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From: [REDACTED]
Sent: 12 November 2020 18:05
To: wastecomments
Subject: Deposit Return Scheme - Consultation on Potential Models for Ireland
Attachments: CCH ROI DRS submission - FINAL.pdf

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To whom it may concern,

Attached please find the response of Coca-Cola HBC to the recent call for submissions to the consultation on potential deposit return scheme models for Ireland.

While this response is written from the perspective of us a licensed bottler of Coca-Cola products on the island of Ireland, it also reflects the view of the brand owner, The Coca-Cola Company, and their local franchise operation.

Should you have any questions or queries on any aspect of our submission, please do not hesitate to contact me.

Best Regards,



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RE: RESPONSE TO DEPOSIT RETURN SCHEME CONSULTATION DOCUMENT ON POTENTIAL MODELS FOR IRELAND

Contact

[REDACTED]
Public Affairs & Communications Director
Coca-Cola HBC Ireland and Northern Ireland

E: [REDACTED]

About Coca-Cola HBC Ireland and Northern Ireland

Coca-Cola HBC Ireland and Northern Ireland (CCHBC) is the authorised bottling partner of The Coca-Cola Company for the island of Ireland. A member of the 28 country Coca-Cola Hellenic Bottling Group and system partner to Coca-Cola GB & Ireland, the business has a strong heritage in Ireland and has been refreshing local consumers for over 80 years.

CCHBC is responsible for the manufacture, distribution, sale and channel marketing of a non-alcoholic ready-to-drink (NARTD) beverage portfolio including global brands such as Coca-Cola, Coca-Cola Zero Sugar, Diet Coke, Fanta, Sprite, Appletiser, Schweppes and the 1783 range, as well as locally-owned brands Deep RiverRock and Fruice.

Our business activities include the manufacture, conversion and filling of packaging, and distribution of finished goods across both the Republic of Ireland and Northern Ireland. We are also responsible for pack design for CCHBC-owned brands.

We use a range of packaging types, including PET bottles, aluminium cans, glass, and tetra packs. Pre-forms for our PET bottles are produced in-house and/or procured, before being converted into bottles by us. Cans and glass bottles are procured and then filled in our factory. Tetra packs are filled on our behalf by a 3rd party manufacturer or 'toll filler'. Most of our finished products (93%) are produced from our factory in Knockmore Hill, Lisburn, and are distributed across the island of Ireland.

The Coca-Cola Company owned brands are managed locally by Coca-Cola Ireland. CCHBC is responsible for the management of the Deep RiverRock and Fruice brands.

CCHBC also has a distribution arrangement with Monster Energy, whereby we distribute, sell, and market Monster Energy brands across the island of Ireland.

CCHBC operates a single island wide supply chain, with a single manufacturing site and warehouse, based in Lisburn, Co. Antrim, servicing the entire island of Ireland. This business model is designed to leverage the all-island economy and most of the beverage packs that we produce are 'island of Ireland' packs. In other words, we generally do not produce separate packs/labels for Republic of Ireland (ROI) and Northern Ireland (NI) for reasons related to economies of scale.

This is important when we consider how a DRS might work in ROI and the potential for fraud related to cross-border trade with NI.

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

Please refer to our response to question 1, 2 and 3 below.

Question 2. If not, do you favour a:

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

Please refer to our response to question 1, 2 and 3 below.

Question 3. Are there other models you believe could work in an Irish context?

Please refer to our response to question 1, 2 and 3 below.

Collective response to Questions 1, 2 and 3

Coca-Cola HBC strongly supports Government's commitment to introduce a Deposit and Return Scheme (DRS) to support Ireland's delivery of the EU Single Use Plastics Directive collection targets. The Irish beverage and retail market are complex and unique in international terms, this arises largely from their fragmented nature and unique geography. As a business, we strongly agree with many of the core principles outlined in the consultation document, which are summarised below, along with some further key considerations of a well-designed DRS.

