

A Deposit Return Scheme for Scotland Consultation response

**Scottish Environment LINK
September 2018**



Scottish Environment LINK is the forum for Scotland's voluntary environment community, with over 35 member bodies representing a broad spectrum of environmental interests with the common goal of contributing to a more environmentally sustainable society. LINK provides a forum for these organisations, enabling informed debate, assisting co-operation within the voluntary sector, and acting as a strong voice for the environment. LINK works mainly through groups of members working together on topics of mutual interest, exploring issues and developing advocacy to promote sustainable development respecting environmental limits.

Summary

- The scope of the deposit return scheme should be based on products, initially including all drinks, and should not be limited to 'on the go'.
- A deposit return scheme for Scotland should include all materials.
- Consumers should be able to return containers at retailers that sell drinks and other locations.
- The deposit level should be between 15 and 20p.
- The Producer Fee should vary so that less sustainable and harder to recycle materials incur a higher fee.
- Day-to-day operations should be conducted by an industry-operated not-for-profit company, supervised by a board run by or led by the Scottish Government.
- Deposit return should be accompanied by other policies to reduce single use items for which there are more sustainable alternatives, such as coffee cups.
- Deposit return should be accompanied by a comprehensive reform of producer responsibility obligations, so that producers pay the full costs associated with the life cycle of their products.
- Deposit return must be part of an overall shift to a circular economy, informed by the waste hierarchy.

MATERIALS IN SCOPE

1. Which of the options do you prefer? Please choose one or more options from below and explain your reasoning.

- PET plastic containers
- PET plastic containers and metal cans

- PET plastic containers and glass containers and metal cans
- PET plastic containers and glass containers and metal cans and HDPE plastic containers
- PET plastic containers and glass containers and metal cans and cartons and disposable cups.

LINK members would like the system to include as wide a range of materials as possible as this would do most to reduce litter and enhance the quantity and quality of materials for recycling. The Cabinet Secretary committed the Scottish Government to PET, Glass and cans as a minimum during the February 2018 debate in the Chamber, while also setting out the Scottish Government's desire to be as ambitious as possible. A prerequisite for the inclusion of cups would be that they were readily recyclable (our understanding being that currently most disposable cups are very difficult to recycle due to the plastic lining) and this needs to be addressed. Reform of producer responsibility would be one way to encourage design of recyclable cups.

However, LINK members would like to stress that reducing the use of single use items for which there are more sustainable alternatives, such as coffee cups, through an additional charge or levy is of paramount importance.

2. Do you think the scheme should start with a core set of materials and then be expanded as appropriate?

Yes

2a. If yes, which materials should it start with?

- **PET plastic**
- **Metal (aluminium and steel)**
- **Glass**
- **HDPE plastic**
- **Cartons**
- **Disposable cups**

A deposit return system should be open to all materials, but shouldn't include disposable cups (which, incidentally, we wouldn't classify as a material) due to the reasons above.

2b. If yes, which materials do you think should be added later?

Potentially disposable cups if the issues above are addressed

3 Are there any materials that you think should not be included?

No

4. Are there any other materials that should be included?

Yes

Ideally all materials are included, ie nothing is excluded. If the DR scheme does not include all materials, there is an incentive for producers to switch to materials not covered by the scheme to avoid paying the producer fee.

Ideally the producer fee would be varied, to take account of the whole product life-cycle, including recoverable value, proportion of recycled material used in manufacture, cost of litter and cost of recovery; to further encourage the use of more sustainable materials.

Although a varied producer fee would work as an incentive, we would recommend that additional measures are taken to phase out materials, such as polystyrene, which are inherently difficult to recycle and for which there are alternatives.

5. Are you aware of any materials currently in development that should be included? For instance, there is currently a great deal of interest in making 'bioplastics' either from starch derived from plants or food by-product streams. Whilst these can look and behave like plastic, it is often important to ensure they are kept separate from plastic in the waste stream as they are recycled differently.

In general the government should not support 'bioplastics' as they do not address the problem of pollution or prevent littering; and can have land-use implications.

Bioplastics should be included with a varied producer fees to reflect the sustainability of the material as discussed above. Oxo-degradable plastics are particularly problematic and should be banned. A detailed analysis of issues surrounding these materials can be found in [Wildlife and Countryside Link's response to tackling the Plastic Problem: Using the tax system or charges to address single-use plastic waste.](#)

6. What are your views on the cost implications for local authorities?

The evidence suggests that Local Authorities will save money if a DR system is introduced.

