

[Redacted]

From: [Redacted]
Sent: 11 November 2020 16:03
To: wastecomments
Cc: [Redacted]
Subject: DRS Consultation - Bevcraft Group Submission
Attachments: Bevcraft Submission on Proposed Deposit Return Scheme Model.pdf

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Dear Sir / Madam,

Further to the ongoing Public Consultation Process being conducted by the *Department of the Environment, Climate and Communication* in relation to the proposed *Deposit Return Scheme*; we have prepared a submission from Bevcraft Group.

Please find our submission attached which confirms our overall support for a scheme but expresses three particular concerns regarding its structure.

[Redacted paragraph: ...two paragraphs within the document which refer to our preparations to becoming the first company in Europe to commercialise "digital can priming technology". Until we make a public announcement in Q2 2021 the details of this investment are confidential so we respectfully ask that if a Freedom of Information Request or other access request is made in relation to the attached prior to our public announcement, then these two paragraphs should be redacted on grounds of commercial sensitivity.]

Many thanks for undertaking this consultation process.

Kind Regards,

[Redacted]
Finance Director

[Redacted]
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Fragment 1

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BEVCRAFT

PACKAGING POTENTIAL

Consultation on potential models for a Deposit Return Scheme (DRS) for Ireland

Response from the Bevcraft Group

to the Department of Environment, Climate and Communications (DECC)

<u>Submission by</u> Bevcraft Group Limited Unit 3, Zone C Mullingar Business Park Mullingar Co. Westmeath <u>N91 C658</u>	<u>Contact</u> XXXX@XXX - Email www.bevcraft.ie - Web 00000000 - Phone	<u>Submission Date</u> 11 th November 2020
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About the Bevcraft Group

The Bevcraft Group comprises several companies incorporated in Ireland, the UK and the Netherlands. The business was established in 2016 in Mullingar, Co. Westmeath.

Bevcraft was specifically established to enable smaller beverage producers such as craft breweries to offer their products in aluminium beverage cans. Services include mobile contract canning and can distribution. Prior to launch just 3 Irish Craft breweries had packaged in can format. Today almost all have a canned range and the vast majority utilise Bevcraft's services.

Our services have opened up export opportunities for our partner breweries, have enabled them to better compete in retail settings and underpinned jobs growth across the sector.

Across our markets we work with over 200 beverage producers, will soon operate 12 filling lines and anticipate handling in excess of 25m cans next year. Our rapid growth has resulted in us becoming the largest business of our kind in Europe. We have won awards at the *National Enterprise Awards* and the *Irish Best Young Entrepreneur Awards* and we have a clear ambition to build a major multinational enterprise proudly headquartered in Mullingar, Ireland and to continue to deliver quality high skill jobs to the Irish economy.



Bevcraft Group Limited
CRO 623073 – Directors: D. Fenton, C. Gorman

Concerns as Currently Proposed

Our primary concerns are as follows:

Concern #1 - The absence of certain materials (particularly glass) from the proposed scheme

The DRS scheme as currently proposed does not include all competing materials within the beverage category. It will therefore undermine fair competition and create perverse situations and misalignment of motivations within the marketplace if the scheme does not apply to all beverage containers inclusive of aluminium cans, glass bottles, tetra pack cartons, PET bottles and any other containers which may come to market in the future.

a) Undermining Competition & Local Enterprise

If for example cans are included in the scheme but glass bottles are excluded, it will create a material divergence in the shelf edge retail price which will nudge many consumers towards the lower upfront 'cost' and reduce the competitiveness of the canned option. This is counter to fair and equitable competition and will jeopardise those that have invested in canning solutions across the market. There are beverages now canned locally in almost every single county in Ireland.

This scenario would result in a locally made product produced and packaged in the same town as the end consumer with minimal 'food miles' suddenly become significantly less competitive than an imported bottle potentially hauled across Europe with enormous embedded CO₂.

b) Undermining the very investment made to improve sustainability & backed by the Irish state

Specifically, within the craft beer sector in which we operate the number of canning lines in Ireland has gone from 1 to 20+ over the last five years, of which we are the largest single operator.