All Island Integration

Initial conclusions from a recently commissioned, independent study, by the Irish Beverage Council (IBC), of which Coca-Cola HBC is a member, to determine the merit, feasibility and cost of introducing and operating a DRS in Ireland, overwhelmingly highlight the need for a Deposit and Return Scheme model, specifically tailored to address the exceptionality of the Irish market.

Due to the unique geography between Ireland and Northern Ireland, many organisations, including Coca-Cola HBC, operate a single supply chain across the island of Ireland. This is mirrored by consumer purchasing patterns, which flow over and back across the border daily. It is therefore critical that Government supports the design of a DRS that gives due consideration to the all-island consumer market, as to do otherwise would create significant logistical challenges to the supply chains of many beverage producers, including Coca-Cola HBC, who do not produce packs with separate labels for both the Republic of Ireland and Northern Ireland. Furthermore, a failure to consider the idiosyncrasies of the island of Ireland market would only serve to undermine the DRS system and result in failure to achieve the stated policy objective of recovering all beverage packaging placed on the market over time.

Furthermore, if the two jurisdictions were to introduce independent 'local' schemes at different times, with different management organisations, no alignment on what beverage packaging materials and types are in-scope, and different deposit fees, this could lead to citizen confusion, system inefficiencies, and probable abuse (e.g. fraud).

We therefore urge the Government to consider one, fully integrated DRS system across the island of Ireland, or at the very least a dual system with complimentary and compatible functionality. If Ireland and Northern Ireland could collaborate on the development of a scheme, there is

tremendous potential for a well-designed coherent DRS to deliver very high capture rates of high-quality recyclables.

Industry owned and operated

A fundamental principle of a well-functioning DRS is that the organisation charged with operating the scheme (the CSO), should be owned, and operated on a not-for-profit basis by the obliged industry and their retail partners. International best practice conclusively indicates that Government's role should be to license the operator of the scheme. Within this process, Government's should also implement enabling legislation, regulations, and mandates, to approve and empower the establishment of a national, mandatory DRS. We would stress that this detail should be included in the core principles for a DRS, as we believe it is an important way to ensure clear governance and transparency and will assist in ensuring a focus on cost effectiveness and efficiency is maintained.

Materials Flow and Ownership

The material flows outlined in the consultation document are aligned with the Nordic DRS model, which has proven to be a successful scheme and model in that local context. Such a system generates large quantities of high-quality packaging materials for bottle-to-bottle and can-to-can recycling, which the obliged industry funders of the Central System Operator (CSO) should have full ownership of.

This is a core principle of successful DRS systems and one that is also enshrined in EU law. All monies from sales of DRS related materials, along with unredeemed deposits, should be used for the continued efficient operation of the DRS:

"Member States shall take the necessary measures to ensure that the financial contributions paid by the producer of the product to comply with its extended producer responsibility obligations:

- a) Cover the following costs for the products that the producer puts on the market in the Member State concerned:*
 - costs of separate collection of waste and its subsequent transport and treatment, including treatment necessary to meet the Union waste management targets, and costs necessary to meet other targets and objectives as referred to in point (b) of paragraph 1, taking into account the revenues from re-use, from sales of secondary raw material from its products and from unclaimed deposit fees."*¹

Deposit level

Consideration must be given to the impact the level of the deposit fee has on consumer behaviour. The deposit level is one of the key levers for achieving the agreed targets. If the CSO is to be tasked with achieving high collection targets, the deposit level should be decided by, and remain within the control of, the CSO. Government should set the legislative framework, establishing the key objectives for the DRS and targets to be met.

The Eunomia Research Report² supporting the consultation, recommends a single deposit of €0.20 per container unit, regardless of packaging type of size. The nature of the Irish market is that

¹ Article 8a Directive (EU) 2018/851 of the European Parliament and of the Council of 30 May 2018

² DCCAÉ commissioned Eunomia Research - Improving the Capture Rate of Single Use Beverage Containers in Ireland

aluminium cans represent almost 50% of non-alcoholic beverage sales, with over 74%³ of these being sold in multipack formats. This is another unique feature of the Irish market, when compared with our European neighbours.