PRODUCTS IN SCOPE

7. Do you think the material the container is made from or the product it contains should be the key consideration for deciding the scope of the scheme?

- **Material the container is made from**
- **Product it contains**
- **Don't know**

Product it contains should be the key consideration for deciding the scope of the scheme.

Please explain your reasons.

To optimise the potential of the scheme, we feel it is more straight forward to use the product to define the scope. If the scope of the DR scheme is based on the material the container is made from, there is an incentive for producers to switch to alternative materials not covered by the scheme.

8. Are there any product categories that should be excluded from the scheme?

- Ready to drink (soft)
- Soft mixer products
- Bottled water
- Fruit and vegetable juice
- Dairy
- All distilled spirits with and alcohol by volume of higher than 30%
- All fermented alcohol products including beer, cider and wine. Also includes non-alcoholic versions of the above
- All other alcohol not covered in the 'distilled spirits' and 'fermented alcohol' categories with a ABV less than 30%
- All other drinks, not listed above, that can be purchased to drink on the go.

No

Please explain your reasons.

We are in favour of all products listed being included. If exclusions are set for any type of drink, some manufacturers might amend aspects of their product to qualify for exclusion and avoid participation in the deposit return scheme.

9. Are there any product categories listed above that you broadly agree with but think that certain products within them should be excluded?

No

10. Are there any other products that broadly fall into the category of 'drinks' that we have not included that you think should be?

Soups, potentially, especially given the increase in soup consumption on the go. It would also be awkward to differentiate between vegetable juices and soups.

11. Do you think that the deposit return scheme should be limited to "on the go" only?

No

Please explain why.

As stated in the consultation document, it is difficult to draw a clear distinction between 'on the go' and general consumption. If the scheme is restricted to certain sized containers or containers of products purchased from certain locations, it will be severely limited and not reach its potential in terms of reduced littering and increasing the quantity and quality of recycle.

Do you agree with how we have defined on the go?

As stated, we do not think 'on the go' can be defined satisfactorily for the purposes of a DR system.

DAIRY ISSUES

12. Specifically on dairy products, do you think including dairy carries hygiene or related risks above those posed by other products? Please provide evidence.

Yes

The evidence suggests that containers of dairy products do carry hygiene risks above those of other products, but that these are not insurmountable. As noted on page 25 of the consultation document, the Royal Environmental Health Institute of Scotland have suggested that the return and storage of milk containers is not likely to be an issue. Other deposit return schemes, such as the scheme in Norway, include milk and dairy products.

13. Should any dairy products be excluded from the system?

No

Please explain your reasons.

We see no reason to exclude them.

RETURN LOCATION

14. Which option for return location do you prefer?

- Takeback to a place that sells drinks
- Takeback to a designated drop-off point

Takeback to a place that sells drinks

Please explain your reasons.

Evidence from other countries suggest that schemes where containers are returned to places that sell drinks result in higher return rates compared to schemes that use designated drop off points. However, a system that uses a combination of both would offer consumers more options for returning containers and result in even higher return rates. All retailers above a certain size should be required to accept any materials which they sell, and it should also be as easy as possible for other locations, such as leisure centres or schools, to become return points.

15. In any model involving return to retail, are there any types of retailer that should be excluded?

Yes

Please explain your reasons.

The default position should be a requirement for retailers to take part and accept materials they sell. However, many systems include a floor-space based opt-out, which is worth

considering. In Estonia, retailers above 200m² are all included, shops below 50m² can opt out, and shops between the 50 and 200m² must seek local authority approval to opt out.

16. Do you agree that online retailers should be included in the scheme?

Yes

Please explain your reasons

People often use on-line retailers as it is inconvenient for them to get to shops. Therefore, for these members of the public, especially if they have mobility or access issues, alternative return points might be significantly less convenient. Online retailers are included in schemes in other countries such as Norway and Germany.

Q16a. What provisions do you think should be made to ensure online shopping is included successfully?

In other countries, customers have a bag in which they collect their empty bottles and cans. This is sealed and tagged with a customer specific barcode, ready to return to the delivery person. The refund can be given electronically using the customer's online account.

FINANCING MODELS

17. Do you agree that deposit return should be seen as a form of producer responsibility?

Yes.

The costs of recycling, or otherwise managing, the containers collected through the deposit return system is paid for by the producer fee.

If yes, how do you see deposit return interacting with other producer responsibility obligations?

