[redacted]

**From:** [redacted]
**Sent:** 12 November 2020 12:45
**To:** wastecomments
**Subject:** Deposit Return Scheme Consultation Response
**Attachments:** Alupro Ireland DRS Consultation Response_12-11-20.pdf

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Dear Sir/Madam,

Please find attached the consultation response from Alupro Ireland.

Kind regards,

[redacted]

[redacted]
Programme Manager
e: [redacted]
m: [redacted]
a Alupro Ireland, c/o Repak,
Red Cow Interchange Estate,
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every can counts

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

## Response from Alupro Ireland

**Date:-** 11/11/2020

**Contact:-** Rick Hindley

**Contact E-mail:-** rickh@alupro.org.uk

### About Alupro Ireland

Alupro Ireland is an industry funded, not-for-profit organisation with 30 years' experience representing Ireland's aluminium packaging industry. Our membership comprises the full spectrum of the aluminium packaging 'loop', including producers and rollers of cansheet and foil; packaging converters; packer fillers; and recyclers, meaning we are uniquely placed to represent the industry to policy makers and opinion formers. We work to fulfil the industry's obligation to meet European and national recycling targets for aluminium packaging.

In 2012, we established our 'Every Can Counts' programme in Ireland, a partnership between drink can manufacturers, the recycling industry, and drink brands, with the simple aim of encouraging more people to recycle their drinks cans when they're out and about. We offer free recycling packs to businesses and organisations, which includes everything they need to start increasing drink can recycling. In 2019, we distributed 318 collection boxes around the island, with 84 sites and 25 Tidy Towns groups using our materials to help collect and recycle cans in their areas. As a result of this work and the effort of the Irish EPR scheme REPAK, we have seen Irish drink can recycling rates increase from 53% in 2012 to 89% in 2019 (data source Repak).

Our objective is to further close the aluminium packaging recycling loop in Europe by using all available collection and sorting tools in the most cost-effective way, including deposit return systems (DRS). Alupro Ireland's membership has extensive experience of designing and operating DRS schemes in several other European countries. This knowledge and experience has directly assisted the development of views put forward in our consultation response.

### Key Points

Alupro Ireland is supportive of a well-designed DRS system in Ireland and is committed to ensuring that any system, which includes aluminium beverage containers, maximises recycling rates and is fair and equitable to all competing materials.

To that end, we have identified several principles of a cost-efficient DRS system that we would want to see included in the Irish scheme.

1. All competing materials and beverage categories should be included in the DRS and be subject to the same challenging legal targets and penalties for failing to achieve them. PET bottles, aluminium/steel cans, glass bottles and – if technically possible – beverage cartons should be included. Introducing an 'all-in' DRS such as this would give people the strongest

financial and social incentives to recycle their drinks containers. In a recent poll conducted by environmental NGO, Voice of Irish Concern for the Environment (VOICE), there was overwhelming (88%) support for such an "all-in" DRS.

If materials are not included in the DRS, then they should be subject to the same high collection and recycling targets as those materials which are included. Ultimately this should be to achieve a 90% collection and recycling rate. This is already the case in Norway and is proposed in the new Dutch DRS.

Provision should also be made in legislation for any new materials and packaging formats developed in the future, such as paper bottles, to be included in the DRS.

2. It is essential that the DRS doesn't distort the existing market by unfairly penalising individual materials. To this end, a simple two or three tier deposit, rather than a single fixed fee, that varies based on the size of the container being purchased must be specified in the regulations. The scheme should cover the widest possible range of container sizes. Specifically, this is to prevent large plastic bottles having a competitive advantage over infinitely recyclable aluminium cans, sold in multi-packs.

If the scheme goes ahead with a proposed flat 20 cent deposit across containers of all sizes it will penalise multi-pack cans and incentivise consumers to purchase 1.5 or 2 litres plastic bottles, only serving to further increase the use of plastic and larger container sizes at the expense of smaller, portion-size containers sold in multi-packs.