The vast majority of these lines has been either supported by direct grant assistance provided via the Local Enterprise Offices, Enterprise Ireland, LEADER or have been financed through funding obtained through the state backed pillar banks or through state supported loan schemes.

In all cases a major part of the investment decision has been to improve the environmental sustainability of the packaging process of the craft beverage sector.

c) Increasing CO₂ emissions across the supply chain

There is a major physical constraint associated with glass bottles which in many circumstances, can render them significantly worse for the environment than alternatives:

Up to 70% more cans (by volume) fit on a pallet than glass bottles due to their dimensions

- = significantly more inbound truck journeys are needed for glass containers
- = significantly more trucks / cargo space is required to transport filled bottles
- = significantly more cold room space is required in producer facilities for bottles
- = significantly more fridge space is required at retail for glass

These constraints are compounded further by the fact that glass itself weighs significantly more than aluminium. At the present time glass containers are being imported by many in our sector from Russia into Ireland at enormous, embedded CO₂ impact. In contrast virtually the entire Irish supply of aluminium beverage cans comes from the UK. That effectively means those bottles which weight more than ten times as much also travel ten times further to get here in the first place.

g) Undermining investment in packaging innovation

Finally, if there are some materials excluded from the DRS; then this will stifle investment in further environmental improvements within those materials included within the scheme.



Our concluding remark on *Concern #1* is that there are both environmental merits and environmental issues associated with all forms of beverage packaging and therefore all materials – aluminium, steel, glass, tetrapak and PET should be included in the scheme.

Concern #2 - The deposit amount should reflect container size

The DRS scheme as currently proposed contains a flat deposit irrespective of container size. This presents the following issues:

a) Lack of equity and fairness across size of containers

The proposal as it currently stands would result in a single 250ml container having the same 20c flat deposit applied as a 500ml container which appears incongruous.

In every possible respect the 500ml container, regardless of its packaging material, will have consumed more resources to create, required more CO₂ to transport and will eventually require more resources to recycle than the 250ml vessel.

b) Lack of equity across materials

This distorting factor will be exacerbated across materials as the largest mainstream can format typically sold on the market is 500ml whilst there are many 2 litre and even 3 litre plastic PET bottles on the market. This means where a multipack of 6x500ml cans is sold as an alternative to a 3 litre PET bottle the cans will have a €1.20 deposit applied whilst the PET bottle just 20c.

This type of a divergence will disrupt the market and may result in an increase in demand for products that may actually have a poorer recycling and collection rate. It is noted for example in the Eunomia report dated 15th November 2019 that can recycling rates are significantly higher than PET bottles.

c) Health risks and overconsumption

Food and beverage products are part of daily life; however, in some cases individuals are prone to overconsumption and in exceptional cases that consumption pattern may manifest itself in harmful behaviours and / or addiction.

d) Increasing ancillary packaging waste

One of the co-factors that has encouraged the transition by many in our sector from glass to can format has been the ability to significantly reduce ancillary packaging waste.

All multipacks of bottles by their nature are bulky and cumbersome to handle. In the case of glass bottles this is exacerbated by the risk of breakage which can lead to soilage of adjacent product and product loss.

To overcome these issues bottles, (particularly within the craft sector we operate in) are packaged for distribution using large volumes of shrink wrap plastic, external cardboard boxes and internal cardboard dividers. Where bottles are in turn sold by retail to consumers via eCommerce this is further compounded when individual bottles are often wrapped in plastic / foam based solutions to further protect the product.

Over the last number of years, we have seen significant demand from retailers, producers and consumers for canned products precisely because they require far less external packaging through the distribution chain. Examples included:

- Bottles are packaged in 12pk cases manufactured with a large flute / board width to ensure robustness; this means they often contain similar quantities of board to a 24pk case of cans which is effectively twice the material required per bottle vs. can.
- Many couriers insist on dividers for glass bottle orders but not for cans as levels of can body damage in transit are much lower than bottles and in particular leaks are very rare for cans

It should be further noted that the craft market has virtually eliminated usage of shrink wrap for multipacks of cans and traditional multipack rings. Almost all multipack craft cans are produced using cardboard solutions or recyclable reusable handles such as *PakTechs*.

e) Risk to product quality

Internationally craft beer demand is shifting significantly in favour of canned formats. Aside from the environmental reasons outlined above (and the associated transport cost efficiency); there are significant product quality advantages to the can format particular to craft beer.