We think that a general reform of producer responsibility is of utmost importance. The current system in the UK makes producers responsible for approximately 10% of the costs of recovery, whereas this should be 100%. The UK Government has committed to reform this system.

The ideal scenario would be a comprehensive UK wide reformed producer responsibility scheme, whereby all producers pay a fee based on the whole product life-cycle, including recoverable value, proportion of recycled material used in manufacture, cost of litter and cost of recovery. For products included in the DR scheme, the producer pays their producer responsibility obligations through the producer fee.

With a comprehensive reformed producer responsibility, there is no incentive for producers to try and keep products out of the deposit return scheme.

18. Do you think it is appropriate for the scheme administrator to maintain ownership and income from sales of the material?

yes

Please explain your reasons.

The value of the recovered materials is a crucial part of funding the system, and provides an additional incentive to the system administrator to achieve high return rates. As the consultation notes, where the materials are owned by separate retailers, the market advantage of a single materials owner is lost, and the system is more complex and inefficient.

19. If the scheme administrator maintains ownership of the material, should it prioritise maximising profit from sales or should it seek to achieve additional benefits?

Achieve additional benefits

If you selected achieve additional benefits, which benefit should the administrator pursue?

As with all socially responsible enterprises, the scheme administrator should seek to maximise social and environmental benefits alongside profit.

20. Should any excess funding or unredeemed deposits be ringfenced for the continued maintenance or improvement of the system, or do you think it would be appropriate to divert funding to other purposes?

Funding should be ringfenced

21. How would you define a producer?

For the purposes of a deposit return scheme on drink containers, a producer is any entity which produces a drink from materials which were not previously saleable as a drink. "Producer" for these purposes should also include importers, who should be treated as if they themselves had produced the product

CONSUMER INFORMATION

22. Do you agree that producers should be required to put deposit return scheme-related information on each container?

Yes

22a. If yes, should those putting small amounts of material onto the market in Scotland be exempt from this labelling requirement?

No

22b. Rather than be exempt, should small importers be required to put a label with deposit return-related information onto the existing packaging?

Yes

FRAUD PREVENTION

23. Which option for labelling do you believe offers the best balance between reducing potential for fraud and managing costs to producers and retailers?

- **No changes to current system**
- **Specific barcode**
- **High security label**

Specific barcode

Please elaborate

Returnable items need to be clearly identifiable and as such need labelling. The barcode will be adequate to prevent fraud. We do not think it is necessary to require a high security label as analysis suggests that the costs outweigh the benefits.

24. Are there other security measures we should be considering, for instance heightened security measures at key return locations?

Yes

Comments

It would be a good idea if the system operator monitors unexpectedly high return volumes per location.

DEPOSIT LEVEL

25. Do you have a preference for what level the deposit should be set at? Please indicate what level you think it should be and explain your reasoning for choosing this level.

Modelling suggests 10p would be too low to achieve desirable return rates, but we believe that 15p or 20p would be adequate to incentivise return, but not too burdensome on consumers. We believe, above all, that the level should be easily reconsidered in the light of inflation or missed return rate targets.

26. Do you think that certain types of drinks containers should carry a different deposit level?

The consultation document notes: "One solution is to have a common deposit level for all containers but to vary the producer responsibility fee to reflect the different level of value recovered from different types of containers." We support this approach, provided it also reflects the different costs of recovery. Our feeling is that variable deposits would add confusion.

INFRASTRUCTURE AND LOGISTICS

27. Which sorts of take back do you think the system should include?

- **Reverse Vending Machines**
- **Manual take back**
- **Combination of the two**

Combination of the two

28. How should the handling fee paid to retailers be calculated?

Such that it reflects the costs involved in supporting the scheme.

29. Do you agree with the assessment of the potential job creation of between 12 and 116 jobs?

No

Please explain your reasoning.

Research from CPRE suggested a UK-wide deposit return system would generate 4,000 jobs (not all of them directly at the system operator) and, given the scalability of the system, a crude estimate suggests that a Scotland-only system would see a slightly higher per capita rate of associated job creation, providing at least 400 jobs.

HOW TO CREATE ADDITIONAL BENEFITS FROM THE SCHEME

30. Do you think a deposit return scheme for Scotland should pursue any additional benefits?

Yes

31. Are there additional benefits we have not covered that you think should be considered?

The document states "the primary purpose of a deposit return scheme would be to increase the rate and quality of recycling", with the additional benefits cited being more sustainable product design and additional funding streams for charity. We would also expect to see benefits in terms of reduced dependence on virgin materials, reduced littering, reduced climate emissions, cost savings for local councils, employment benefits, and knock-on effects in terms of public attitude to waste and resources.

