

Dr Thérèse Coffey MP
Parliamentary Under-Secretary
Department for Environment Food and Rural Affairs
Seacole Building
2 Marsham Street
London
SW1P 4DF

29th May 2019

Dear Minister,

Proposal to improve the PRN system – Introduction of a Compliance Fee

I am writing today on behalf of the Packaging Scheme Forum (PSF) to express our support for the introduction of a packaging compliance fee for the current compliance year 2019. A compliance fee would not be sought as a lower cost means of compliance but rather to provide some reassurance should the UK fail to meet its recycling targets.

Background

The PRN system has a proven track record in meeting the packaging recycling targets, but this year it may not be possible due to the huge challenges facing plastic recycling. Aluminium also has specific challenges that need to be addressed. Government intervention is not unprecedented; in 2014 the government intervened to reduce the glass recycling target from 81% to 75%.

Last year, high PRN prices on paper and wood led to an increase in packaging recycling. Paper and wood PRN prices were historically low prior to 2018, therefore some recyclers/exporters had either never applied for accreditation or allowed their accreditation to lapse, even though they continued to handle packaging waste. When PRN prices increased significantly in 2018, these companies that were not accredited could no longer compete for supplies of paper and wood packaging waste. This encouraged them to become accredited, leading to a recovery in PRN volumes in these materials, which ensured that targets were achieved.

In the case of glass, a high price in Q4 2018 enabled glass recyclers to recycle more glass aggregate. However, the current situation for plastic and aluminium does appear to be significantly different.

In the case of plastic, exports accounted for 63% of PRNs last year. Prior to 2018, China was the main export destination for plastic packaging waste with the National Audit office reporting 40% of all plastic exports went to China in Q1 2017. The Chinese ban on the import of plastic packaging waste (unless pelletised) has led to exporters seeking alternative markets such as Malaysia, Indonesia and Turkey. Moving plastic packaging waste to Malaysia and Indonesia now appears to be difficult too and there are also doubts as to whether Turkey will continue to take volumes at the current level.

Packaging Scheme Forum

Chair: Robbie Staniforth, Ecosurety, 1190 Park Avenue, Aztec West, Bristol BS32 4FP

Treasurer: Vicki Peck, Synergy Compliance, The Mill House, Market Place, Houghton le Spring, DH5 8AH

In the last half of 2018, plastic packaging recycling declined by 7.6% when compared to the first half of the year. Packaging recycling statistics show a further decline in Q1 2019.

As it stands, there are fewer plastic recyclers/exporters this year than last. We understand the regulators are considering a number of new PRN plastic accreditations. In our view, it is unlikely that any new plastic accreditation applicants would be handling large volumes of plastic packaging waste given that current accredited recyclers/exporters have a competitive advantage with the support of high PRN prices.

In 2019, it is very probable that there will be insufficient plastic PRNs for compliance schemes and producers to meet their obligations. Aluminium may face the same situation where there is insufficient evidence.

Benefits of a Compliance Fee

Without a compliance fee, should the UK fail to meet its recycling targets, the regulators would potentially have numerous non-compliance offences to deal. A compliance fee would ensure a level of reassurance should the UK fail to meet its recycling targets and would offer a solution for producers and compliance schemes that, despite their best efforts, may simply not be able to acquire enough evidence because it isn't available.

It is important to highlight that as compliance schemes, we do not object to higher prices, but the substantial price increases we have seen in the past twelve months in plastic PRNs have not yet led to an increase in recycling.

Any funds raised by means of a compliance fee could then be used for suitable projects to increase tonnages collected and reprocessed and/or to prepare for the introduction of a reformed system in the future. We do not believe that the current process for enforcement undertaking will secure an equivalent benefit or improvement to the environment.

A compliance fee mechanism provides the Government and enforcement agencies with a constructive alternative to enforcement action, which also ensures that any compliance schemes or producers that are unable to meet their targets still contribute financially in a fair manner.

In summary, the PSF believe a compliance fee would:

- Provide an alternative mechanism where there is simply insufficient recycling capacity available
- Avoid the need for potentially widespread actions against producers and compliance schemes
- Reduce unexpected price volatility
- Discourage recyclers/exporters from withholding PRNs to simply drive prices up for no environmental benefit
- Provide a fund to support initiatives and projects aimed at increasing recycling rates and/or preparing for a reformed system.

Suggested next steps

The compliance fee mechanism could be modelled on the successful and flexible system that has operated in WEEE for some years. The next stage would be to draft a legislation amendment based on the WEEE compliance fee option. The WEEE Scheme Forum would be pleased to provide any assistance requested to refine the details to be applicable to packaging.

As compliance schemes, we are committed to do everything we can to meet the packaging recycling targets. However, for reasons beyond our control, there is a strong likelihood of there being insufficient plastic PRNs for 2019. Aluminium may also have insufficient PRNs for 2019.

We appreciate that making a change mid-year is difficult but given the extraordinary circumstances set out above, PSF members are strongly in favour of a compliance fee being introduced for the current compliance year. We believe that the introduction of a packaging compliance fee for 2019 is essential in ensuring the stability of the current system and for ensuring that an equivalent environmental benefit is secured if not enough recycling takes place. We ask for your support in introducing this mechanism.

This letter is copied to:

- Phil Conran, Chair of the Advisory Committee on Packaging (ACP)
- Chris Preston, Deputy Director Waste and Recycling, Defra

Yours sincerely,



Robbie Staniforth
Chair, Packaging Scheme Forum

Introduction to the Packaging Scheme Forum (PSF)

The Packaging Scheme Forum (PSF) provides a broad collective voice for packaging compliance schemes.

The PSF currently represent 93% of registered producers and 97% of producers registered with compliance schemes across a range of industry groups such as: automotive, chemical manufacturing, engineering, food and drink manufacturing, apparel, sports and leisure, medical and retail sectors. Our industry and members are facing significant changes and the aim of the PSF is to provide feedback, guidance and advice to influence the decision-making process. The PSF has considerable expertise and experience of the Producer Responsibility Obligations (Packaging Waste) Regulations and collectively we are ideally placed to liaise with Defra and the enforcement agencies. By working together, we can ensure the best result for the UK, our industry and our producers.

Members

Biffa Waste Services Ltd	Properpak (Scotland) Ltd
Clarity Environmental Ltd	Properpak Ltd
Co2 Compliance Ltd	Recycle Wales Ltd
Comply Direct Ltd	Recycle-Pak (Scotland) Ltd
Complypak Ltd	Recycle-Pak Ltd
Ecosurety Ltd	RESC Ltd
ERP UK Ltd	Smart Comply Ltd
Integra Compliance Ltd	SWS Compak Ltd
Kite Environmental Solutions Ltd	Synergy Compliance Ltd
NIPAK (Scotland) Ltd	Toddpak Ltd
NIPAK Ltd	Valpak Ltd
Onepack Compliance Ltd	Veolia Environmental Services
Packcare Ltd	Wastepack Group Ltd
Paperpak Ltd	Wastepack Ltd
Pennine-Pack Ltd	