

# EPR - impact on costs, material flows and behaviours

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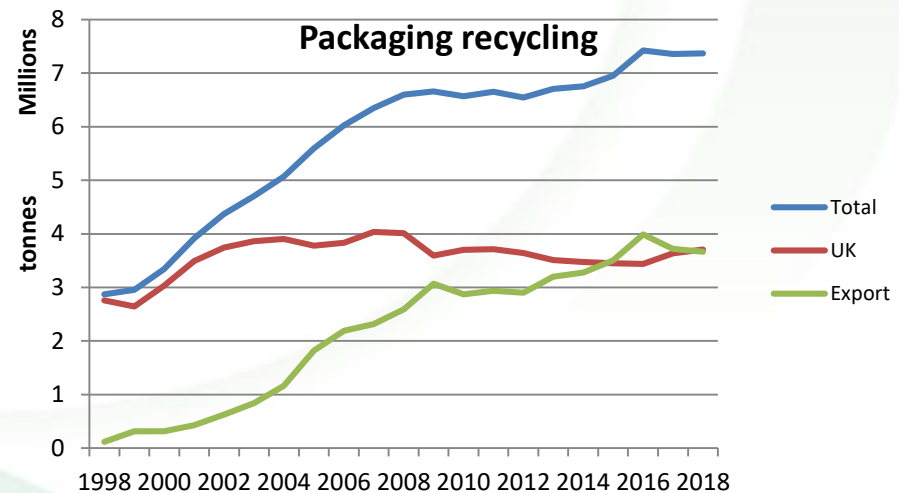
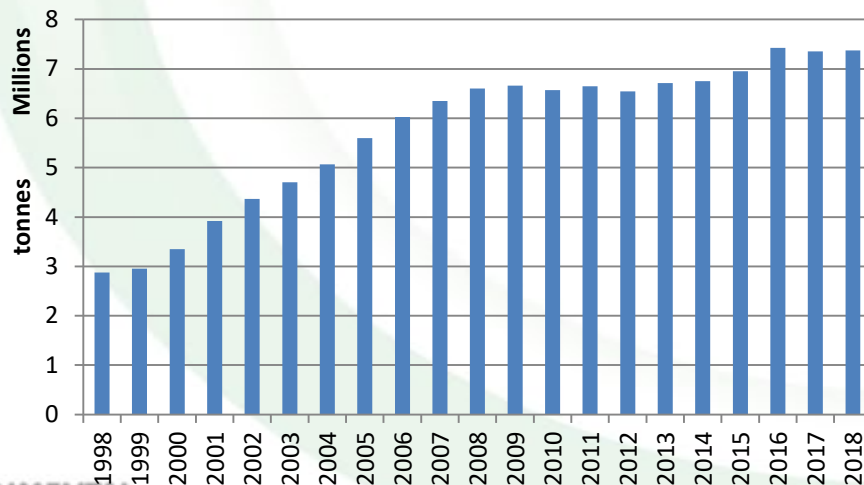
360 Environmental