WHO OWNS THE SYSTEM

32. Which option do you think offers the best system ownership model to ensure the primary goals of a deposit return system are met?

- **Industry operated not for profit**
- **Privately owned and operated commercial operation**
- **Public ownership**

- **A combination of the above**

A combination of the above

If you selected a combination, please provide more details

In practice, day-to-day operations should be conducted by an industry-operated not-for-profit company. However, operations should be supervised by a board run by or led by the Scottish Government.

33. How much emphasis should be placed on the system administrator achieving secondary benefits like ensuring Fair Work practices are followed and that the material collected is reprocessed in Scotland?

The system administrator, like all enterprises, should ensure that Fair Work practices are followed. It should, where possible, supply Scottish processors. To maximise benefits, there should be a planned and joined-up strategy and resources, involving Scottish Government and other agencies, to ensure that recyclate is processed in Scotland, or, if not possible, the UK, and available to Scottish manufacturers. The sector would be further enhanced if there was legislation or incentives to include a percentage of recyclate in the manufacture of products.

34. What do you see as the main roles for a scheme administrator?

Calculating fees for retailers and those in the hospitality sector, validating new products for the Scottish market, organising efficient collections, minimising fraud, counting returns and administering associated financial flows, maximising return rates, securing best value for recovered materials, communication with the public and business, and liaison with related industry to maximise opportunities for retaining resources in high value uses in Scotland.

HOW THE SCHEME IS REGULATED

35. Which option for regulating producers do you think is most appropriate?

- **Regulation by an existing body, most likely Trading Standards or SEPA**
- **The establishment of a new body to oversee regulation**
- **Regulation by the scheme administrator**

Regulation by the scheme administrator

Please explain your reasons.

The scheme administrator is best placed to make decisions about products, for example enforcing labelling requirements or determining compatibility with the collection systems. Dealing with two bodies for producer regulation would add unnecessary complexity and cost.

36. Which option for regulating return sites, including retailers, is most appropriate?

- **Regulation by an existing body, most likely Trading Standards or SEPA**
- **The establishment of a new body to oversee regulation**
- **Regulation by the scheme administrator**

Regulation by the scheme administrator

Please explain your reasons.

Again, as the day-to-day manager of the scheme, the system administrator is best placed to regulate the return sites. There are likely to be aspects of this regulation that involve other bodies such as local authorities or SEPA.

37. What level of regulatory power do you think is appropriate for the system administrator?

Overall objectives, such as binding targets for return rates, should be set by the overseeing board which would also keep an oversight of decisions and practices of the system administrator. The system administrator should have the power to propose changes to the deposit level based on return rates, set handling fees and specify which products are accepted through manual and automatic returns. Although producer fees can be adjusted according to changes in recycling costs or value of material recovered, it is important that the administrator can not adjust producer fees downwards due to increased income from unredeemed returns, as is noted on page 32 of the consultation document. Being able to do this presents a conflict of interest in terms of achieving return rates for the administrator.

38. In particular, do you think the administrator should have a role in approving the products that go on sale to make sure they are compatible with the scheme?

Yes

Comments

This is particularly important in the absence of broader reform of producer responsibility. The system administrator would need to have powers to determine what packaging can be used for drinks sold in Scotland. We would want to ensure, for example, that lids for plastic drinks containers can be readily recycled as well as the bottles themselves, and that would require system operator oversight of design.

39. Do you agree that the Scottish Governments should be responsible for regulating the system administrator?

Yes

39a. If yes, should this be done via SEPA?

No

39b. If no, what other organisation would take on this role?

We think this role would be best undertaken by an independent board established by the Scottish Government, with participation from SEPA, ZWS, COSLA and other appropriate external bodies. It would explicitly exclude retailers, producers and anyone else with a commercial interest in the operation of the system.

EXAMPLES OF DEPOSIT RETURN SCHEMES

40. Which example do you think best matches the ambition of a deposit return system to increase the rate and quality of recycling and reduce littering?