24 pack of 330ml cans = 7.92 L
Pre deposit cost =€12.79 (€0.53/can)
**Deposit (€0.20 x 20) = €4.80**
Post deposit cost = **€16.79**

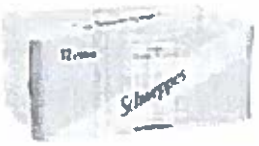
**↑ 38% increase**

4 plastic bottles = 8.0 L
Pre deposit cost = €9.44 (€2.36/bottle)
**Deposit (€0.20p x 4) = €0.80**
Post deposit cost = **€10.24**

**↑ 8% increase**

12 pack of 150ml cans = 1.80 L
Pre deposit cost = €6.69
Deposit (€0.20 x 12) = **€2.40**
Post deposit cost = €9.09

**↑ 34% increase**



2 plastic bottles = 2.0 L
Pre deposit cost = €3.34
Deposit (€0.20 x 2) = **€0.40**
Post deposit cost = €3.74 total

**↑ 12% increase**

To address this, it is fundamental for a differential deposit amount to be charged based on container size, i.e. the larger the container, the larger the deposit. Specific values must be set by the scheme administrator and clearly detailed within the legislative framework.

According to 2020 Nielsen market research data for Ireland, aluminium cans are more often sold in multi-packs when compared to glass and plastic bottles, with 76% of cans containing beer or cider being sold as part of a multi-pack against a total market share of 45% for aluminium cans in this category. For the carbonated soft drinks market, aluminium cans have a market share of 36% and again cans are often sold as multi-packs, whereas glass and plastic bottles are only sold as part of a multi-pack 5% of the time.

This clearly shows that introducing a flat-rate DRS, which disadvantages multi-packs of cans at the point of purchase by presenting a 38% increase in price when compared to only an 8% uplift in cost for the equivalent volume of liquid sold in large plastic bottles, has the potential to introduce an unintended market distortion to the Irish market that could severely damage the competitiveness of the can.

The market dynamics in Ireland are very similar to the UK, where sales of cans are dominated by multi-packs. In the UK, in a recent Censuswide poll of 2,000 respondents, two thirds said, that if there was a 20p deposit on all container sizes, they would switch from multi-pack cans to large plastic bottles.

In response to claims that a variable deposit rate DRS would cause confusion amongst consumers, recent research suggests otherwise. In the recent VOICE consumer poll, 78% of respondents backed a variable deposit fee for drinks containers of different sizes. This is commonplace in existing DRS schemes in the Nordic countries, such as those in Norway, Sweden (with two deposit values), Denmark (with three deposit values) and Finland (with four deposit values).

Recent polling by Norstat, for environmental NGO, Nature 2030, covering Sweden, Denmark, Finland, and Norway showed widespread support for their variable deposits. with each poll illustrating that at least 97% of respondents agreed their respective variable deposit schemes are easy to use and understand, with support in Sweden and Norway reaching 99%.

A recent Populus survey of 1,000 adults, commissioned by environmental campaign group Plastic Planet, found 87% of respondents would be able to understand a variable fee system.

Finally, there is evidence to show that a variable fee system can drive a higher return rate than a flat fee system, according to consumer polling of 2,500 adults in the UK commissioned by Alupro. The results show that a variable rate system is likely to drive significantly higher return rates (and thus public participation in the scheme) during the first two years of operation, helping the scheme to achieve the stated environmental objective of increasing recycling rates of beverage containers sooner.

3. Overall operational management should be delivered through a single scheme administrator (coordinated as a not-for-profit organisation, accredited by local authorities and operated across the jurisdiction) with primary responsibility to handle deposit settlements, report centralised sales data, ensure that the system operates smoothly and meets material specific collection/redemption and recycling targets set by government in legislation.

   Indeed, the Norwegian DRS legislation is only one page long. This ensures the industry operator leads on decision making to maintain the scheme's effectiveness. It is imperative that the scheme administrator operates in a transparent fashion, so that there is trust and accountability for all parties.

4. To prevent cross-subsidisation within the DRS, each included material should have an independent profit and loss statement. Different materials have different costs to recycle and different market values, and each material must pay its way. The net cost of collection and the recyclability of the container must be fully accounted for in the product fee, which is paid by the producer for each container they manufacture.

5. To the greatest extent possible, the scheme should be harmonised with the contemplated scheme being proposed for Northern Ireland. This is especially important considering that post-Brexit it is contemplated that the island of Ireland will remain in a single customs union. Providing a harmonised scheme, or a scheme that can be quickly adapted to be harmonised would significantly support cross border trade, mitigate arbitrage, and reduce unnecessary impediments to trade within the common market on the island of Ireland.

6. When designing and eventually measuring the impact of the DRS, it is essential that the most up to date container recycling rates are used. We note the rates quoted in the Eunomia report are based on 2016. The most recent (2019) aluminium can recycling rate published by Repak was 89%, compared to the 69% rate quoted by Eunomia.

