

# Consultation on introducing a Deposit Return Scheme in England, Wales and Northern Ireland

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## Valpak Draft Response

**1. Would you like your response to be confidential?**

No

**2. What is your name?**

Kathy Illingworth

**3. What is your email address?**

Kathy.Illingworth@valpak.co.uk

**Please provide information about the organisation/business you represent.**

**4. Which of the following best describes you?**

**(Please tick only one option. If multiple categories apply to you please choose the one which best describes you and which you are representing in your response.) (Required)**

Other

**If you answered 'Other' above, please provide details:**

Producer Compliance Scheme

**What is the name of the organisation/business you represent?**

Valpak Limited

**What is the approximate number of staff in your organisation?**

150

**5. Please provide any further information about your organisation or business activities that you think might help us put your answers in context. (Optional)**

Valpak Limited is the UK's leading producer responsibility compliance scheme operator with member schemes for the Packaging, WEEE and Waste Batteries regulations. In addition we provide our members services for the Carbon Reduction Commitment (CRC), Energy Savings Opportunity Scheme (ESOS) and other environmental areas such as recycling services, REACH, sustainable development consultancy and international compliance.

Within our compliance and data services we obtain and process considerable volumes of detailed information on packaging formats and tonnages placed on the market from a large sector of industry and we are able to analyse this in order to help answer some of the questions posed in the DRS Consultation document. As part of our compliance work, we have created Valpak's Environmental Product Information Centre (EPIC), a database of over 20 million products sold onto the UK market, and managed in our bespoke software. Our largest comprehensive dataset relates to the UK grocery retail market, where we hold packaging and product data relating to 55% of UK product sales. EPIC's data is based on product information collected directly from suppliers as well as information sourced internally, meaning that it holds a wide coverage of information across multiple product ranges.

Valpak Consulting have been engaged in providing packaging flow data for over 10 years, working with stakeholder groups to determine and agree the tonnages of packaging materials flowing on the UK market

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(POM) and that which is collected for recycling. This data has been used in our previous responses relating to Deposit Return Schemes (DRS) and includes data for the UK market and also split for the Scottish, English, Welsh and Northern Irish markets.

**6. Does your organisation have any recent experience of a DRS or related policy schemes? If so, can you please briefly explain your experiences?**

Yes.

Valpak has engaged with all consultations regarding DRS and our Consulting team have worked with key industry stakeholders to provide detailed analysis of both beverage packaging flow onto and from the market. Working with industry stakeholders in the Valpak DRS Working Group we have produced a detailed report on Deposit Return Schemes for Drinks Containers (September 2018), including suggested design principles, models and infrastructure requirements.

We also work closely with a number of other European Compliance schemes, some of which have experience of DRS and we have also recently attended a visit to Norway to see a DRS model in operation.

**7. Are you content for the UK government, or in Wales, the Welsh Government, or in Northern Ireland, DAERA to contact you again in relation to this consultation?**

Yes

**8. Do you agree with the basic principles for a DRS?**

Yes

**Please briefly state the reasons for your response. Where there are principles you do not agree with, please outline them here. Where available, please share evidence to support your view**

If the Government decides to implement a DRS then we broadly support the principles outlined in the consultation document, but have added some important further considerations below:

- Any scheme should be introduced on a UK-wide basis
- Schemes should be run on a not for distribution (as opposed to not for profit) basis. This is due to the way the systems can function i.e. it may be possible for the system to generate operating profits one year which are then offset against costs in the following year. Any profits should be retained within the system.
- Schemes should meet all legislative requirements, including minimum requirements for EPR
- Schemes should incentivise UK recycling and UK recycling infrastructure, in line with the key requirements from the Resources and Waste Strategy and Scottish Government ambitions
- The Management Organisation remit should only be to run and operate the DRS
- The scheme should be obligated to meet minimum targets, with penalties applied if the targets are missed.
- Scheme to take fraud prevention into consideration

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### 9. Should the following materials be in scope of a DRS:

#### a. PET bottles

Neither

Please briefly state the reasons for your response. Where available, please share evidence to support your view.

