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From: [REDACTED]
Sent: Friday 7 May 2021 17:18
To: wastecomments
Cc: [REDACTED]
Subject: Deposit Return Scheme - Consultation Response Lidl Ireland
Attachments: 070521 DRS Consultation Response Lidl Ireland GmbH.pdf

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To whom it may concern,

Please find attached the response from Lidl Ireland to the Department of Environment, Climate and Communications' public consultation, as published on the 1st April 2021 – 'Deposit Return Scheme - Consultation on legislative framework and scope of the scheme'.

For any queries, please don't hesitate to get in touch.

Many thanks,

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**Deposit Return Scheme (DRS)
Consultation Document on a Legislative Framework**

Response to Consultation, Lidl Ireland

May 7, 2021

Introduction

This document has been prepared by Lidl, in response to the Department of Environment, Climate and Communications Consultation Document on the preferred model and legislative framework for the delivery of a DRS scheme in Ireland.

Lidl Ireland is one of the largest nationwide grocery retailers in Ireland, providing high quality products at market leading value through efficiency, local sourcing and a lean business model. Since first entering the Irish market in 2000, Lidl has established itself as a significant component within the retail industry with a strong network of more than 5,000 employees across 168 stores, three regional distribution centres and its Dublin Head Office.

With 1.5 million customers passing through Lidl stores each week, Lidl have established deep local relationships with its stakeholders and have become a valued part of the communities it serves nationwide. Lidl continuously strives to have a positive impact on these communities, creating shared opportunity and value through its CSR initiatives, including its charity partnership with Jigsaw – The National Centre for Youth Mental Health in which Lidl have fundraised more than €800,000 to date, its Food Redistribution Programme, Autism Aware Evenings, support for Homeless Period Ireland and its sponsorship of the Ladies Gaelic Football Association.

Lidl takes pride in working with the best local suppliers throughout Ireland to bring quality Irish produce to its stores while creating rural employment and export opportunities. In 2019, close to €570 million of Lidl's procurement spending in Ireland was stock/produce related with 20% of that being exported for sale in Lidl GB and Lidl stores across Europe. Lidl has a significant impact on the Irish economy contributing €692 million to Ireland's GDP in 2019 alone.

1. The Preferred Model for a DRS in Ireland

In November 2020, Lidl responded to the Department's consultation process on potential DRS models for Ireland. In this response, Lidl indicated its support for the introduction of a centralised, operational model for Ireland for PET bottles and aluminium cans. The company supported the introduction of DRS across all retailers, to encourage consumer participation, streamline the process, to support reporting and reduce contamination.

Across Europe, Lidl plays an active and central role in 13 countries with operating DRS systems. These represent a combination of non-refillable, only refillable and a combination of both systems. The non-refillable schemes are operated through a Reverse Vending Machine (RVM) process. The company has a significant level of experience of how to efficiently integrate return schemes into operational procedures.

Lidl's support of and endorsement of material schemes is reinforced by Lidl's global REset Plastic Strategy. In line with EU targets and as signatories to the Global Commitment of the New Plastics Economy of the Ellen Mac Arthur Foundation since 2018, the Lidl Group developed a holistic internationally applied REset plastic strategy



comprising core action areas: from avoidance and design to recycling and removal up to innovation and education. In doing so the vision of “less plastic” and closed loops will become reality. Through this dedicated strategy Lidl is committed to:

- By 2022, we will reduce the volume of plastic packaging by 20%.
- By 2025, 100% of our own-brand packaging will be widely recyclable, reusable, or renewable.
- By 2025, 50% of the materials used in our own-brand packaging will come from recycled materials.

2. The proposed Deposit Return Scheme for Ireland

Lidl supports the universal obligation on all beverage producers who place PET bottles and aluminium cans on the market. As with other retailers, Lidl are also producers, through own-brand product lines. Lidl believes that the universal obligation approach is more effective in terms of increasing recovery levels, in comparison to self-compliance. Lidl proposes that the scheme will need to have built-in, staged timelines for the achievement of targets, and details of achievement of those targets on an annualised basis.

Scheme Operator

Lidl has worked effectively with the existing extended producer responsibility (EPR) schemes in Ireland for both packaging and waste electrical and electronic equipment (WEEE). Lidl supports the proposal for the DRS in Ireland to be operated by a producer responsibility scheme, as a stand-alone activity. We understand that this body would be focused on the **logistical and operational** elements of the scheme, as outlined in the Consultation Document, including:

- To work with producers, tracking material put to market
- To work with retailers, who will be to the forefront of collecting returned material
- To promote the scheme through education and awareness campaigns
- To work with waste processors to ensure that the DRS material is kept separate
- The Scheme Operator should be supported by an additional independent, standalone/oversight body for the financing of the scheme, payment of handling fees and deposit management.
- The Scheme Operator Board should be comprised of a representative of each participating sector

Lidl would intend to work closely with the Scheme Operator in establishing the national framework system, sharing a full overview of the retailer (and indirect producer) role, support potential and material life cycle. Aligned to the Waste Action Plan targets, the Scheme Operator would also need to publicly disclose the system targets, plans and progress regularly, indicating the direct material flow and circulation back into Irish systems.