Summary Response to the Proposed DRS Model for Ireland (as laid out in the consultation)

| DRS Component | Option chosen for Ireland | Alupro Ireland's response |
|---|---|---|
| **Governance** | **Centralised; privately owned and operated; targets set by Government.** | **Support.**<br><br>**All competing materials should have the same challenging targets and penalties, even if they are not included in the DRS, which is the case in the Norwegian DRS and the proposed Dutch DRS.**<br><br>**There must be a robust legislative framework that empowers the single Scheme Administrator to implement the scheme effectively.** |

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|---|---|---|
| **Scope – Containers** | PET plastic beverage bottles (up to 3L)<br>Aluminium beverage cans | **Do not fully support.**<br><br>All competing materials should be included (PET bottle, aluminium/steel cans, glass bottles, pouches, paper bottles, coffee cups and cartons).<br><br>All container volumes up to 5L should be included, to minimise the opportunities for producers to avoid the DRS by designing new containers that circumvent the scope e.g. plastic bottles of 3.1L.<br><br>Alupro Ireland note that the recycling rate for glass has declined in Ireland from 2018 to 2019 (Repak) from 86% to 78% and is now surpassed by the aluminium can recycling rate at 89% (Repak). On these grounds the system for collecting and recycling glass also is not delivering a 90% recycling rate so as a result glass containers should be included in the Irish DRS. Eunomia recommend in their report to the Irish government that a beverage container tax similar to the Norwegian model could be brought in to drive recycling performance in all materials. |
| **Scope – Beverage** | Not specified in consultation<br><br>Eunomia report recommends water; soft drinks; juices; beer; cider; pre-mixed spirits | **Support.** |
| **Deposit Level** | €0.20 on all containers, regardless of size or material | **Do not support.**<br><br>The regulations should state that the deposit should vary by container size but that the scheme administrator can make the decision as to what level the deposit should be set. If the government define both the targets and the value of the deposit, it leaves the scheme administrator with little flexibility to achieve the target.<br><br>Alupro Ireland note that in Eunomia's report to the Irish government that "...the two-tier approach in Norway and Sweden provides |

| | | |
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| | | clarity and simplicity..." (pg 47) and "...a higher deposit could be considered...for larger containers." (pg 47)<br><br>Polls from the environmental NGO Nature 2030 show a high level of understanding and satisfaction amongst consumers in Nordic countries with a variable rate DRS.<br><br>Results from a 2020 poll by VOICE showed that 78% of respondents would support a variable deposit. |
| **Labelling** | Not specified in consultation.<br><br>Eunomia report recommends deposit logo and reduced producer fee for national barcode. | **Support.**<br><br>Labelling is a vitally important element of the design of a successful DRS both in terms of security (fraud), particularly considering the scheme may be introduced separate to Northern Ireland's scheme, and consumer understanding/participation.<br><br>To ensure a robust and practical labelling scheme is developed packaging manufacturers must be involved in the planning and design of the DRS. |
| **Return Infrastructure** | Return to retail – any container can be returned to any participating retailer.<br><br>Compacting RVMs for large retailers.<br><br>Manual service for small retailers. | **Support**<br><br>We would also recommend further expansion to enable redemptions on the go.<br><br>We would recommend that the government also explore making redemptions out of the retail sector as easy to achieve as possible for the consumer using a Smart DRS or providing a flexible framework for the use of RVMs and leaving the implementation of out of retail return point infrastructure to the Scheme Administrator. |
| **Handling Fees** | Variable handling fee based on retailers' costs and Central System Operator's (CSO) savings. | **Support.**<br><br>Would recommend that the legislative framework ensures that handling fees are determined by the Scheme administrator through an independent process, that enables regular stakeholder input and review. |
| **Funding** | Material Revenues. | **Support.** |

| | | |
|---|---|---|
| | Unredeemed deposits.<br><br>Producer fee for every container placed on the market. | As every material in a DRS should pay its way, each material should have a separate P&L to prevent cross-subsidy. Alupro Ireland note that the Eunomia report for the Irish government recommends that the producer fees are "set to reflect the different processing costs and values of each material and used to promote eco-design." (pg 52)<br><br>We also note that this is a requirement of the Waste Framework Directive and the Packaging and Packaging Waste Directive.<br><br>The unredeemed deposits must remain with the scheme administrator and reinvested to further develop the DRS. |

Answers to Consultation Questions:

1. **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 fully support the centralised, operational model as proposed by the Irish Government (see detail in table above). In our experience the following key points are essential for the development of a successful DRS:*