One of the most important such quality issues, is that when packaging at a 'craft scale' most modern linear canning lines can consistently deliver very low levels of dissolved oxygen (DO) in the final product; typically under 50ppb. In contrast many of the bottling line solutions on the market routinely deliver readings of 300 – 600ppb.

This directly impacts the shelf life of the product and as 'craft' products are often unpasteurised and contain high value complex ingredient profiles; the impact can be a rapid decline in the flavour profile of an identical product packaged in bottle relative to can format. This quality issue is particularly important to producers and many consumers.

f) Undermining export potential

When Irish producers invest in their packaging infrastructure, they most make a decision to invest in canning or bottling and direct the majority of their output into that format. If retail demand in Ireland moves towards bottles on 'upfront cost' grounds as a result of the proposed scheme; then this will undermine Irish producers ability to justify canned output and therefore they will miss out on export opportunities which increasingly demand can format.

The model as currently presented will drastically change the relative 'upfront cost' of different volume options on the market and in particular it will make smaller serving size multipacks much less attractive compared to larger single units. This has the potential to re-enforce harmful behaviour patterns.

Whether it is a sugar sweetened beverage, an alcoholic drink or a functional isotonic fluid; putting vulnerable consumers in a position where purchasing and opening a 1 or 2 litre container of a product always appears to be more economic than a 330ml, 440ml or 500ml version is questionable.

Even if the consumer is very mindful of their health and restricts their intake to within recommended daily limits; they may form the view that the product is no longer at peak freshness and dispose of the balance of the liquid and the container. This by its very nature would result in more overall packaging throughput through the market.

Our concluding remark on **Concern #2** is that the DRS should weight the deposit level according to container size on an equivalent / pro rata basis.

Concern #3 – Divergence from models in neighbouring jurisdictions

It is important that DRS in Ireland is broadly similar to systems in neighbouring jurisdictions as diverging schemes will undermine producer's ability to comply with multiple systems and create product category size divergences between markets.

We note in particular that the Scottish scheme will include glass and that the current proposed scheme for England, Wales and Northern Ireland will also include glass.

Response to Consultation Questions

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

If not, do you favour a:

- a) decentralised / financial DRS; or,***
- b) hybrid.***

We agree with the Report's recommendation for a centralised, operational model.

Are there other models you believe could work in an Irish context?

We agree with the centralised model.

What role should waste collectors play in the operation of a DRS?

We do not have anything to add to the discussion on the extent to which waste collectors should be engaged.

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

We have outlined in this document under Concern #2 that a flat per container charge would have significant adverse impacts across commerciality, consumption patterns, health risks and would actually undermine some of the very environmental challenges the proposed DRS is trying to address.

It is essential that the deposit is reflective of the container size. If this averages 20c for perhaps a 500ml container this would in many cases equate to 15% - 25% of the retail price which is substantially enough to effect behaviour significantly. It would be important in such a scenario that a corresponding 2 litre container attract a deposit rate of 80c to ensure the scheme is effective.

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?

We fully agree that communication is essential to ensure the success of the scheme. In Ireland there is a long history of well executed government initiative messaging and relatively high public buy in. Lessons from the smoking ban, plastic bag tax and even the recent public health messaging concerning Covid show that a clear message through all media platforms can achieve very high levels of compliance.

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

Assessment of the measures in place in other jurisdictions and benchmarked to compliance levels is appropriate as part of this process.

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

It is essential that the scheme is in so far as is possible similar to the scheme that is being considered for Northern Ireland. In particular if for example glass is included in the NI scheme and excluded in ROI it will create a major divergence in how the respective markets operate.