In order that they can influence consumer behaviour and target the specific collection challenges apparent in the Irish market, scheme operators will need to retain a level of flexibility in the design and level of the deposit. The level of the fee and its construct should be reflective of challenges in the Irish market and should not be established in such a manner that restricts the ability of the CSO to influence that market. For example, the official recycling rate for aluminium drink cans consumed in Ireland has increased significantly in recent years, from 54% in 2016, to 73% at the beginning of 2018⁴. Therefore, packaging types as well as formats should be carefully considered during the design phase and deposit level setting for the scheme for Ireland.

Financial flows

We agree that the financial flows as set out in the consultation document are generally supportive of a well-designed DRS. It is critical, in any well-designed DRS, that the unredeemed deposits are retained by the CSO. The unredeemed deposits, along with the value of the materials collected by the scheme, are key revenue streams for the CSO, which ensures it is properly resourced to achieve the best environmental outcomes, without increasing the cost to citizens who are doing the right thing by recycling their packs in the DRS.

Mandatory take back

Consideration must also be given to the availability and accessibility of redemption points. An optimum DRS system should provide return points to citizens in all places that sell beverages in the packaging that is in-scope, with the scheme administrator empowered to determine the basis for pragmatic exemptions.

We also agree that the CSO *“takes on responsibility for providing return infrastructure in the form of Reverse Vending Machines (RVMs) at larger retail outlets and manual take back at smaller outlets (i.e. those that do not have the physical space to accommodate RVMs).”*

Citizen Awareness

We agree, the CSO should be mandated *“with responsibility for awareness raising and education for businesses and wider society around the general operation of the DRS itself”*, and in particular, that the refundable deposit paid by consumers at the point of purchase is clear and distinct from the product cost in order to avoid a sense that the deposit is a price increase. Other European countries, particularly Germany and the Scandinavian nations, have been successfully operating similar schemes for many years. Such schemes have positively changed consumer behaviour around recycling.

Governance

The CSO should also be mandated to publish annual reports and accounts, including details of membership, governance, and performance, all of which should be validated by a third party. This third-party validation should also be extended to the targets themselves, to ensure they are realistic and achievable. Furthermore, if the CSO is to be tasked with achieving high collection

³ Nielsen retail measurement data May – October 2020

⁴ Repak data October 2018.

targets, then it should retain control of the key design features of the scheme, including setting the deposit value.

Question 4. What role should waste collectors play in the operation of a DRS?

Waste collectors will play a vital role as DRS service providers and should be recompensed appropriately for services provided to the DRS.

Aluminium cans and PET bottles are collected by nearly every waste collector in the country and a DRS will remove some proportion of these valuable materials from the kerbside collection schemes. Therefore, government must consider how waste collectors evolve their overall service provision and funding models. DRS and kerbside schemes should not compete for the same materials. For a DRS to be successful, it must have the capability to capture 90%+ of the beverage packaging that is in-scope.

To support this ambition, Ireland should have similar packaging governing bodies for EPR and DRS, as it is imperative that these two bodies work well together. These bodies should be created in similar ways, with coherent governance and drivers, and functions and hierarchies that broadly mirror each other. It is important to limit the number of organisations involved in such activities in order to drive efficiencies and support the achievement of national targets.

Question 5. 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?

While the rate of the deposit fee is one important factor, there are many other factors (particularly at scheme start-up) that need to be fully considered, including (but not limited to):

- Availability of return points
- Shopper awareness
- Shopper attitudes to recycling

The deposit level is one of the key levers for achieving the agreed targets. If the CSO is to be tasked with achieving high collection targets, the deposit level should be decided by and remain within the control of the CSO. Government should set the legislative framework, setting out key objectives for the DRS and targets to be met.

We would, however, recommend keeping the deposit low to begin with – it can be increased relatively easily if required, but will be difficult to reduce if initially set too high. In markets where there are successful schemes in operation, a combination of a well-designed DRS and a deposit level of between €0.10 and €0.20, dependent on container type and size, does result in high recovery rates. Whatever the initial deposit level, it should not attract VAT. The deposit level should then be reviewed periodically by the CSO.

