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[redacted]

From: [redacted]
Sent: 12 November 2020 13:27
To: wastecomments
Subject: Ball Beverage Packaging EMEA response to the DRS Consultation on Potential Models for Ireland
Attachments: Ball BP EMEA - Ireland DRS Consultation Response 12Nov2020.pdf

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Dear sir/madam

Please find attached the response from Ball Beverage Packaging EMEA to the DRS Consultation on Potential Models for Ireland.

I would appreciate if you could acknowledge receiving our submission.

Best Regards,

[redacted]

[redacted]
Head of Sustainability
[redacted]
Ball.com ¦ canmakers.co.uk ¦ everycancounts.eu

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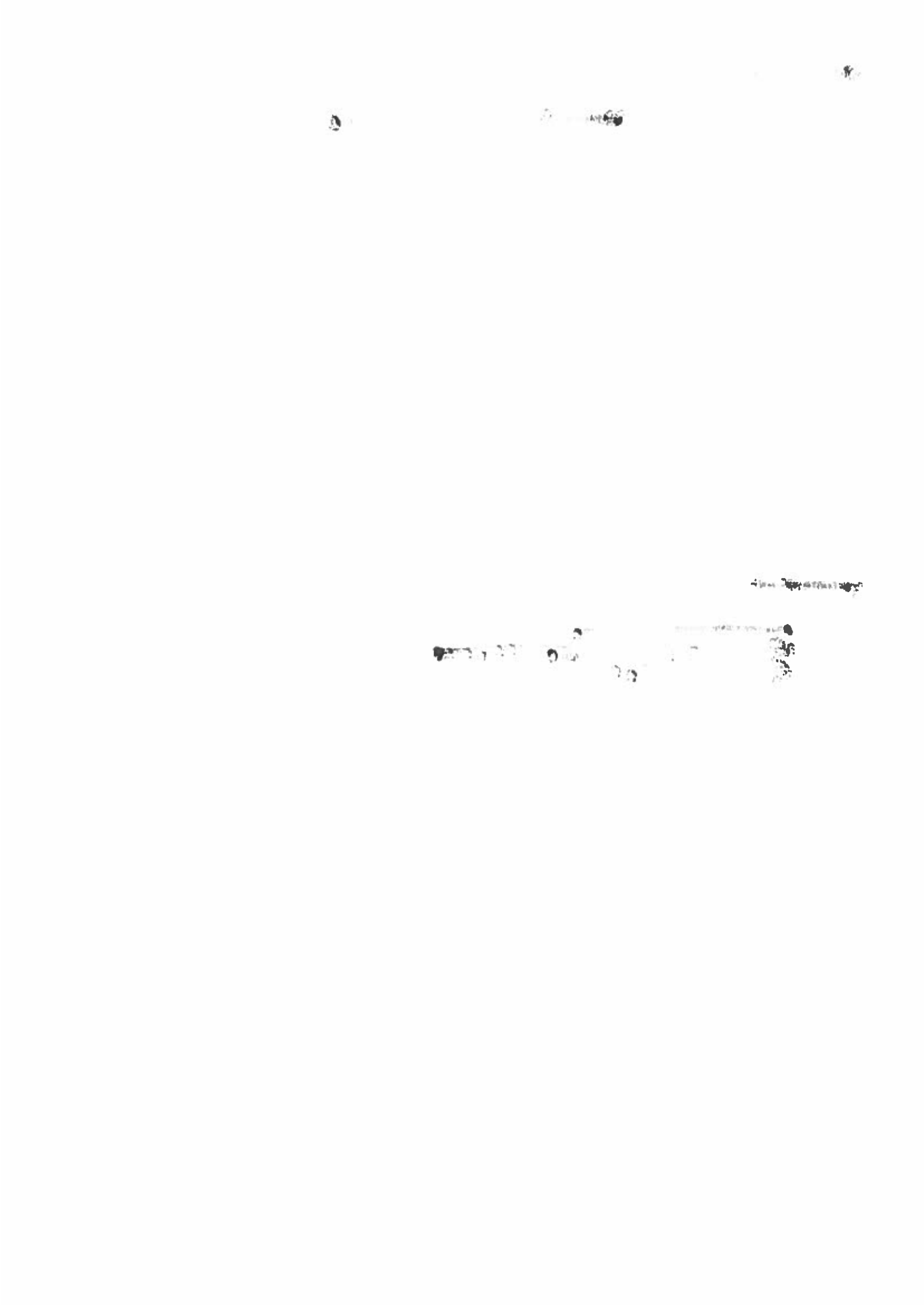

Consultation on potential models for a Deposit Return Scheme (DRS) for Ireland

Response from Ball Beverage Packaging EMEA

Date:- 12/11/2020

Contact:- [redacted]

Contact E-mail:- [redacted]

About Ball

Founded in 1880, Ball Corporation is a multinational leading producer of aluminium packaging including beverage cans, aerosol cans and an aerospace programme in the USA, totalling over 18,000 staff and U$11.5B net sales. In EMEA we operate 24 production plants, 1 located in Ireland (Waterford) and 3 in the UK. The European HO of the beverage division (Ball Beverage Packaging EMEA) is located in the UK (Luton, Bedfordshire).

