

Rosemary Gaul

**From:** [REDACTED]  
**Sent:** 12 November 2020 21:32  
**To:** wastecomments  
**Subject:** Respnse Submission to DRS Consultation  
**Attachments:** Darrel Crowe Response to Consultation on DRS Final 12112020.pdf

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Dear Recipient,

Please find attached a copy of my responses to the questions posed in the Deposit and Return Scheme Consultation paper on potential models for Ireland.


If you require any further clarification on any of the issues or responses in this document please do not hesitate to contact me.

Yours gratefully,

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# Deposit and Return Scheme Consultation Responses on Potential Models for Ireland

Submission by   


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## Background

There is certainly a ground swell of positivity from consumers to the introduction of a DRS scheme as witnessed in the recent Journal on-line survey (see appendix 1) showing over 80% support for such. However, whether the Deposit and Refund System as proposed is appropriate in the Irish context to fully meet the Single Use Plastic (SUP) container recycling targets is debatable. It is conceded a DRS scheme targeting single use plastic bottle PET will positively help contribute towards the achievement of the SUP recycling targets. But, even with a 100% recycling rate of deposit bearing SUP bottle PET this alone will not achieve the overall SUP recycling targets alone. There is equally as much other single use plastic including other beverage bottles mainly HDPE (such as milk bottles, yogurt bottles, cream etc) on the market as PET. These non-deposit bearing SUP bottles will need to be targeted by the existing EPR (Extended Producer Responsibility) packaging scheme. To illustrate this challenge, see the table below.

Table 1. See table below for illustrative purposes.

Material	Tonnes on Mkt	Recycling Rate	Tonnes Recycled
PETSUP <sup>1</sup>	28,757	54%	12,617
Other SUP Plastic Beverage Bottles (Mainly HDPE, Plastic pouches etc)	Circa 20- 30,000 <sup>2</sup>	25% <sup>4</sup>	7,360
<b>Total SUP (Estimates)</b>	<b>58,757 -60,000</b>	<b>34%<sup>3</sup></b>	<b>19,977</b>

<sup>1</sup> Eunomia - Improving the capture rate of Single Use Beverage Containers in Ireland - Nov 2019

<sup>2</sup> Estimates based on Industry experience and past analysis.

<sup>3</sup> Overall Plastic recycling rates applied to SUP beverage containers.

<sup>4</sup> Estimated recycling rates based on overall SUP rate of 34% and PET SUP.

Whilst the above calculations are not intended to be absolutely accurate, they illustrate that the potential challenge in meeting the Single Use Plastic recycling rate does not lie with PET beverage bottles alone and requires further work and analysis and subsequent strategy for the EPR independent of the DRS scheme.

Therefore, meeting the single use plastic bottle target will require significant effort by the current packaging EPR scheme to up its focus and support of other non-PET plastic recycling such as HDPE bottles, plastic containers and film to achieve overall plastic recycling rates. However, past and current published EPA packaging recycling figures show a declining recycling rate for both overall packaging recycling and plastic packaging recycling rates. Such figures do not give government positivity for reaching future higher packaging recycling rates and the DRS as a subset of all packaging will not solve this issue alone.

If the overall single use plastic recycling targets are to be achieved then the current packaging EPR scheme must be made to up its game and play its part separate and independent of the DRS for the material not part of the DRS scheme and which will still be under its responsibility post the establishment of a DRS. A key lever on the current EPR scheme to address these declining recycling rates could be to introduce direct sanctions and financial penalties for failure to reach agreed departmental and EU targets as part of future licence approvals.

An interesting question that is not answered or justified in the Eunomia D&R study on a DRS scheme is why are Aluminium cans being included in the design of this potential DRS scheme? The central argument in the Eunomia study for a DRS - was to help achieve future SUP recycling targets. This is

not relevant to Aluminium. Particularly as the overall metal recycling targets are already being met. It is also noted in the single use plastic recycling [DIRECTIVE \(EU\) 2019/904](#) “...that glass and metal containers should not be covered by this directive”.

It is important to note that the introduction of a DRS could distort the packaging profile of the beverage market. If a DRS is placed on both PET plastic beverage bottles and aluminium cans it will as a direct consequence drive a shift to non DRS bearing beverage containers such as glass bottles, as evidenced in Germany. Glass bottles are heavier per unit of consumption than PET or Aluminium. Therein such a potential shift will therefore have three potential negative impacts 1) result in an increase in the overall packaging waste arisings to deal with the same amount of packaged product 2) change the constituent make up of litter, replacing cans and plastic bottle litter with more dangerous glass as was evidenced on the introduction of the Germany D&R scheme, 3) increase the manufacturing and displacement costs for producers as new production lines and logistic facilities are required to meet a consumer shift in packaging type for their product.