In relation to different deposit rates potentially being applied depending on container type and size, this is the norm in Norway, Finland, and Denmark⁵, all of which have collection rates at or above 90%. Furthermore, whilst acknowledging that the deposit is refundable, in order to deliver

⁵ DCCAIE commissioned Eunomia Research - Improving the Capture Rate of Single Use Beverage Containers in Ireland

desired outcomes, consideration should be given to whether an alternative deposit level should be applied for drinks containers in a multipack format, rather than each container carrying the same deposit.

Consideration must also be given to the availability and accessibility of redemption points. An optimum DRS system should provide return points to citizens in all places that sell beverages in the packaging that is in-scope. A scheme based on a return to retail obligation, with limited and appropriate exemptions where required, will provide the best possible coverage of return points across the country. This will also increase consumer awareness of return points, which in turn would facilitate a high rate of return. Such an approach will also ensure that even the most geographically remote communities will be able to participate in the scheme.

Furthermore, online retailers selling DRS related products should also have a takeback obligation, this will further enhance the accessibility of the scheme for citizens.

In addition, any retailer (or transport hub, leisure centre, events venue) wishing to voluntarily opt into the scheme should be permitted to do so, even if they do not sell beverage packaging and as long as they meet the same basic standards as those with an obligation to run return points.

Question 6. 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?

To avoid citizen confusion, we strongly advocate for one, fully integrated system across the island of Ireland or at the very least a dual system with complimentary and compatible functionality.

There is a need for clear, simple consumer communication of the environmental benefits of the scheme and the wider government approach to tackling plastic waste. Communications should focus on the positive effects of the scheme to counter perceptions that a DRS unfairly places the burden for recycling on consumers. This needs to be before, during and after implementation, to alleviate concerns surrounding the practical use of the scheme, the loss of deposits and the impact on current recycling practices and services.

Consumer research on this subject, commissioned by Defra and the Welsh Government in December 2019⁶, sets out how a DRS should be communicated to the public, to maximise take up and minimise potential barriers to use. This research concluded that:

"Highlight the benefits: Provide a clear reason to believe and actively participate in the scheme by placing a strong emphasis in communications on the environmental benefits of recycling through the DRS, compared to alternatives (e.g. kerbside and on-street recycling) and around tackling littering in local areas

Contextualise the consumer role: Ensure that consumers don't feel unfairly targeted by the scheme by stressing in communications the actions that businesses and governments are also taking to help reduce plastic waste, within the scheme, but also more widely.

⁶ Wales Report: Consumer research to inform the design of an effective deposit return scheme

Reassure about current practices: Aim to make it clear that kerbside recycling will continue to collect all recyclable material and that people will still be able to recycle in that way, if it is more convenient (and they are willing to forego the deposit).

Be informed by behavioural insights: Any communication materials would benefit from being informed by behavioural insight science in order to positively affect behaviour. Providing information alone is unlikely to encourage the uptake of a DRS."

Question 7. What enforcement measures should be considered in parallel with the introduction of a DRS?

We would expect that the CSO would be best placed to introduce, monitor and enforce many of the necessary DRS regulations and guidelines to ensure a well-operating system and, as a not for profit company, it would be licensed, regulated and supervised by Government and its agencies, in the same way as any other business of that nature would be.

We would anticipate that targets would be set for the CSO by Government and the appropriate Government body or agency should be empowered to audit the CSO's financial, environmental, and service level performance, approve its financial and environmental reports and ensure it is meeting targets set by the Minister.

To ensure the long-term success of a DRS, it must be fair and equitable for stakeholders across all aspects of the value chain and the following should be considered:

- Legislation and regulations should require industry to operate a system, those with the obligation to pay for it, and place a mandatory obligation on all producers and retailers in scope, irrespective of company size and product type.
- The CSO should determine options for 'shared' return points, as well as the ability of other business and locations to 'opt-in' to host additional return points. All retail operators stocking applicable beverages must be subject to regulated, mandatory participation to collect the deposit on behalf of the system and accept all returns, with some very limited exemptions in special circumstances.
- The applicable in scope DRS packaging should be excluded from the scope of existing extended producer responsibility system, and it is vital that the packaging in scope of DRS is not subject to a double-obligation.
- The exemption of small producers under the de minimis principle, used in the existing packaging regulations, should not be applied. This principle is incompatible with a DRS and would undermine the overarching objective of the scheme in relation to delivering Ireland's collection targets. The inclusion of a de minimis threshold could also create confusion for consumers who may believe that they should have paid a deposit or try and claim a deposit on a container, where one was not paid.