Ball has extensive experience operating in countries with a DRS and the consequences that a not well designed DRS scheme can cause to the industry, such as in Germany where following the introduction of a DRS in 2003, the market for beverage cans collapsed in that country, from circa 8 billion cans/year to a few hundred millions. We also work closely with our customers (brands and retailers) all over the world gathering their local knowledge of how well the system is running and lessons learned. This knowledge and experience have directly assisted the development of views put forward in our consultation response.

Key Points

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

To that end, we have identified several principles of what consist a world-class DRS system that we want to see included in the proposed Irish scheme.

A DRS should include all beverage containers and they should be subject to the same recycling targets

Packaging formats like PET and glass bottles, aluminium / steel cans, drink cartons, coffee cups, drink pouches should all be included. Introducing an 'all-in' DRS would give people the strongest financial and social incentives to recycle their drinks containers. In a recent poll[1][2] conducted by environmental NGOs VOICE (Voice Of Irish Concern for the Environment) and Friends of the Earth Ireland, there was an **overwhelming (88%) support for such an "all-in" DRS.**

[1] https://www.herald.ie/news/majority-think-all-drink-containers-should-be-part-of-waste-refund-plan-39644354.html
[2] https://resource.co/article/88-cent-irish-favour-all-drs

If any material is to be excluded from the DRS, then they should be included in an EPR scheme subject to the same high collection and recycling targets as of those materials included. Ultimately this should be to achieve a 90%+ collection and recycling rate.

Provision should also be made in legislation for any new materials and packaging formats developed in the future, such as paper bottles that have recently been promoted by some brands, to also be included in the DRS.

Variable deposit level

It is essential that the proposed DRS does not distort the existing market by unfairly penalising individual materials. To this end, instead of a flat rate fee, a variable deposit (with two or three tier values), that varies based on the size of the container must be specified in the regulations. The scheme should also cover the widest possible range of container sizes. Specifically, this is to prevent large format containers having a competitive advantage over smaller formats, and prevent sizes like 99mL or 3.1L appearing in the market and becoming outside the proposed scope.

This approach is already implemented in most Nordic countries such as those in Norway and Sweden, with two deposit values; Denmark, with three deposit values, and Finland, with four deposit values. Similar approach is going to be adopted in the redesigned DRS in the Netherlands.

In the recent VOICE[3] consumer poll, **78% of respondents backed a variable deposit fee** for drinks containers of different sizes.

Also a polling by Norstat[4][5], for environmental NGO Nature 2030, covering consumers in 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%.

If the proposed scheme goes ahead with a proposed flat 20 cent deposit across containers of all sizes it will penalise containers predominantly sold in multi-pack, such as aluminium cans, and incentivise consumers to purchase larger PET bottles instead.

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 Nielsen (2020) 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-pack formats at the point of purchase by presenting circa 40-60% increase in price (depending on the brand) when compared to only a 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.

[3] https://www.herald.ie/news/majority think all drink containers-should be part of waste refund-plan 39644354.html
[4] https://www.packagingnews.co.uk/news/waste management/deposit return-scheme/whitehall-urged follow nordic variable-deposit return-model-09-03 2020
[5] https://resource.co/article/nordic-poll-shows support-variable drs-model

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[6] 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.**

Design for recycling and eco-modulation

The proposed DRS should also promote design for recyclability with clear and strict guidelines to promote easy to recycle packaging formats with the principle of 'eco-modulation', charging producers with different fees based on their material choice and net cost of collection, transporting and recycling. This way the DRS would incentivise manufacturers to focus on product re-design for optimal circularity

Scheme administration

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.

[6] https://alupro.org.uk/823-million-extra-plastic-bottles-under-proposed-deposit-return-scheme/#_ednref2

No cross subsidies between materials

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.

Harmonisation / compatibility and latest technology

To the greatest extent possible, the scheme should be compatible with the DRS 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 compatible scheme would significantly support cross border trade, mitigate arbitrage, and reduce unnecessary impediments to trade within the common market on the island of Ireland.

We would recommend that the government also explore making redemptions outside of the "return to retail" model, with wider infrastructure and convenient for consumers closer to the point of consumption. This could be achieved by the recently proposed concept of "Smart DRS", making use of latest technologies to scan unique codes in packaging using mobile phones and handheld devices and smart collection containers. Such approach would enable a wider infrastructure with a reduced investment, since this technology is not as costly when compared to the conventional DRS based on reverse vending machines.

This approach is aligned with the Circular Economy Action Plan and the emphasis on Member States to support research and development in new innovative technologies, in particular enhanced recycling, and to enable digital technologies, such as blockchain, and make them interoperable so that they can support the development of the circular economy through the tracking, tracing and mapping of resources.