- All materials are potentially valid options, but should not be considered in isolation. A range of scope (products, material and/or format sizes) should be considered in more specific detail. For example the inclusion of glass, with no further exemptions for size or format would automatically include beer, wine and spirit bottles of all sizes, whereas it may be more appropriate to include only beer bottles of <500ml.
- Never the less we do see the risk of unintended consequences if only certain materials or bottle sizes are included in the scheme's scope
- Each option should be accompanied by a comprehensive cost/benefit analysis on all affected aspects (e.g. environmental, societal, economic etc.) which should then be used to determine which materials and formats and products are more advantageous to be included in a DRS
- The decisions on which materials, sizes, formats and products to include within a DRS should be based on the best available data and detailed impact assessments on each option. Please also see our response to question 71 regarding the Impact Assessment
- The analysis should take into account wider policy decisions for example decisions on plastic tax, consistent collections (including possible loss of revenue) and EPR reform
- A DRS should be implemented with a UK-wide scope and system, so data at a UK-wide level should be taken into consideration
- It should be clear which plastics are included within scope and ensure scope does not encourage polymer switching to non-specified polymers. For example our analysis shows 8kt per year of "other" (non-PET and non-HDPE) plastic is currently placed on the market per annum and this could grow if not included

#### b. HDPE bottles

Neither

Please briefly state the reasons for your response. Where available, please share evidence to support your view.

- HDPE is largely used for milk, therefore should be taken into consideration in conjunction with decisions on possible product exclusions
- Our analysis shows that 14kt of non-milk HDPE beverage containers are placed on the UK market each year (the Impact Assessment does not take account of HPDE)
- It should be clear which plastics are included within scope and ensure scope does not encourage polymer switching to non-specified polymers. For example our analysis shows 8kt per year of "other" (non-PET and non-HDPE) plastic is currently placed on the market per annum and this could grow if not included
- All materials are potentially valid options, but should not be considered in isolation. A range of scope (products, material and/or format sizes) should be considered in more specific detail. For example the inclusion of glass, with no further exemptions for size or format would automatically include beer, wine and spirit bottles of all sizes, whereas it may be more appropriate to include only beer bottles of <500ml.

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- Never the less we do see the risk of ‘discrimination’ of certain materials or bottle sizes vs others by exclusion of other materials and sizes
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### c. Aluminium cans

Neither

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### d. Steel cans

Neither

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### e. Glass bottles

#### Neither

**Please briefly state the reasons for your response. Where available, please share evidence to support your view.**

- In particular glass health and safety aspects should be taken into consideration, especially where there are manual return points
- All materials are potentially valid options, but should not be considered in isolation. A range of scope (products, material and/or format sizes) should be considered in more specific detail. For example the inclusion of glass, with no further exemptions for size or format would automatically include beer, wine and spirit bottles of all sizes, whereas it may be more appropriate to include only beer bottles of <500ml.
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### f. Other (please specify)

- All materials are potentially valid options, but should not be considered in isolation. A range of scope (products, material and/or format sizes) should be considered in more specific detail. For example the inclusion of glass, with no further exemptions for size or format would automatically include beer, wine and spirit bottles of all sizes, whereas it may be more appropriate to include only beer bottles of <500ml.
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- The decisions on which materials, sizes, formats and products to include within a DRS should be based on the best available data and detailed impact assessments on each option. Please also see our response to question 71 regarding the Impact Assessment
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- A DRS should be implemented with a UK-wide scope and system, so data at a UK-wide level should be taken into consideration
- We understand that the inclusion of certain materials, e.g. cartons, may lead to increased costs for reverse vending machines. This should be taken into consideration in any impact assessment or cost benefit analysis
- The addition of disposable cups may also require further consideration. We understand that these containers are not currently included in other DRS models, therefore thorough cost-benefit analysis should also be carried out as this may add undue complexity to the system. Disposable cups can also contain significant amounts of contamination, some of which again may be dairy-based, but also unrelated items such as stirrers, lids and other waste including left over food.

### 10. Should the following materials be-in scope of a DRS:

#### a. Cartons e.g. Tetrapack

Neither

**Please briefly state the reasons for your response. Where available, please share evidence to support your view.**

- We understand that the inclusion of certain materials, e.g. cartons, may lead to significantly increased costs for reverse vending machines. This should be taken into consideration in any impact assessment or cost benefit analysis. We have contacts who have developed novel approaches to new scanning technologies, allowing all kind of packaging shapes with stable forms to be processed in reverse vending machines.
- All materials are potentially valid options, but should not be considered in isolation. A range of scope (products, material and/or format sizes) should be considered in more specific detail. For example the inclusion of glass, with no further exemptions for size or format would automatically include beer, wine and spirit bottles of all sizes, whereas it may be more appropriate to include only beer bottles of <500ml.
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#### b. Pouches and sachets, e.g. for energy gels