However, given the decision is already made to introduce a DRS scheme the following outlines the responses to the questions asked in the consultation document to ensure an optimum scheme is designed to optimise efficiency, increase compliance, maximise transparency and minimise potential fraud. As well as any potential mis-appropriation or withholding of deposits to the detriment of the smooth operation of the scheme.

In designing the DRS and supportive legislation extreme caution needs to be taken to ensure deposits are not appropriated and allocated to organisations or participants for their own commercial benefit and should remain the sole ownership of consumers and held in trust by the DRS itself. This is particularly important as the absolute deposit sums involved will be extremely large based on the proposed level of deposits (circa €350 million gross). In Germany retailers withheld unclaimed deposits ultimately for their own commercial benefit.

## Responses to Consultation Questions

Outlined over the coming pages are the responses to the specific questions in the DRS consultation.

1, The report recommends a centralised, operational model for Ireland. Do you agree with this recommendation?

**Yes- I agree. A centralised system should be a stand-alone system, with a transparent method of calculating units/Weights, sold and tonnes collected, with no cross compliance funding, independent board and clear target objective of 90% recycling for its specified target materials.**

A stand-alone system has many benefits over the other proposed models such as economies of scale, clear accountability, ownership and responsibility for achievement of recycling targets, greater transparency of costs, efficiency of collection and recycling. Including, ownership and responsibility for all communications around the scheme to help achieve the targets. A single DRS will also control and design all elements around the operation and logistics of the system thereby having the ability to address and minimise stakeholder conflicts and cross scheme operational issues. As there will no doubt be issues of potential conflict for retailers large and small as well as waste contractors and

collectors. Therefore, a major benefit of a single DRS is it can better focus on and minimises stakeholder conflicts and enhance transparency and collective buy in.

A centralised scheme funded and controlled by the producers would also increase the likelihood that the collected PET and Aluminium recyclate would find a secure long term home as the producers and funders of the scheme would potentially be the ultimate purchasers of the recycled product for their own production. Thereby increasing the amount of recycled content in their primary packaging and contributing more directly to the circular economy.

However, the centralised scheme should be independent and separate from any other Extended Producer Responsibility. To merge or join a DRS with the likes of the current packaging EPR would undermine its individual accountability, collection efficiencies, clarity of communication and transparency and management of deposits and ultimately affect the overall transparency throughout the system. Also, experience has shown giving cross operational responsibility to other EPR's for non-original EPR wastes reduces overall transparency for producers and hinders the primary EPR from focusing on its main goal of target achievement.

Any importer, producers and reseller of deposit bearing products should be obligated to participate and comply with the DRS obligations with no de minimus or exclusions. This increases compliance and minimises free riders. Also, a de minimus or threshold of obligation only creates potential unfair trading conditions. Ultimately the number of producers and primary importers in the beverage sector in Ireland is not particularly large and would be less than 100 with 20 or so accounting for the majority of product placed on the market.

## 2. Are there other models that could work?

Yes, but the decision politically and operationally has already been made. But it should be noted that DRS are highly costly (Eunomia Estimates €82 million, to deal with circa 5% of package ignoring the larger environmental footprint of a separate DRS collection system on top of the existing EPR scheme). A DRS duplicates collections that are already happening targeting commercial premises, street litter and household kerbside collections. In Belgium Fost Plus (its EPR packaging scheme) is achieving high plastic bottles recycling rates without a DRS scheme. However, its budget is significantly higher than that of Repak (€30 million) at €185 million. Unfortunately, current Irish packaging recycling rates are falling and have been for several years. Ireland's plastic packaging recycling rates have fallen from a high of 37% in 2012 to the last recorded rate of 31% (source: EPA waste database reports).

Due to the failure to grow packaging recycling and a missing of departmental targets we are now required to introduce a DRS scheme to meet a subset of the overall single use plastic packaging and overall plastic recycling targets. A DRS scheme is part of a solution to meet SUP recycling targets, but not the sole solution. If Ireland is to meet the overall SUP plastic recycling target it will require the current EPR to target and up its game in focusing on the non-deposit bearing single use plastic and other plastic packaging types. To allow both schemes to best achieve their respective targets they should be separate and independent of each other. The existing packaging EPR may on the surface seem a logical bedfellow for operating a DRS scheme. However, this will only further contribute to the lack of transparency within the DRS and EPR, as scheme costs and charges get mixed and the potential for cross subsidisation occurs. By keeping them independent the department can ensure both are clearly focused on their own specific waste streams and target achievement. A particular issue of concern for producers could be the misuse of unclaimed consumer deposits to defer future higher recycling costs of non DRS obligated producers under the EPR scheme. This would be counter to the concept of producer pays.