- **Example 1: take back to designated drop-off points**
- **Example 2: take back to dedicated drop off points and some shops (with cartons and cups)**
- **Example 3: take back to any place of purchase**
- **Example 4: take back to any place of purchase (with cartons and cups)**

Example 4

41. Do you agree with the assessment of example 1?

Yes

42. Do you agree with the assessment of example 2?

Yes

43. Do you agree with the assessment of example 3?

No

It is unclear why a 10p deposit rate is assumed for this example whereas 20p is used for examples 1 and 2. The choice of 10p affects the predicted rate of return, as does restricting returns to retail only, and the overall assessment.

44. Do you agree with the assessment of example 4?

No

Overall, this is the closest to the system we would like to see operate in Scotland: the most ambitious of the options and including a public body in operation of the system. However, again, it is unclear why 10p deposit rate is assumed for this example whereas 20p is used for examples 1 and 2. The choice of 10p affects the predicted rate of return and the overall assessment. Again, as above, restricting returns to retail-only is unnecessary. A more open system for organisations to opt in would improve accessibility, return rates, and social benefit.

The example includes 'some single use cups', later clarifying this as 'paper based take-away cups'. As noted 'greater attention would need to be devoted to ensuring sufficient recycling infrastructure was in place for items that are not currently widely recycled'. For cups to be included this would need to be followed through and varied producer fees would need to drive design to one that is readily recyclable.

45. How do you think the NPV model could be further developed? What other factors should be included in the models?

46. What economic risks or opportunities do you see in introducing a deposit return scheme in Scotland? Do you see particular risks with any of the examples?

In order to maximise opportunities it is important to: achieve high rates of return and ensure sufficient recycling infrastructure is in place. Furthermore, it would help if demand for recycle was bolstered by requirements for minimum recycle content. In general risks would be reduced by comprehensive producer responsibility which would remove incentives to try and keep products out of the deposit scheme. The less ambitious examples, 1 and 2, pose risks in terms of missed opportunities.

47. Do you see particular risks with any of the examples?

48. What action do you think we should take to maximise the opportunities and minimise the risks of any of the approaches?

The most important related policy work will be the design of an extended producer responsibility system (whether for Scotland or for the UK) which complements a deposit return system and amplifies some of the benefits, especially those around litter, resource efficiency, climate change, recycling, and the circular economy. Regulations should also take careful account of the future needs of the system, i.e. should not just be designed around the drinks market as it exists right now. Additionally, as already mentioned, attention needs to be paid to supporting recycling infrastructure and the market for recycle.

49. Do you think being part of a UK-wide system would be beneficial for deposit return in Scotland?

Yes

Please explain your reasons

Key advantages associated with operating a single UK system are consistency for consumers and cost efficiency for producers.

50. Do you think having compatible but separate systems would achieve the same effect as a single system?

Don't know

Please explain your reasons.

It would depend on which elements were common to both. If the deposit level and the materials and products included are the same, and if a single labelling and barcode system can be adopted, risks should be minimised.

51. Can you identify any risks with being part of a UK system?

If other parts of the UK wanted a less ambitious scheme, Scotland's ambitions might get watered down. Additionally, it might be more difficult to justify efforts to keep materials in Scotland.

52. Can you identify any risks of not being part of a UK system?

There would be efficiency gains if we were part of a UK system. These might be especially apparent for materials for which quantities are low.

EQUALITY IMPACT

53. Have we correctly assessed the potential impacts?

Yes

54. Do you think the proposed mitigation is comprehensive?

No

We understand that a more comprehensive EQIA, looking at both the positive and negative impacts, can only be conducted once a final decision has been made about the specifics of the chosen system. It is worth noting that the interim EQIA states that it “is difficult to predict the level of reduction in littering that may occur as a result of the introduction of DRS”. We therefore strongly advise that a litter survey is conducted prior to the introduction of a deposit return system, and each year afterwards.

This consultation response is supported by the following members of Scottish Environment LINK:

Badenoch and Strathspey Conservation Group
Buglife
Cairngorms Campaign
Friends of the Earth Scotland
Froglife Trust (Scotland)
Hebridean Whale and Dolphin Trust
Marine Conservation Society
National Trust for Scotland
North East Mountain Trust
Nourish Scotland
Ramblers Scotland
Royal Zoological Society of Scotland
RSPB Scotland
Scottish Allotments and Gardens Society
Scottish Campaign for National Parks
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Whale and Dolphin Conservation
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WWF Scotland

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Are you responding as in individual or an organisation?

Organisation

What is your organisation?

Scottish Environment LINK

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Are you content for the Scottish Government to contact you again in relation to this consultation exercise?

Yes

