the DRS in Wales.</p> <p>The DRS will be an industry-led scheme. International experience of DRS implementation has shown that schemes can work best where they are industry-led, and industry professionals are able to use their expertise and vested interest in having a successful scheme to operate the DRS themselves. This will include drinks producers and importers, retailers, wholesalers and distribution partners, and waste collection and logistics companies.</p> <p>The government has stated that it recognises the need to work closely with stakeholders and intends to manage the implementation of the DRS in phases. The next phase will be to work through development of the legislation, taking necessary steps to ensure that it will work in practice, and appointment of the Deposit Management Organisation (DMO). In Wales, the DMOs will be appointed through an application process set out in the regulations and they will be responsible for managing the overall operation of the DRS, as well as for meeting the collection targets set out in regulations, which the DMO(s) will fulfil on behalf of all registered producers.</p> <p>The existence of separate regulations across the UK means that some legal and commercial distinctions will need to be reflected in the operation of the scheme by the DMOs and government is looking at what may be required of all parties to facilitate this. They are also working to understand any impacts or unintended consequences this could have on industry in practice, as well as working to maximise alignment so that the DRS will, as far as possible, be experienced as a single scheme by consumers and obligated industry participants.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p>At this stage, the likely impact on local authority resources is unknown; however, the government response to the consultation outlined that, local authorities, and where relevant, waste operators, will be able to participate in the DRS by separating out containers and redeeming the deposit on them. They further outlined that they anticipate that the scheme will be collecting upwards of 90% of DRS containers placed on the market from year 3 of the scheme's operation and it is likely that many of those containers not returned will continue to travel through local authority waste streams.</p> <p>This means that local authorities and/or waste operators will need to separate out in-scope drinks containers found in their waste streams and then return these containers into the scheme, providing that they meet the quality required for return, to receive the deposit amount, which acts a financial incentive. It is anticipated that this is likely to require additional resources for sorting and separating materials found in the waste streams collected.</p>
2.02	<p>In the government response to the consultation, it was highlighted that, in the next phase of DRS implementation, they will be finalising the regulations and appointing the DMO and will be aiming for the regulations to be in force by end of 2023 and the DMO appointed by summer 2024.</p> <p>The proposals include in the regulations a commencement date for DRS of 1<sup>st</sup> October 2025, which the government has stated is a stretching target date, and they intend to continue to work with industry to assess the feasibility of this date as more detail is developed on the implementation phases of the scheme, including as part of the DMO application process.</p>

<b>3.00</b>	<b>IMPACT ASSESSMENT AND RISK MANAGEMENT</b>
3.01	<p>Impact assessment is not required as this is a report on the proposed Deposit Return Scheme (DRS) being introduced by Government and this report is for information only.</p> <p>In terms of the risks, one of the key challenges for the DRS in Wales is its implementation within the existing mature and successful household kerbside waste collection and recycling infrastructure that is currently delivering recycling rates of around 65% across the whole of Wales.</p> <p>Currently, all Welsh local authorities provide kerbside collections for plastic drinks bottles, glass drinks bottles and metal drinks cans. Local authorities have previously raised concerns that the DRS would have the effect of removing drinks containers from kerbside collections (both at household level and wider municipal collections) and therefore would impact recycling performance. The DRS in Wales is intended to coexist alongside kerbside recycling collections and complement existing services with costs of collecting and treating in-scope DRS containers that end up in kerbside collections covered by the DRS producers.</p>

The intended effect of introducing the DRS is to change the behaviour of consumers, producers and retailers to deliver a significant change in the capture for recycling of empty drinks containers and the incidence of litter. Education and engagement will therefore need to be a key intervention in the introduction of the DRS and communications will need to counter perceptions that the scheme unfairly places the burden for recycling on consumers and offers little benefit over existing recycling kerbside recycling.

Drinks containers are currently captured under the existing packaging producer responsibility scheme, which ensures that obligated packaging producers contribute towards the cost of recycling and recovery of that packaging. This system is being reformed under the Extended Producer Responsibility (EPR) for Packaging reforms, which is being consulted on alongside the DRS. However, the DRS is a policy which will specifically target drinks containers in an alternative regime to EPR, so that these materials can be collected separately to improve quality and rates of recycling for drinks container packaging.

The DRS will also need to ensure adequate monitoring and regulation, including compliance and enforcement, particularly with regard to tackling fraud and misuse of the scheme.