The amounts generated from a DRS system are already outlined in the Eunomia report and are extremely high at circa €350 million per annum. Common experience of DRS would suggest there will be large surpluses generated in the initial years. Particularly, as the operators, consumer and stakeholders take time to effectively engage with the new systems and until optimal efficiencies are achieved and the optimal deposit rate is struck for the scheme to effect the maximum behavioural change.

It would therefore not be unusual to see the following initial recycling rates and corresponding surpluses generated in the early years as the scheme establishes itself.

Table 2. Estimated collection rates and corresponding unclaimed deposits sums for DRS initial years

	Year 1	Year 2	Year 3
DRS Return rate	50%	75%	90%
Unclaimed deposits Sums <sup>1</sup>	€175 ml	€87.5 ml	€35.0 ml

<sup>1</sup> Based upon Eunomia fees and total DRS sums collected in a given year.

The above calculation estimates that these surpluses could be as much as €297.5 million cumulatively in the first three years. A solution to preventing these large surpluses arising would be 1 to initially start with Plastic beverage bottles and once the systems are working add Aluminium cans. Another alternative would be to initially start with a much lower deposit rate and increase this as the systems get optimised and recycling rates climb.

### 3. What Role should waste collectors play?

Collectors will have a primary role in potentially being contracted by the DRS to collect returned deposit bearing items from the respective sales and return locations around Ireland. Note there are circa 4,500 independent retailers, and 2,500 forecourt retailers alone all of whom will have items ideally returned to them.

There will also be a significant amount of deposit bearing material that will end up in the current household kerbside and commercial recycling systems in the early set up stage of the DRS scheme. Therefore, collectors will need to separate out these D&R items and return these to the DRS scheme for accountability purposes. As such, commercial arrangements and systems will need to be created to deal with this “leakage” from the D&R collection system. The impact of taking PET bottles and Aluminium cans out of the current kerbside collection systems will increase the volatility and sustainability of separate recycling collections as many other will and have raised before. It will also undermine the viability of the sorting of kerbside materials, as these omitted items are valuable recyclate that supports the current viability of the existing kerbside and post collection sorting. To maintain these will require a greater level of subvention by the current EPR scheme.

Also, importantly current Irish waste legislation dictates that the holder of the waste has responsibility and ownership of that waste. However, in the case of a DRS, the DRS operator would need to own the deposit bearing items. Therefore, this will require amendments to the current primary waste legislation to ensure the targeted deposit items remain in the ownership and responsibility of the DRS scheme. Particularly, when returned by consumers to prevent conflicts of claimed ownership and prevent others withholding these items from the DRS. Obviously, the scheme would need to ensure the holder of the returns is reimbursed for the deposits returned and products returned to the DRS.



4. The DRS study proposes a deposit of €0.20 per container. Do you think this is appropriate? If not should it be higher or lower or should different deposit rates apply depending on container size?

A single rate deposit for all sizes and materials is not ideal. The rate should be variable and proportionate depending upon the material and size of the deposit bearing items targeted by the DRS. For example, a large 2 litre bottle should have a different and higher deposit rate than that for a 500 ml PET bottle. Ideally if 90-100% recycling rates are achieved then this does not matter. However, the larger the deposits the greater the incentive to defraud the system. It is noted that Eunomia in its study allocates a figure €3.15 million (or circa 1%) to fraudulent claims which is likely to be conservative, with potential costs of this more likely in the range of 3-5% (or €17.5 million at the upper end).

The full costs of operating the DRS should be as outlined by Eunomia lie with the producers/importer. Also, the rate of deposit should not be set in legislation but be capable of being varied by the DRS (subject to ministerial order) to ensure the flexibility and agility to amend and adjust this as needs arise particularly in the early years.

It has also been mentioned earlier that there are usually large amounts of unclaimed deposits in the early years as the scheme evolves. These should not be capable of being held by any individual or of participants or retailers in the scheme other than the centralised DRS operator. These surpluses should only be used to support and defer the costs of the DRS for participants after targets and all costs of maintaining the long term viability of the scheme are taken into account. To allow others like the retailers hold these unclaimed deposits interminably is not equitable or transparent as has happened in other markets.