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**Neither**

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- It is likely that these types of products would have a high level of contamination
- All materials are potentially valid options, but should not be considered in isolation. A range of scope (products, material and/or format sizes) should be considered in more specific detail. For example the inclusion of glass, with no further exemptions for size or format would automatically include beer, wine and spirit bottles of all sizes, whereas it may be more appropriate to include only beer bottles of <500ml.
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**11. If a DRS were to be introduced, should provisions be made so that glass bottles can be re-used for refills, rather than crushed and re-melted into new glass bottles?**

**Neither**

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- Whilst this may improve the environmental impact for refilling glass, it is likely to cause additional costs to the system (for additional take back options, cleaning and sorting centres etc.) There would need to be a separate collection system for glass containers going to refill from those going for recycling and this is likely to cause additional confusion to consumers and mixing of the return streams.
- Retailers would be likely to also need to sort refillable bottles by brand for the return to the respective producer, which leads to additional space requirements for storage and processing that is likely not to be made available easily
- There are currently very few examples in the UK of refillable glass bottles and so the costs for providing this facility are likely to vastly outweigh any potential benefits.

**12. Should the following drinks be in-scope of a DRS:**

**a. Water**

**Neither**

**Please briefly state the reasons for your response. Where available, please share evidence to support your view.**

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- All products are potentially valid options, but should not be considered in isolation. A range of scope (products, material and/or format sizes) should be considered in more specific detail. For example the inclusion of glass, with no further exemptions for size or format would automatically include beer, wine and spirit bottles of all sizes, whereas it may be more appropriate to include only beer bottles of <500ml.
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### **b. Soft drinks (excluding juices)**

**Neither**

**Please briefly state the reasons for your response. Where available, please share evidence to support your view.**

- All products are potentially valid options, but should not be considered in isolation. A range of scope (products, material and/or format sizes) should be considered in more specific detail. For example the inclusion of glass, with no further exemptions for size or format would automatically include beer, wine and spirit bottles of all sizes, whereas it may be more appropriate to include only beer bottles of <500ml.
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### **c. Juices (fruit and vegetable)**

**Neither**

**Please briefly state the reasons for your response. Where available, please share evidence to support your view.**

- All products are potentially valid options, but should not be considered in isolation. A range of scope (products, material and/or format sizes) should be considered in more specific detail. For example the inclusion of glass, with no further exemptions for size or format would automatically include beer, wine and spirit bottles of all sizes, whereas it may be more appropriate to include only beer bottles of <500ml.
- Each option should be accompanied by a comprehensive cost/benefit analysis on all affected aspects (e.g. environmental, societal, economic etc.)
- The decisions on which materials, sizes, formats and products to include within a DRS should be based on the best available data and impact assessments on each option



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- The analysis should take into account wider policy decisions for example decisions on plastic tax, consistent collections (including possible loss of revenue) and EPR reform
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### d. Alcoholic drinks

Neither

**Please briefly state the reasons for your response. Where available, please share evidence to support your view.**

- All products are potentially valid options, but should not be considered in isolation. A range of scope (products, material and/or format sizes) should be considered in more specific detail. For example the inclusion of glass, with no further exemptions for size or format would automatically include beer, wine and spirit bottles of all sizes, whereas it may be more appropriate to include only beer bottles of <500ml.
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### e. Milk containing drinks

No

**Please briefly state the reasons for your response. Where available, please share evidence to support your view.**

- Dairy products should be excluded due to the potential hygiene issues posed

### f. Plant-based drinks (such as soya, rich almond and oat drinks)

No

**Please briefly state the reasons for your response. Where available, please share evidence to support your view.**

- Plant-based products should be excluded due to the potential for increased upfront cost to the consumer for a staple food

### g. Milk

No

**Please briefly state the reasons for your response. Where available, please share evidence to support your view.**

- Milk should be excluded due to the potential hygiene issues posed when returning containers and the potential for increased upfront cost to the consumer for a staple food

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**h. Other (please state which):**

### **13. Do you think disposable cups should be in the scope of a DRS?**

#### **a. Disposable cups made from paper with a plastic lining (such as those used for coffee)**

**Neither**

- We understand that the inclusion of certain materials, e.g. coffee cups, may lead to significant technical difficulties and increased costs for reverse vending machines. This should be taken into consideration in any impact assessment or cost benefit analysis
- It is likely that these types of products would have a high level of contamination
- It may be better to use other approaches to deal with coffee cups such as progressing with the voluntary National Coffee Cup recycling scheme
- All materials are potentially valid options, but should not be considered in isolation. A range of scope (products, material and/or format sizes) should be considered in more specific detail. For example the inclusion of glass, with no further exemptions for size or format would automatically include beer, wine and spirit bottles of all sizes, whereas it may be more appropriate to include only beer bottles of <500ml.
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#### **b. Disposable cups made of plastic (such as those used in vending machines)**