# Introduction

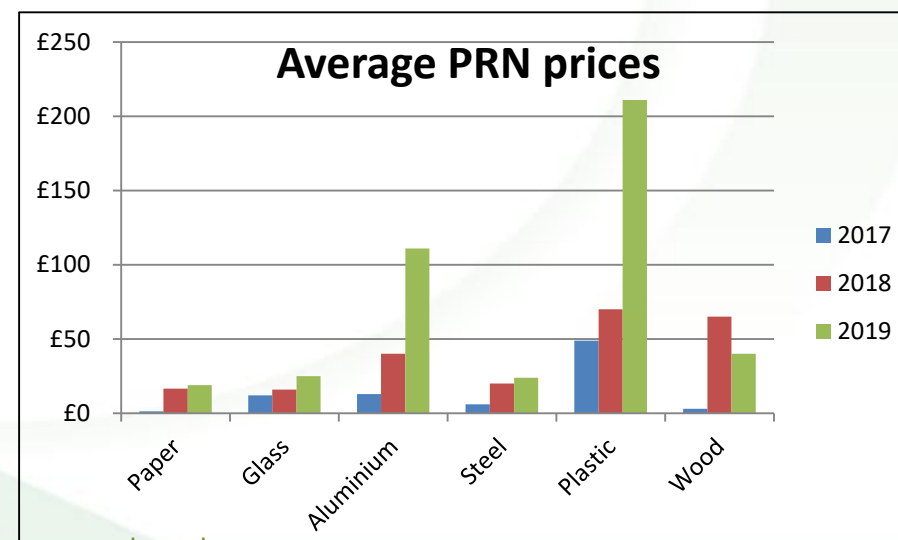
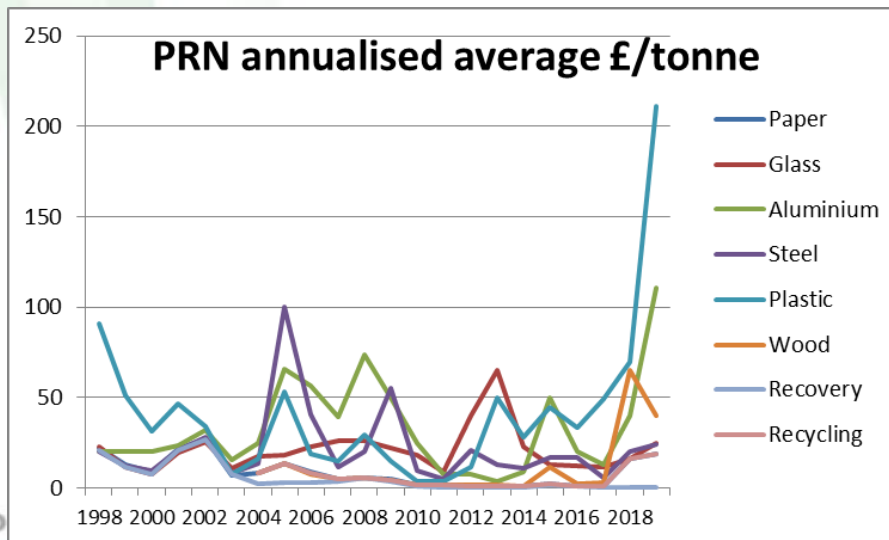
- PRN system has been in place since 1997 and was developed purely to meet EU targets at lowest cost
- Approximately 7,000 registrations covering 10,000 companies
- PRN system designed to 'pull through' material by injecting extra funding when recycling rates below targets
- The majority of recycling growth has been through exports
- The current system must continue until the new system is implemented in 2023