Question 8. How should cross-border issues be treated to ensure producers are not at a competitive disadvantage relative to producers in Northern Ireland?

Due to the unique geography of the island and the special relationship between Ireland and Northern Ireland, many organisations, including CCHBC, operate single supply chain systems across the island of Ireland. An Ireland only DRS would create significant logistical challenges for supply chains due to the level of cross-border trade between the two jurisdictions. Cognisance must also be given to the fact that many consumers see the island as a single market, with many traversing the border on a daily basis, making purchases in both jurisdictions.

Many beverage suppliers do not produce packs with separate labels for both Ireland and Northern Ireland. Therefore, due consideration must be given to the requirements and cost implications around national labelling/barcodes for the Republic of Ireland and Northern Ireland. These considerations include:

- *Label design and production:* A large capital investment would be required to produce national labelling/barcodes as the number of printing plates required per SKU would double. There would also be an impact on a producer's ability to run on pack promotions, as the financial cost of 'dual labelling' would likely outweigh the benefit of such an initiative.
- *Buying economies of scale:* In such a situation, a producer could no longer benefit from previously held economies of scale when purchasing labelling materials. Label production would become less efficient for suppliers also, which would inevitably lead to increased costs. This is particularly relevant for on pack promotional labels and would result in a narrowing of promotional scope and impacts on challenger brands and smaller packs.
- *Storage and stock management:* Adding specific labels to the supply chain for the two jurisdictions would also impact production line efficiency, warehousing space, supply chain logistics and forecasting, amongst other things. All of which require additional human resources to manage.
- *Barriers to supply chain integration:* National labelling/barcode would make it impossible to buy product from other countries, via an integrated supply chain. Instead, producers or distributors would have to alter the labelling of their exported products passing on additional costs connected with the organisation of the take-back system.
- *Innovation and range:* National labelling/barcode could result in a reduction in the number of locally produced New Product Developments (NPD) that could be introduced to the market, thereby limiting the range of choice for consumers and would discourage new product trails.

Cross border fraud must also be considered. The movement of people and goods between the two jurisdictions is currently unconstrained and the island of Ireland is treated by many as one market. To implement a DRS in Ireland without a reciprocal move in the Northern Ireland, would significantly increase the risk of organised cross-border fraud. This is a highly concerning reality for the Irish scheme and could lead to significant financial instability in any DRS system.

Furthermore, the need for an all-island approach to waste management was reflected in the Government's Waste Action Plan for a Circular Economy⁷, published in September 2020, with stated plans to work closely with *"colleagues in Northern Ireland"* in the introduction of a deposit and return scheme. The Government's 2018 National Planning Framework 2040⁸ also outlined the importance of an all-island approach to planning and development and the promotion of mutual cross border cooperation. This is also reflected in the most recent policy framework for Northern Ireland as outlined in Delivering Resource Efficiency (2013)⁹, the sponsoring department in Northern Ireland (the then Department of Environment) outlined the need for an all-island approach to *"ensure a compatible and complimentary policy framework exists both north and south...and avoid introducing perverse incentives which may make illegal cross-border activity lucrative."*

We therefore, urge the Government to advocate for one, fully integrated system across the island of Ireland, or at the very least a dual system with complimentary and compatible functionality. We would encourage the Department to progress active engagement with its counterparts at the Department of Agriculture, Environment and Rural Affairs in the Northern Ireland Executive. Coordinated decision making and shared implementation timelines are essential to the successful deliver of a DRS system on the island of Ireland.

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⁷ DCCAE Waste Action Plan for a Circular Economy

⁸ Project Ireland 2040 National Planning Framework

⁹ Delivering resource efficiency - Northern Ireland waste management strategy