**Neither**

**Please briefly state the reasons for your response. Where available, please share evidence to support your view. The government is particularly interested in any evidence on whether or not it would be practical or cost effective to include disposable cups in the scope of a DRS.**

- We understand that the inclusion of certain materials, e.g. cartons, may lead to increased costs for reverse vending machines. This should be taken into consideration in any impact assessment or cost benefit analysis
- It is likely that these types of products would have a high level of contamination
- All materials are potentially valid options, but should not be considered in isolation. A range of scope (products, material and/or format sizes) should be considered in more specific detail. For example the inclusion of glass, with no further exemptions for size or format would automatically include beer, wine and spirit bottles of all sizes, whereas it may be more appropriate to include only beer bottles of <500ml.
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### 14. Do you agree with the proposed material flows as described above?

No

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- The diagram appears to show the same material going from the recycler back to the original producer or importer. This would only be the case in a buy-back system or where no virgin material was used. Therefore the material flow should only be shown to go to the recycler /exporter.

### 15. Do you agree with the proposed financial flows as described above?

No

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- We do not agree with the financial flows on the diagram as these appear to omit unredeemed deposits.

### 16. Should producers obligated under a DRS be:

**b. Also obligated under the reformed packaging producer responsibility system for the same packaging items?**

**Please briefly state the reasons for your response. Where available, please share evidence to support your view.**

- We think this topic needs further work and evaluation before a decision is made as there are many factors which need to be assessed and more detailed information on the proposed design of a DRS is needed.
- Obligating DRS material under both systems would allow data to be available under one system. It may also assist in ensuring there is consistent application of modulated fees under a harmonised modulated system. It may also assist with harmonisation of communication campaigns across the system.
- However if included under both systems it should be ensured that producers are only paying once, and there is no double-charging or double-counting of data, and that any modulated fees applied to DRS material take account of other fees being paid under DRS. Full net costs (under the applicable system) would need to be met for all packaging placed on the market under both systems, as per EPR minimum requirements.

### 17. If producers were obligated under both a DRS and a reformed packaging producer responsibility system for the same packaging items, how could we effectively ensure that they would not be unfairly disadvantaged by a 'double charge'?

**Please briefly state the reasons for your response. Where available, please share evidence to support your view.**

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- Please see response to question 16

### 18. Do you agree that the DMO should be responsible for meeting high collection targets set by government?

Yes

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- The DMO should be set targets by Government and penalties should be applied if the targets are missed. The targets should be set appropriately to contribute effectively to the overall national recycling targets, and any further targets which are set specifically by Government(s) for in scope products, for example in response to the collection targets due to be set under the European Single Use Plastic Directive.
- The Impact Assessment assumes an 85% collection rate is achieved in the first year that DRS is operational, however it is unlikely this will be achieved in the first years of operation, so an increasing target should be set. The minimum initial targets should correspond at least to current collection rates.

### 19. Should the DMO also be responsible for meeting high recycling targets set by government?

Yes

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- The DMO should be set targets by Government and penalties should be applied if the targets are missed. The targets should be set appropriately to contribute effectively to the overall national recycling targets, and any further targets which are set specifically by Government(s) for in scope products, for example in response to the collection targets due to be set under the European Single Use Plastic Directive.
- The Impact Assessment assumes an 85% collection rate is achieved in the first year that DRS is operational, however it is unlikely this will be achieved in the first years of operation, so an increasing target should be set. The minimum initial targets should correspond at least to current collection rates.

### 20. Should unredeemed deposits be used to part-fund the costs of the DRS system?

Yes

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- The costs of a DRS system are significantly increased if unredeemed deposits are not included in the system. It is also a requirement of the minimum EPR requirements that EPR systems meet the full net costs of the system, which would include both revenue sales and unredeemed deposits. In a well-functioning DRS the level of unredeemed deposits should be low. Using the information in the Impact Assessment, and based on a 15p deposit and 85% collection rate, the financial value of unredeemed deposits may be approximately £500mn/annum.
- The consultation document does not explain how the Exchequer would use any unredeemed deposits. Unredeemed deposits should be retained within the collection and recycling system. For example, any unredeemed deposits could be used to invest in recycling infrastructure within the UK, in line with Government requirements.
- Valpak is aware of some example schemes where the unredeemed deposits are not used within the system and have resulted in issues with their operation:

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- Connecticut - <https://ctmirror.org/category/ct-viewpoints/fix-the-broken-bottle-bill-before-expanding-it/>
- New South Wales – unredeemed deposits have been collected by the waste operators <https://www.theaustralian.com.au/nation/politics/waste-facilities-exploiting-nsw-return-and-earn-scheme/news-story/50e3856f2840715323e25ddcc71a2b26>

**21. If unredeemed deposits are not used to part-fund the costs of the DRS system, do you agree they should be passed to government?**

No

Please briefly state the reasons for your response. Where available, please share evidence to support your view

- Please see response to question 20.