Total UK reported UK packaging recycling



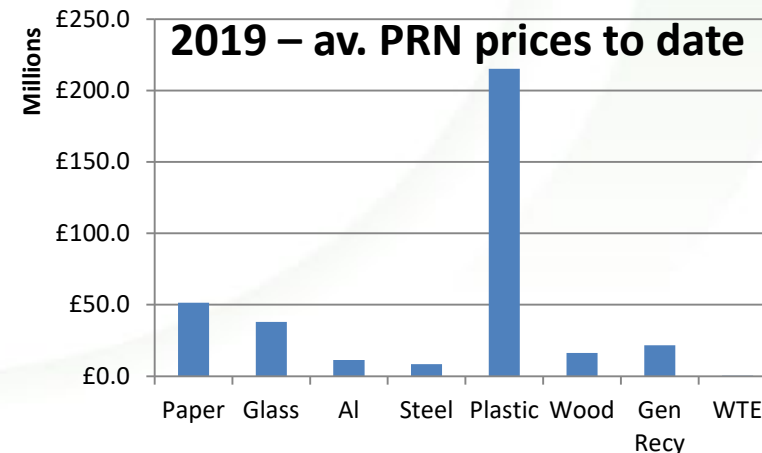
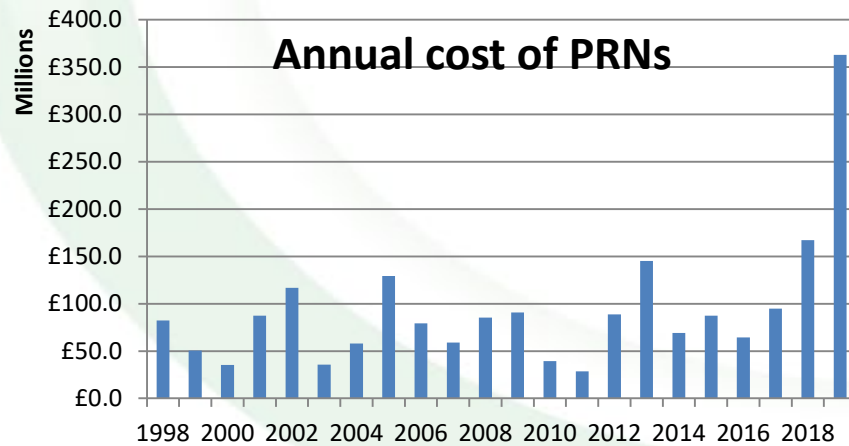
# Cost impact

- The PRN market has been wildly volatile
- Prices change according to global changes and perception on UK recycling levels
- Producers have little choice but to pay – primarily through compliance schemes – or be non-compliant
- UK system is considered to be one of the cheapest in Europe
- General view is that producers pay <10% of cost and little reaches collectors
- In addition to PRN costs, producers pay £15-20m in PRN related fees, £5m to Agencies and £5m+ in compliance scheme fees



# Impact

- Varying costs to producers – difficult to budget
- Unpredictable revenue to reprocessors – difficult to invest
- Significant revenue to exporters – undermines UK investment



# EPR Consultation

# Rationales for change

- EU WFD Article 8a – producers pay full net cost recovery
- Capture more producers
- Lack of transparency in the use of PRN revenue.
- UK reprocessing is disadvantaged over exports.
- Lack of demand for recyclate.
- Improved resource use.
- Litter
- Labelling
- Tighter export controls
- Packaging design
- Public communications

# Proposed EU packaging recycling targets vs UK 2018

	2025	2030	2018
Paper	75%	85%	77.3%
Glass	70%	75%	71.0%
Ferrous	70%	80%	74.0%
Aluminium	50%	60%	54.6%
Plastic	50%	55%	45.8%
Wood	25%	30%	31.9%
Recycling	65%	70%	64.1%

# Consultation cost options

- Modulated fee applied to packaging placed on the market
- Deposit fee reclaimable on evidence of recycling and set at a high enough level to incentivise removal of non-recyclable packaging from market.



# Producers

- Aim is to ensure more producers contribute to costs
- Current de-minimis gap of around 15%
- Considering:
  - Single point compliance
    - Brand owner/pack filler/importer (as most of Europe)
    - Seller
  - Continue with shared activity
  - Reduce/remove de-minimis threshold
- Additional options – wholesaler obligation, fixed fee for micro businesses, give online sellers responsibility for all packaging supplied under fulfilment
- Has to consider potential for separate nation targets

# Targets

- Target proposals for 2025/30 – slightly more ambitious than EU targets
- Business targets uncertain – economists trying to align with DRS/consistency growth