- *The Government sets collection and recycling targets.*
- *One not-for-profit deposit management organisation (DMO) or scheme administrator (SA) is appointed by the Government. The body, owned by the producers with representation from other stakeholders, is set-up as not-a-profit and is operated in a fully transparent way.*
- *The DMO/SA is fully responsible for achieving the targets.*

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

*The centralised model is well established and works well in the existing Nordic and Baltic DRS schemes.*

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

*Waste collectors (waste management companies) typically have a limited role in the operation of a DRS. In some schemes the DMO/SA chooses to sub-contract the logistics and processing (validating deposit and baling) of drinks cans, plastic bottles and glass bottles.*

*The DRS legislation must leave the decisions around collection and deposit redemption points to the DMO/SA. Typically, this is done through reverse vending machines (RVMs), but in the future emerging SMART DRS systems, which utilise smart phone apps and blockchain technology, could supplement the RVMs and allow the integration of the kerbside collection system. This would then allow waste collectors to become part of the DRS system.*

4. **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?**

*Setting the optimum level of deposit(s) is critical to the success of the DRS scheme and also to ensure the DRS doesn't distort the existing market. Experience has shown that setting a lower minimum level deposit is prudent, as the deposit can be increased if it doesn't deliver the required target. It is almost impossible to reduce the deposit(s) if it is later believed to be too high.*

*We are particularly concerned about the impact of the proposed €0.20 flat deposit fee on aluminium cans. In its proposed format, the DRS could negatively impact drink can sales in Ireland, while increasing the number of plastic bottles being purchased – at a time when there is a demand to move away from plastics and towards materials like aluminium, which is infinitely recyclable.*

*Due to the cumulative cost of a deposit fee for each can in a multi-pack, price sensitive consumers would start switching to larger plastic containers. In the UK, we recently commissioned a survey of consumers which indicated that a flat 20 pence deposit per can would encourage over 60% of individuals to switch to larger PET bottles (see examples above).*

*We are also aware of the recent warning by academics from the University of Glasgow, University of Strathclyde and London School of Economics that a flat deposit fee risks incentivising consumers to purchase larger containers of sugary drinks. This in turn could severely hamper the Government's efforts to meet its targets on childhood obesity.*

*We understand that it is not the intention of the Irish Government to shift consumers away from certain types of beverage container but to improve recycling rates and increase quality. Unfortunately, in its current design, a shift towards plastic and larger portion sizes would be an unintended consequence.*

*2020 Nielsen market research data for Ireland shows that aluminium cans are often sold in multi-packs, with 76% of cans containing beer or cider being sold as part of a multi-pack against a total market share of 45% for aluminium cans in this category. For the carbonated soft drinks market, aluminium cans have a market share of 36% and again cans are often sold as multi-packs, whereas glass and plastic bottles are only sold as part of a multi-pack 5% of the time. This clearly shows that introducing a flat-rate DRS, which disadvantages multi-packs of cans at the point of purchase by presenting a 38% increase in price when compared to only an 8% uplift in cost for the equivalent volume of liquid sold in large plastic bottles, has the potential to introduce an unintended market distortion to the Irish market that could severely damage the competitiveness of the can.*

*A recent consumer survey commissioned by Environmental NGO, VOICE, showed overwhelming support (78%) for a scheme where the deposit varies by the size of the container. In the UK, a recent Populus survey of 1,000 adults, commissioned by environmental campaign group Plastic Planet, found 87% of respondents would be able to understand a variable fee system. Therefore, the Irish Government should look to implement a variable fee as has been successfully introduced by the Nordic-European DRS like in Norway (two values of deposit), Sweden (two values of deposit), Denmark (three values of deposit) and Finland (four values of deposit). In these countries consumers clearly understand a system where different pack sizes have different deposit levels.*

*Different deposit levels also have a positive impact on the environmental objectives of the scheme, and on the volume of recyclable material collected. By having a deposit fee that is linked, or proportionate to, the pack size incentivizes the return of large volumes of material back into the DRS system. This ensures that more actual material is returned to scheme, improving its internal economic viability and ensuring that more Irish material is recycled. It also ensures that larger containers, which have a correspondingly larger impact on the environment when littered or not disposed of correctly, are incentivized to be returned back into the scheme.*

*There is evidence to show that a variable fee system can drive a higher return rate than a flat fee system, according to consumer polling of 2,500 adults in the UK commissioned by Alupro. The results show that a variable rate system is likely to drive significantly higher return rates (and thus public participation in the scheme) during the first two years of operation, helping the scheme to achieve the stated environmental objective of increasing recycling rates of beverage containers sooner.*