Baseline

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	Ball BPEMEA's response
Governance	**Centralised; privately owned and operated.** **Recycling targets to be set by the Government.**	**The scheme should be not-for-profit and the Scheme Administrator should have a true representation of the relevant beverage producers.** **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.** **There must be a robust legislative framework that empowers the single Scheme Administrator to implement the scheme effectively.**
Scope – Beverage Containers	PET plastic beverage bottles (up to 3L) Aluminium beverage cans	DO NOT SUPPORT **All beverage containers should be included** (PET bottle, aluminium/steel cans, glass bottles, pouches, paper bottles, coffee cups, cartons). 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 3.1 litre. The risk of contamination from certain packaging formats (e.g. milk cartons) can be minimised with the introduction of Smart DRS instead of focusing on the return to retail model with reverse vending machines. It is also relevant to mention that cartons are included in the DRS in Australia and also in some provinces in Canada. Data from REPAK shows that the recycling rates for glass has declined in Ireland from 2018[7] (86%) to 2019[8] (78%). During the same time, recycling rates for metal increased from 79%[9] to 89%[10]. Therefore, on these grounds the exclusion of certain materials from the scope of the proposed DRS is not justifiable. In the report produced by Eunomia, the recommendation to the Irish government was that a beverage container tax similar to the Norwegian

[7] https://repak.ie/news-room/repak-annual-report-2018-ireland-surpasses-all-eu-recycling-targets
[8] https://repak.ie/news-room/ireland-surpasses-all-eu-recycling-and-recovery-targets-for-2019/
[9] https://repak.ie/news-room/repak-annual-report-2018-ireland-surpasses-all-eu-recycling-targets
[10] https://repak.ie/news-room/ireland-surpasses-all-eu-recycling-and-recovery-targets-for-2019/

		model could be brought in to drive recycling performance in all materials.
Scope – Beverage	**The consultation did not specify beverage products to be included.** **The Eunomia report recommends water; soft drinks; juices; beer; cider; pre-mixed spirits**	**All beverage types should be included, not limited to those proposed by Eunomia and aligned with the in-scope items proposed in Scotland, which also includes wine, whisky, milk derived products such as milkshake, ready to drink coffee, etc.**
Deposit Level	€0.20 on all containers, regardless of size or material	DO NOT SUPPORT **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. The report from Eunomia to the Irish government stated that ***"...the two-tier approach in Norway and Sweden provides clarity and simplicity..."*** (pg 47) and ***"...a higher deposit could be considered...for larger containers."*** (pg 47) 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. Results from a 2020 poll by VOICE showed that 78% of respondents would support a variable deposit.
Labelling	**The consultation did not specify labelling.** **Eunomia report recommends deposit logo and reduced producer fee for national barcode.**	**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.** **To ensure a robust and practical labelling scheme is developed packaging manufacturers must be involved in the planning and design of the DRS.** **Smart DRS technologies should also be considered.**

Return Infrastructure	Return to retail – any container can be returned to any participating retailer. Compacting RVMs for large retailers. Manual service for small retailers.	SUPPORT WITH FURTHER RECCOMENDATIONS We would also recommend further expansion to enable redemption infrastructure to cover on the go consumption. 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** technologies 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.**	**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. Unredeemed deposits. Producer fee for every container placed on the market.	SUPPORT As every material in a DRS should pay its way, **each material should have a separate P&L to prevent cross-subsidy.** 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) We also note that this is a requirement of the Waste Framework Directive and the Packaging and Packaging Waste Directive. **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). With the emerging SMART DRS system, which utilise serialisation / unique codes readable with smart phone apps and blockchain technology, the RVM infrastructure could be supplemented, allowing the integration of on the go collection and potentially even 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 will have 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 indicated that a flat 20 pence deposit per can 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[11], University of Strathclyde and London School of Economics that a flat deposit fee risks incentivising consumers to purchase larger containers of sugary drinks.

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.

Nielsen market research data (2020) 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.

Another issue, of course, is that it's the aluminium recyclates provides the most value to the scheme. Thus, by disproportionately increasing the selling price of aluminium cans over large-format plastic bottles, not only does the scheme adversely impact the consumer, it also adversely impacts itself and as a result, will require more external funding to operate.

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 Scandinavian 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.

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 flat rate deposit compared to a fixed rate. The report is being done by London Economics and will be completed mid-

[11] https://www.heraldscotland.com/opinion/17710257.letters-proposed-deposit-return-exacerbate-obesity-diabetes-problems/

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

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. **There is a risk that a DRS with a flat-rate deposit will encourages the consumption of beverages in larger container sizes at the expense of smaller containers sold in multi-packs.**

A flat rate DRS in which a deposit of e.g. €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.

In addition to the portion size effect, a relative decrease in the price of larger beverage containers could also lead to stockpiling of beverages. Chandon and Wansink (2002) conducted a large-scale field experiment and found that the average daily intake of juice increased by 110% in the days after households bought a large promotional pack as opposed to their usual purchase volume.

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