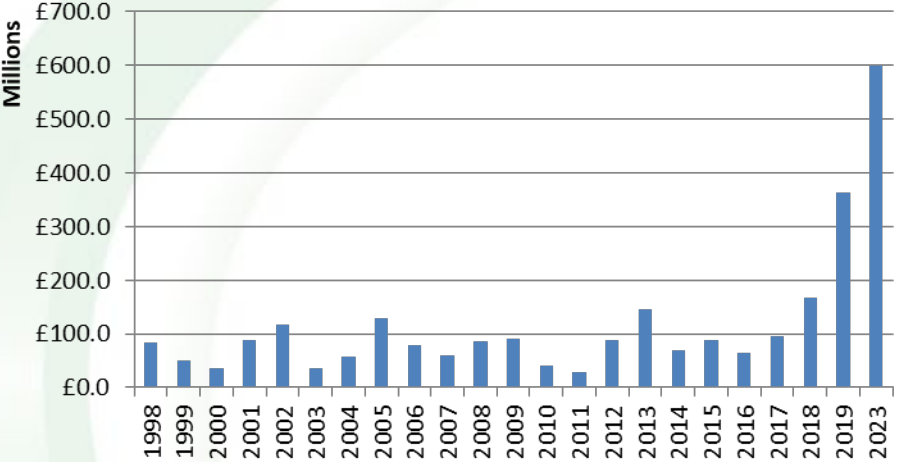
Packaging material	2016 recycling rate	Consistent collections	Packaging reform	DRS	Projected 2030 rate	EU Target 2030
<b>Paper and card</b>	82%	2%	0%	0%	84%	85%
<b>Glass</b>	67%	5%	0%	11%	82%	75%
<b>Aluminium</b>	51%	9%	0%	12%	71%	60%
<b>Steel</b>	74%	12%	0%	1%	88%	80%
<b>Plastic</b>	45%	5%	4%	2%	56%	55%
<b>Wood</b>	31%	0%	0%	0%	28% <sup>85</sup>	30%
<b>Total Packaging Recycling</b>	65%	2%	1%	3%	71%	<b>70%</b>

# Governance

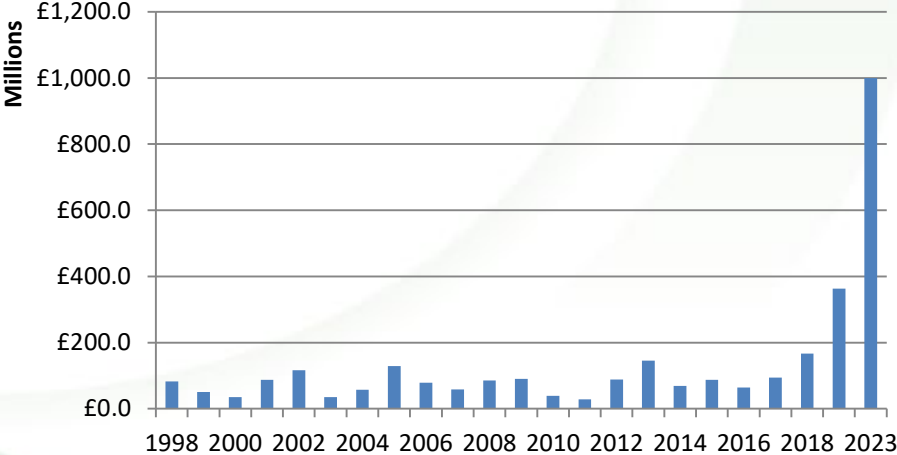
- 4 governance models proposed:
  - Model 1: Enhanced near-to-business as usual - compliance schemes.
  - Model 2: Single not-for-profit producer management organisation.
  - Model 3: Separate schemes for household/household-like packaging and commercial/industrial packaging.
  - Model 4: Deposit-based government managed system.