*The high recycling levels (typically 90%+) achieved by the Nordic schemes clearly demonstrates that a variable rate deposit isn't a barrier to maximizing recycling rates. Indeed, the rates are comparable with those achieved by the most recently introduced DRS in Lithuania which has a fixed deposit.*

*In the UK, Alupro has commissioned an independent study into the economic and environmental impact of a flat rate deposit compared to a variable rate. The report is being done by London Economics and will be completed mid-November. The findings of the report will be relevant to the Irish market, where the dynamics are very similar. We will be very happy to share the report with the Irish Government when it is available.*

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?**

*We agree that a well-funded consumer communication campaign needs to be implemented several months before the introduction of the DRS. This should be supported by the brands. We recommend reviewing the campaigns run by the most recently implemented DRS schemes in Lithuania, Estonia and New South Wales.*

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

*We would recommend reviewing the enforcement and security measures which are in place in the existing Nordic and Baltic DRS schemes.*

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

*To the greatest extent possible, the scheme should be harmonised with the contemplated scheme being proposed for Northern Ireland. This is especially important considering that post Brexit it is contemplated that the island of Ireland will remain in a single customs union. Providing a harmonised scheme, or a scheme that can be quickly adapted to be harmonised would significantly support cross border trade, mitigate arbitrage, and reduce unnecessary impediments to trade within the common market on the island of Ireland.*

## Other Relevant Points – Public Health and Obesity

The consultation document invites respondents to raise other relevant issues which they feel are important to consider when designing a deposit return scheme for Ireland. Alupro Ireland believe that there is a risk that a DRS with a flat-rate deposit could encourage the consumption of beverages in larger container sizes at the expense of smaller, portion-sized containers sold in multi-packs.

A flat rate DRS in which a deposit of €0.20 is paid on every beverage container regardless of size increases the per litre price of drinks in smaller containers relative to the per litre price of drinks in larger containers. In particular, the relative increase in price is greater for drinks sold in multi-packs which might lead to consumers switching to larger, cheaper containers to purchase the same amount of beverage. As a result, the size of a single portion of beverage could change. For example, consumers incentivised to purchase their beverages in 2L bottles instead of 6-packs of 330ml cans may have less control over the portion of beverage they drink 'in one go'. The underlying theory explaining the relationship between the container size and consumption levels is referred to in the literature as the 'portion size effect'.

The portion size effect describes the phenomenon whereby consumers increase their consumption of food and beverages when offered larger portions or packages. Chandon and Wansink (2012) suggest that the reason for this is that individuals take packaging size as a cue for an appropriate serving size. We know that from the October 2019 Safefood survey in Ireland that concern was raised about the increase in the proportion of drinks being sold in bigger serving sizes as a result of the sugar tax introduction. This prompted both the then Minister for Health Simon Harris TD and the previous Minister of State for Health Promotion Catherine Byrne TD, to express concern at the trend in increasing container sizes.

The evidence in the literature shows that the portion size effect is robust and enduring (Hetherington and Blundell-Birtill, 2018). In a meta-analysis of the portion size effect in food and beverages, Zlatevska, Dubelaar and Holden (2014) found that doubling portion size increased consumption by 35% on average. The effect, however, is non-linear; as portions become increasingly larger, the effect diminishes. The World Health Organization (WHO) (2015), similarly found that exposure to larger portions and/or bigger packages significantly increases the consumption of food and beverages. Increases in portion sizes for food and beverages result in a 12% to 16% increase in daily calorie intake if sustained for each meal (Hollands et al, 2015).

Flood, Roe and Rolls (2006) find that, among participants in a field experiment, women and men drank 10% and 26% more respectively, when the size of their beverage was increased by 50% during a meal. Furthermore, individuals did not vary the amount of food eaten during the meal when served high-caloric versus low-caloric beverages. As a result, total energy intake was increased significantly on days when participants drank high-caloric beverages.

Although the portion size effect has predominantly been explored in food and non-alcoholic drink portions, there is some evidence that it holds for alcoholic drinks as well. Kersbergen et al. (2018) conducted experiments in both a laboratory and in the field in which subjects were served alcoholic beverages in different sized glasses. They found that a 25% reduction in the size of the glass resulted in a 20-23% reduction in the amount of alcohol consumed in one hour in a laboratory experiment, while it led to a 32-40% reduction in alcohol consumed over three hours in a bar setting.