

Single Use

From: [REDACTED]@butterflycup.com>
Sent: Wednesday 23 November 2022 19:26
To: SingleUse
Subject: Submission on proposed levy on Single-Use disposable hot drinks cups
Attachments: Submission re 20 Cent Single-Use Cup Levy - 2022.pdf

Dear Sir / Madam,

I attach my submission to the consultation process on Single-Use disposable hot drinks cups.
I am an industry participant.

Kind regards,
[REDACTED]

[REDACTED]
Chief Executive

Mobile: [REDACTED]
[REDACTED]@butterflycup.com

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ButterflyCup
Jamestown House, Ballybrittas, Co. Laois, Ireland.

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Submission to the Consultation on draft regulations to introduce an environmental levy on single-use disposable cups

To: Environmental Policy Division Department of Environment, Climate and Communications SingleUse@decc.gov.ie	From: [REDACTED], CEO, Hanpak Limited t/a ButterflyCup Jamestown Ballybrittas Co Laois
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1. Introduction

I welcome the principle of environmental levies to change behaviours and usage regarding disposable packaging.

I submit that for the reasons outlined below the proposed point of sale 'flat levy' will deliver very limited environmental benefit and that a modulated **supply chain levy** will generate a far more positive and effective environmental impact.

2. Deficiencies in the Current Single-Use Hot Drinks Cup Levy Proposal

A point of sale 'flat levy' is flawed for several reasons that fall under four headings:

2.1 A levy that changes beverage supplier behaviour and purchasing practices is much more effective than trying to change consumer behaviour

- a) A point of sale levy targets changing consumer behaviour when it would be far more effective to change the behaviour and purchasing practices of beverage retailers and caterers.
- b) Most business decisions and practices (particularly among larger corporates) are driven by cost and profit. Purchasing decisions change as the cost structure changes. A flat supply chain levy on purchases will not alter the behaviour of profit-motivated operators who will continue to use the lowest cost option.
- c) Conversely, the majority of consumers are passive and accept products as they are presented to them. For most consumers, a point of sale levy will become a de facto tax and will therefore generate no environmental benefit. While the plastic bag levy can be cited as a successful consumer levy, excise duty on cigarettes demonstrates the scale of price insensitivity of many consumers. Twenty per-cent of Irish people still smoke.
- d) Businesses are more sensitive to price change than consumers, therefore, the overall scale of a **tiered supply chain levy** structure required to generate significant

behavioural change by beverage providers is much lower than a point of sale levy required to effect behavioural change in consumers.

- e) A **tiered supply chain levy** structure will alter the cost dynamic and make economic sense for operators to switch from cheaper-to-produce plastic-coated alternatives and switch to plastic-free and environmentally more sustainable alternatives which will cost less after a tiered supply chain levy is factored into the total purchase price. A flat levy will not alter the purchasing dynamic.
- f) A consumer levy is at variance with widely promoted (1) producer responsibility initiatives and (2) the polluter pays principle.

2.2 A point of sale levy ignores two major cup usage channels

- a) Two significant usage channels for disposable cups are (1) non-sale catering and (2) cold drinks sold in quick service restaurants (QSRs). These two channels represent a high percentage of total disposable beverage cup use (significantly above 50%, possibly above 70%). Consumer behaviour in these two channels will remain unchanged by the introduction of a point of sale levy.
- b) A point of sale levy ignores usage in locations where beverages are served free of charge. For example, in-house catering in offices, factories, schools, conferences, etc.
- c) Customer-presented reusable cups will not work within the operating model of QSRs that serve large cold drinks due (1) to the cup size required and (2) to incompatibility with the QSR operating model.

To further highlight the ineffectiveness of the proposed consumer levy, it is noteworthy that all QSRs operating in Ireland that serve large cold drinks (generally filled with ice) currently use cold drinks cups that are double-coated in plastic (PE-coated on both sides). These cups use more plastic per cup than coffee cups, cannot be recycled and because they are waterproofed on both sides are an even bigger environmental litter problem.

2.3 A flat levy ignores the different environmental impact of alternative cup solutions

- a) **All disposable paper cups are not equal** from an environmental impact perspective.

Cups made from plastic-coated paperboard have the most damaging 'whole of life' carbon footprint impact in that they use plastic in their production, cannot be recycled in mainstream recycling and have long-term environmental litter impact if improperly disposed of. Recently launched schemes to recycle plastic-coated cups in specialist treatment facilities are, in essence, "green-washing" to justify the continued use of what is the lowest cost option for high-volume beverage providers.

I acknowledge that this public consultation process is not a forum for promoting individual solutions or brands but I believe it is important that the decision-making process is fully informed about the relative advantages and disadvantages of alternative drinking cup and paperboard solutions and can factor this information into arriving at the most effective environmental levy structure.

A flat levy makes no allowance or incentive for manufacturers and paper mills who invest heavily to develop new more environmentally positive packaging solutions. In

response to the environmental crisis product development of new eco-friendly products and processes is a highly vibrant sector within the packaging sector and needs to be encouraged and incentivised by levies that discriminate between products on the basis of their carbon footprint.