Retailer Obligations

The involvement of retailers is central to the operation of an effective DRS in any market. From Lidl’s perspective, and based on experiences of other markets, there are four key phases of engagement for retailers:

- Producer sells the container to the retailer – the retailer receives the container, and pays a price and deposit to the producer or system provider
- Lidl sells the container to the consumer – the customer receives the container, and the customer pays the retailer the price and deposit
- Customer returns the empty container – the retailer receives the empty container, and the customer receives back the deposit they paid



- The retailer claims the paid deposit back from the producer or system producer

In addition to the above, the retailer is obliged to procure, locate and operate RVM's within their retail environment, to store and prepare collected material for collection by waste collectors and processors and to report and manage deposit flows and returns. On the basis of experience in other markets, it is Lidl's view that retailers must be reimbursed proportionately for each stage of the process (machine, maintenance, sorting, storage, collection, transport, compacting, opportunity costs for sales space) and vested with the autonomy to retain freedom of choice for the selection of RVM models. It is essential that both the selection of manufacturers and models of RVM's, and the site for installation, is neither prescribed nor restricted. This is to ensure that proven and existing reliable supplier structures can be used, to ensure a smooth integration of a DRS within an Irish retail environment. Typical RVM container recognition encompasses reading the barcode, reading the security code, the shape and weight and includes tolerances for residual liquid. The RVM can take back bottles from 0.1 litres to 3.0 litres.

As a retailer, Lidl is committed to investing in the required RVM equipment and would ask that an accelerated capital allowance under the appropriate taxation legislation is provided for the purchase of machines. This includes a full capital allowance in year one, towards the machine purchase costs. In acknowledgement of the significant direct and indirect costs arising from full engagement in implementing a DRS system, Lidl strongly urges the Government to introduce a similar capital allowance structure in Ireland. This is already provided for in relation to energy efficient equipment (s285A of the Taxes Consolidation Act 1997).

It is also important that the Department of Environment, Climate & Communications ensure, through engagement with the other relevant Government Departments and agencies, that the RVM is exempt from planning. This is obviously subject to reasonable standards.

The retailer must have access to the overview data from the system operator in order to effectively and transparently manage the clearing processes, and to be able to track and control handling and logistics fees. In this context, it is essential that all elements of cost from the system can be quantified, for the purposes of assigning and recouping costs from the appropriate sources.

While highly effective in achieving optimum material collection, a DRS has intrinsic complexities, with a significant level of oversight and space required in the collection, handling and logistics fees, and the oversight and repayment of deposits. There are many players involved in the process – manufacturers, producers, suppliers, retailers, waste collectors, customers and processors. As referenced previously, Lidl proposes that the System Operator should be established with a Board consisting of equal representation of all participating stakeholders (weighted by system impact) and an independent financial service provider.

The Deposit

Lidl will support a single or variable deposit, based on whether there is a single unit, or a multi-pack. A rates system relative to size, environmental impact and recyclability could be considered. Lidl supports the preferred option of variable deposits based on volume of the product, outlined on pages 4 & 5 of the Consultation Document. Lidl supports the objective to ensure that a flat rate deposit does not incentivise overconsumption or the purchase of greater quantities, resulting in less recyclable materials.

The requirement to pay deposits carries an inherent risk of manipulation or potential illegal claims of deposit amounts. Based on its experience of DRS in other markets, Lidl has implemented the following functions, to mitigate potential risks of fraud:



- Security labels – the use of a security label, such as the DPG logo, which contains specially designed colours, unified barcode which cannot be copied – protects material included in scheme and supports against potential fraud issues
- Compaction – no multiple return possible as container has already been utilised
- Whitelist – List of all deposit receipts that are approved for redemption at the cash register
- Deposit amount limit for each receipt – after reaching a specific deposit amount, the RVM automatically generates a receipt.

There should be a maximum cut-off date of 30 months for unredeemed deposits. After that date, unredeemed deposits should go back into a central fund.

In the design of systems and conditions for the repayment of deposits, redeemed as coupons by retailers, it is essential to future-proof against existing and potential future legislation on the pricing, promotion and marketing of alcohol. For example, deposits will be paid back on alcohol containers. These deposits, redeemed through coupons, can be used against purchases with a retailer. It will be important to have an indication, from the Department, on plans for potential limitations on the redemption and use of such coupons.

Additional Observation

This initiative is taking place in the context of EU recovery and reuse targets. Although not within the remit of this consultation document, there is no processing plant in Ireland for PET bottles and aluminium cans in Ireland. The issue of material circulation is key, and will no doubt be part of the dialogue between stakeholders, moving forward.