5. Consumers need to know about a DRS long before it becomes operational – do you have any suggestions as to how best the introduction of a DRS can be communicated to the public?

This needs a multi-media campaign using both traditional broadcast media, public relations and social media etc. but the absolute media and spend will depend on market conditions and timing. The communication can be crudely broken into 3 distinct phases, 1) Pre launch, 2) Launch and 3) ongoing communication. It will also require significant investment in communicating with all stakeholders involved to get their buy in and compliance with the designed systems. However, it will need to be a multi-million euro campaign and be played out over a considerable period. The pre-launch communication should be started between a year and 6 months in advance.

6. What enforcement measures should be considered in parallel with the introduction of a DRS?

Firstly, all sellers and producers of deposit bearing items need to be obligated to participate and register with the legally mandated DRS scheme. Enforcement penalties should be greater than any costs forgone of not participating in the DRS by producers/importers and resellers. Ideally you want a single point of obligation which is either the primary producer or original importer of the target deposit bearing items. Corporate governance of the DRS scheme is paramount given the large sums

involved requiring a high level of transparency and oversight on all elements of costs and payments to participants. Allowing the DRS to be part of or associated with any other EPR would dilute this transparency and ultimately undermine the credibility and operational effectiveness and stakeholder buy in to the scheme.

The fact that the DRS targeted items have a monetary value opens the system to potential fraud as material will have a significant value, way in excess of its material value. As such items will need to be stored and kept in secure locations for return to the DRSs nominated collectors and accompanying records maintained. Collections will need to account for, secure and document all returns from the various locations as these will be have a corresponding value. These collections will then form part of the balancing payments and receipts to retailers.

Also a central operated DRS requires a large sophisticated payment clearing and balancing systems to ensure the monies collected from deposit bearing items are balanced with payments out – wherein some outlets will have more physical returns than actual sales therefore they will need to be reimbursed from deposits collected by others to cover this deficit. The ideal body to facilitate and support the collection and management of these monies from the end retailers would be the revenue commissioners – (who manage such balance of payments via the current VAT system) in conjunction with certified collections for returns. Payments in and out should be balanced on a bi-monthly basis and are not owned or held by anybody other than the DRS. This would ensure compliance with deposit collections and returns and facilitate the smooth rebalancing of payments and returns. Also, this would boost compliance rates and minimise potential fraudulent claims at the retailer level.

For good corporate governance the scheme as mentioned before should be independent of any other EPR scheme and have good management and independent board oversight.

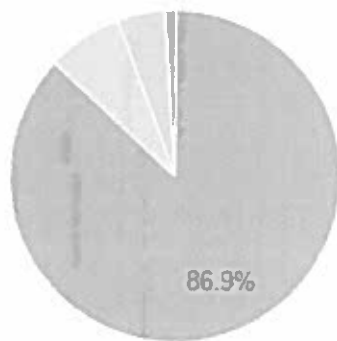
7. How should cross border issues be treated to ensure producers are not at a disadvantage relative to producers in Northern Ireland?

The ideal solution is to have an all Island DRS scheme. However, we are not sure how politically acceptable or realistic this will be. Assuming therefore that there is no convergence, this would mean that any deposit bearing product that is imported and sold into the ROI market should become the responsibility of the primary importing organisation. There is no way of preventing 100% consumer leakage from across the NI border (i.e. where consumers buy non deposit bearing product in the NI market but return it for a deposit in the ROI). The only way to minimise this is via unique Irish bar codes for ROI sold product that is subject to a DRS. However, unfortunately the major producers produce on an all island basis, with Coca Cola for example producing its Irish product for both north and south in Lambeg in NI. Also operating separate bar codes for ROI product would require a significant investment in maintaining and updating of barcodes for all retailers scanning systems and as such is potentially impracticable and unworkable. Particularly as manufacturing and economies of scale will not always allow for ring fencing 100% of DRS bearing items in such a way. Therein the reality is there will be leakage payments from the DRS system for NI purchased and returned product which will have to be accounted for by the DRS.

Appendix 1

**The Journal.ie on-line poll asking - Would you use the deposit return scheme? On the 12/11/2020 – sample results.**

***Poll Results:***



- Yes, and it's about time (5091)
- No, too much hassle (434)
- Sometimes (269)
- No interest/opinion (65)

**The End**

**Contact Details**

**Darrell Crowe Ex Repak**

[Darrell.Crw@gmail.com](mailto:Darrell.Crw@gmail.com)