To apply a flat levy to all disposable cups contradicts the objective of the Government in the “Development of a Circular Economy Strategy” aimed at encouraging positive environmental behavioural change and climate action.

- b) **All reusable cups are not equal** from an environmental impact perspective. Ceramic and glass cups are optimal. Many re-usable cups are made from plastic or composite materials that have a significantly higher ‘whole of life’ environmental impact.

Independent research shows that a reusable cup needs to be used between 20 and 100 times to justify the high environmental impact of its production and that many people dispose of reusable cups before achieving this level of usage (Caroline Wood, University of Sheffield). This reality undermines the theoretical benefit and feel-good influence that encourages the well-intentioned, but often mis-guided and counter-productive, purchase of re-usable cups.

For this reason, reusable cups made from plastic or composite materials should also be subject to an appropriate environmental supply chain levy or charge.

2.4 Problems with implementation of a Point of Sale levy

- a) Point of sale levies will impose an increasingly significant and costly implementation burden on retailers, particularly if the intention is (as proposed) to apply similar point of sale levies to a wide range of disposable packaging items over time.
- b) Each new ‘point of sale’ levy introduced will:
- increase complexity for retailers at Point of Sale - equipment capability, staff training, serving time, etc.
 - increase equipment, IT and staff costs for retailers.
 - increase compliance costs and the audit / validation burden on both retailers and the Revenue Commissioners.
 - increase the risk of retailer non-compliance, whether deliberate and otherwise.

3. Suggested Alternative Approach – A Tiered Supply Chain Levy

The environmental effectiveness of a levy structure can be significantly improved by adopting an approach that takes account of a number of additional factors, namely:

- a) A tiered levy structure that reflects the different ‘whole of life’ environmental impact of different types of disposable cups – for example, the plastic content, the ability to recover through recycling or composting, the environmental impact of littering, etc.
- b) An effective levy structure should also factor in the whole of life’ environmental impact of different types of reusable cups - plastic content, ability to recycle, etc.
- c) A levy structure or environmental charge which is built into the **supply chain** (as currently implemented in Germany and Denmark):
- will focus upon changing the purchasing behaviour of beverage providers rather than relying upon the discretionary decision of responsible consumers.

- will capture all disposable cups irrespective of whether they are ultimately sold to end users
- will allow a tiered levy structure on different products and materials that factors into the levy:
 - i. the plastic content
 - ii. the ability to be recycled
 - iii. the potential littering impact
 - iv. the capacity to biodegrade naturally, etc.
- will facilitate the easy extension of the levy system to a broad range of similar disposable packaging items (eg disposable cutlery, food containers, shrink wrap, etc).
- is less costly to implement, administer and audit both for the industry and the regulator.
- will result in a much higher level of carbon footprint savings and overall beneficial environmental impacts.

4. Other observations related to disposable cups

- a) The policy document is silent on the treatment of plastic and bioplastic lids.

Plastic and bioplastic lids have a number of negative impacts on the environment including:

- i. the production of plastic
- ii. smaller items such as lids cannot be mechanically recovered for processing in recycling centres
- iii. the only disposal options are landfill (if disposed of in general waste) or incineration (if processed by a recycling centre)
- iv. the impact of improper disposal as environmental litter.

5. Conclusion

I submit that a point of sale, flat levy on disposable cups will have a significantly lower environmental impact or benefit compared to a **graduated supply chain levy**.

A **graduated supply chain levy** is far more effective for the following reasons:

- a) it will change the purchasing practices and packaging preferences of beverage retailers and caterers, rather than relying on the voluntary behaviour of consumers to drive change.
- b) It will increase the cost of single use cups for beverage retailers and will incentivise retailers to voluntarily offer discounts to consumers who bring their own cups, thereby saving money for both the retailer and consumers.
- c) It will encourage price-sensitive retailers to switch from plastic-coated cups, which are currently the lowest cost option, to more eco-friendly disposable options when the cost dynamic is altered.
- d) it can be easily extended to multiple other disposable items (such as items of food packaging, cutlery, etc).

To be effective from an environmental perspective, a supply chain levy must be tiered or graduated in order to discriminate between disposable cup types and move beverage retailers and caterers away from more damaging disposable options, such as plastic-coated paper cups, and towards more sustainable disposable cup alternatives.

To effectively address its environmental impact a levy should reflect the 'whole of life' / circular economy impact of each cup option including its:

- a) plastic production impact
- b) energy consumption during its useful life
- c) end of life disposal impact

While a **graduated supply chain levy** may be less ‘visible’ than a consumer levy it will be significantly more effective from an environmental perspective. It will also avoid the perception among many consumers that a consumer levy is just another tax and more focused on Revenue generation than on generating environmental benefit.

I suggest a **graduated supply chain levy** is introduced along the following lines:

Ceramic and glass cups	No levy
Plastic-free disposable paper cups (mainstream recyclable)	Tier 1
Plastic re-usable cups	Tier 2
Compostable cups coated with bio-plastics and bio-plastic lids (industrially compostable)	Tier 3
Plastic-coated paper cups and plastic lids	Tier 4