**Ways of Working (Sustainable Development) Principles Impact**

Long-term	Positive – the aim of the DRS is to reduce littering, boost recycling rates and improve the quality of the material collected for recycling, which in turn will reduce waste and ensure that resources are used more sustainably and reducing carbon emissions. Increasing recycling and encouraging the use of recyclable and recycled materials in production also helps to move towards a circular economy, keeping resources in use for as long as possible and extracting the maximum value from them.
Prevention	Positive – the aim of the DRS is to reduce littering, boost recycling rates and improve the quality of the material collected for recycling as detailed above. The DRS will target consumer behaviour and not just the producers or delivery bodies, and these behavioural changes could have wider effects on society in terms of climate change and environmental awareness.
Integration	Neutral - The DRS will need to be accessible for all in terms of the returning/collecting collected containers, communication and information
Collaboration	Positive – the DRS will be delivered in collaboration with industry, local authorities, waste operators. Additionally, WG agreed to working with other governments across the UK to bring about a single UK-wide DRS for drinks containers, which provides consumers with a clear and easy method of disposal and industry with a high-quality stream of material for provision to secondary reprocessing markets.
Involvement	Neutral

<b>Well-being Goals Impact</b>	
Prosperous Wales	Positive - There may also be some secondary benefits to the DRS in that it could increase the number of jobs available
Resilient Wales	Positive - positive impact on the environment, health, crime and anti-social behaviour.
Healthier Wales	Neutral
More equal Wales	Neutral
Cohesive Wales	Positive – the aim of the DRS is to reduce littering, boost recycling rates and improve the quality of the material collected for recycling, which in turn will reduce waste and ensure that resources are used more sustainably and reducing carbon emissions. Increasing recycling and encouraging the use of recyclable and recycled materials in production also helps to move towards a circular economy, keeping resources in use for as long as possible and extracting the maximum value from them.
Vibrant Wales	Neutral
Globally responsible Wales	Reducing the amount of drinks containers littered would also have significant wider and indirect environmental benefits. Material that is littered can tend to end up in black bin waste once collected and is unlikely to be recycled due to high levels of contamination. If it is not collected, litter can harm wildlife, or enter the water system and cause a serious problem as marine pollution.
<p>The DRS will also will support the health and well-being of both the current and future generations set out in the Council’s strategic well-being objectives: <a href="https://www.flintshire.gov.uk/en/PDFFiles/Council-Democracy/Council-Plan-and-Well-Being-Objectives/Well-Being-Objectives-2022-23">https://www.flintshire.gov.uk/en/PDFFiles/Council-Democracy/Council-Plan-and-Well-Being-Objectives/Well-Being-Objectives-2022-23</a></p>	

<b>4.00</b>	<b>CONSULTATIONS REQUIRED/CARRIED OUT</b>
4.01	<p>This is a government led initiative.</p> <p>Two consultations have been held on developing a DRS. The first, in 2019, explored the design and scope that a DRS model could take.</p>

	<p>Subsequently, on 24 March 2021, the UK Government, the Welsh Government (WG) and the Department of Agriculture, Environment and Rural Affairs (DAERA) in Northern Ireland launched a second consultation on the delivery of a DRS for single use drinks containers. The consultation ran for 10 weeks and closed on 4 June 2021 receiving 2,590 responses from a broad range of stakeholders. The Government response to the consultation and consultation response analysis can be found at:</p> <p><a href="https://www.gov.uk/government/consultations/introduction-of-a-deposit-return-scheme-in-england-wales-and-northern-ireland">https://www.gov.uk/government/consultations/introduction-of-a-deposit-return-scheme-in-england-wales-and-northern-ireland</a></p>
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<b>5.00</b>	<b>APPENDICES</b>
5.01	None

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p><a href="https://wrapcymru.org.uk/resources/report/digital-deposit-return-scheme-pilot-review">https://wrapcymru.org.uk/resources/report/digital-deposit-return-scheme-pilot-review</a> - This report brings together several strands of work (reports, surveys and presentations) completed by partners as part of a Digital Deposit Return Scheme (DDRS) pilot in Conwy, run during June and July 2021.</p> <p><a href="https://www.gov.uk/government/consultations/introduction-of-a-deposit-return-scheme-in-england-wales-and-northern-ireland">https://www.gov.uk/government/consultations/introduction-of-a-deposit-return-scheme-in-england-wales-and-northern-ireland</a> - Consultation outcome and Government Response – Introduction of a deposit return scheme in England, Wales and Northern Ireland</p>

<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>
7.01	<p><b>Contact Officer:</b> Katie Wilby, Chief Officer, Streetscene &amp; Transportation  <b>Telephone:</b> 01352 704530  <b>E-mail:</b> <a href="mailto:katie.wilby@flintshire.gov.uk">katie.wilby@flintshire.gov.uk</a></p>

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
8.01	<p>DRS = Deposit Return Scheme. A DRS introduces a refundable deposit on drinks containers when purchased, which is refunded when returned after use. The deposit level places a monetary value on empty drinks containers, reflecting the true social and environmental cost of disposal, and the DRS infrastructure provides consumers with a clear and easy method of disposal. Successful return ensures that the product can be recycled into secondary raw materials</p>

DEFRA = Department for Environment, Food and Rural Affairs, responsible for improving and protecting the environment, growing the green economy, sustaining thriving rural communities and supporting world-class food, farming and fishing industries.

WG = Welsh Government, responsibilities include environment, agriculture and rural affairs, and making decisions on matters regarding these areas, for Wales as a whole, develop policies and implement them and propose Welsh laws (Senedd bills)

DAERA = Department of Agriculture, Environment and Rural Affairs (DAERA) has responsibility for food, farming, environmental, fisheries, forestry and sustainability policy and the development of the rural sector in Northern Ireland.