# Potential EPR costs

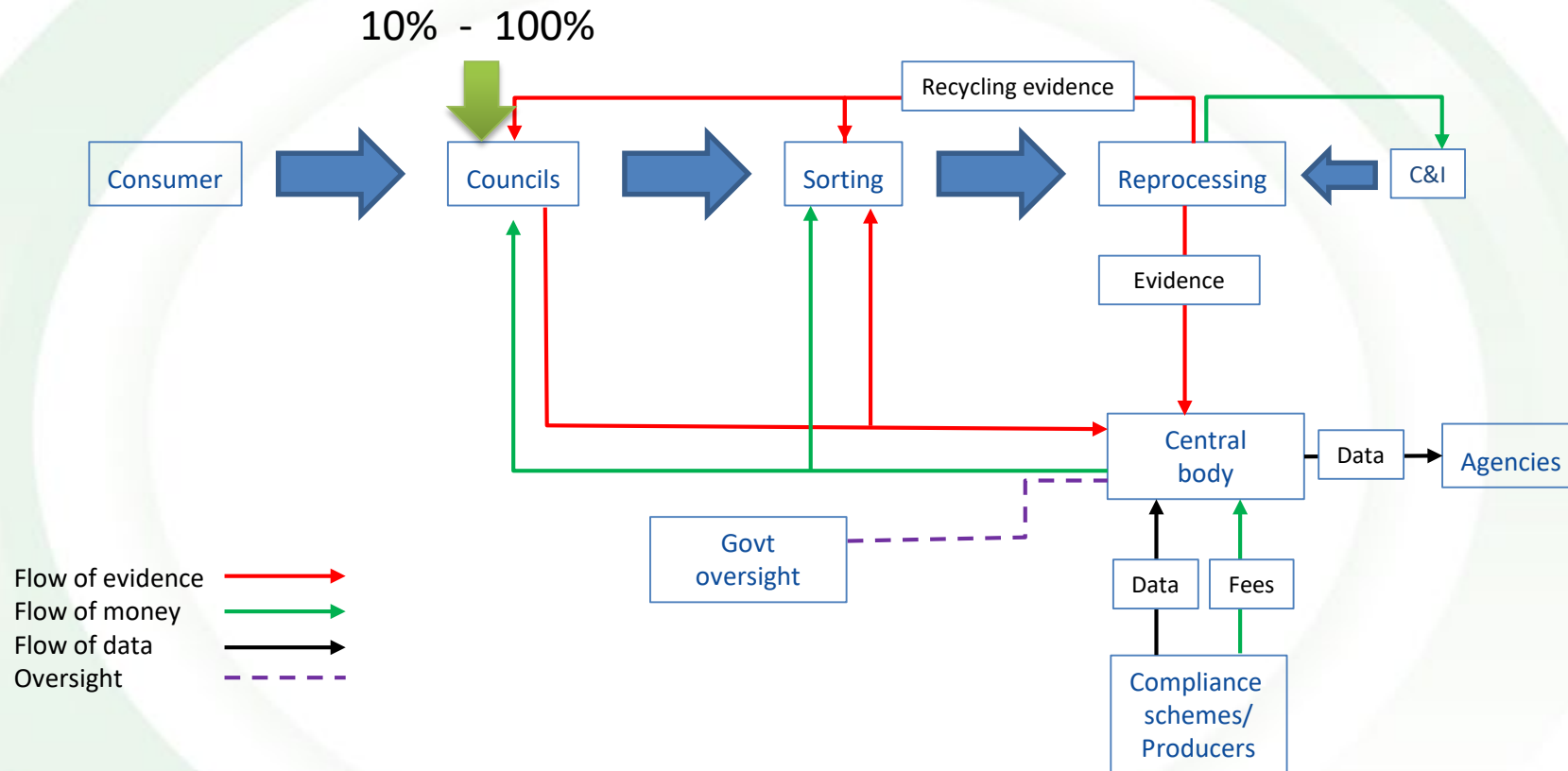
### Potential FNCR system costs



### Including litter, comms etc



# Flows



# Impact

- Should support consistency of materials collected
- Should lead to improved quality as money should only be paid on yield
- Should help to develop infrastructure and new markets
- BUT
- Will there be the demand?
- What controls will producers have on spend?
- Will FNCR substitute other funding?

# Behaviour

- Communications should help change consumer behaviour
- Central oversight body should help more strategic planning and investment
- Proper funding should see investment in quality
- BUT
- Where there's money there's fraud
- Will need robust enforcement
- Risk of loss of commercial drivers/efficiency

# Thank you

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