**22. Do you have alternative suggestions for where unredeemed deposits could be allocated?**

- Please see response to question 20.

**23. If the scheme is managed by the DMO, which of the following bodies should be represented on the management board:**

e. Other (please specify)

Please briefly state the reasons for your response. Where available, please share evidence to support your view.

- We would suggest that the DMO should be owned by those who are required to fund and operate the system, combined with a wider stakeholder group to govern the system. The DMO should be not for distribution as opposed to not-for-profit due to the way the systems can function i.e. it may be possible for the system to generate operating profits one year which are then offset against costs in the following year, however profits should be maintained within the system.

**24. Should there be government involvement in the set-up/running of the DMO body?**

Yes

Please briefly state the reasons for your response. Where available, please share evidence to support your view.

- Government would be involved in the set-up of the system as the legal requirements of the system would be implemented via legislation
- Government should also be required to maintain certain powers with regards to the system, for example imposing target requirements and enforcement action where targets or other strategic outcome requirements are missed
- Government should also maintain the power to review the operation of the system. For example this may include providing a period of time for the DMO to address any operational or performance issues after which Government has the ability to step in more directly.
- Setting of the deposit fee level should primarily be the responsibility of the DMO however it may be appropriate for Government to set an appropriate range which would require approval if the DMO wished to go beyond.
- Day-to-day operation of the system should be completed by the governing body and other relevant stakeholders

# Consultation on introducing a Deposit Return Scheme in England, Wales and Northern Ireland

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## Valpak Draft Response

### 25. Do you agree with the government's proposals that a DMO would:

#### a. Advise government on the setting of the deposit level/s

Yes

Please briefly state the reasons for your response. Where available, please share evidence to support your view

- Please see response to question 24

#### b. Set producer/importer fees

Yes

Please briefly state the reasons for your response. Where available, please share evidence to support your view

- Day-to-day operation of the system should be completed by the DMO. This would include setting producer and importer fees at a level to ensure full net cost requirements are met
- The DRS should have strict governance rules and procedures owing to the level of finance which is likely to be flowing through the system at any one time

#### c. Be responsible for tracking deposits and financial flow in the DRS – and ensuring those running return points are paid the deposits they refund to consumers

Yes

Please briefly state the reasons for your response. Where available, please share evidence to support your view

- Day-to-day operation of the system should be completed by the DMO
- The DRS should have strict governance rules and procedures owing to the level of finance which is likely to be flowing through the system at any one time

#### d. Set and distribute the handling fees for return points

Yes

Please briefly state the reasons for your response. Where available, please share evidence to support your view

- Day-to-day operation of the system should be completed by the DMO
- The handling fee should be based on the collection type and therefore the quality of the collected material
- Variation of the fee payable may also be required
- Handling points should be reimbursed for their activities, including any lost floor space and staff time
- The DRS should have strict governance rules and procedures owing to the level of finance which is likely to be flowing through the system at any one time
- Handling fees should be set at such a level to encourage participation in the scheme, even by those who are not direct retailers, such as on the go locations including transport hubs, offices, universities etc.

#### e. Be responsible for ensuring that there are appropriate return provisions for drinks containers in place, and that these are accessible?

Yes

- Day-to-day operation of the system should be completed by the DMO

# Consultation on introducing a Deposit Return Scheme in England, Wales and Northern Ireland

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## Valpak Draft Response

- The success of the scheme is likely to be reliant on there being appropriate and accessible return locations, with clear communication to consumers on what is required
- It may be appropriate for the managing body to let contracts for supporting activities to other public or private commercial operators to provide some of the functions and activities which are required

### **f. Be responsible for maintenance of reverse vending machines (RVMs) and provision of bags/containers to those running manual return points**

Yes

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- Day-to-day operation of the system should be completed by the DMO
- The success of the scheme is likely to be reliant on there being appropriate and accessible return locations, with clear communication to consumers on what is required
- It may be appropriate for the managing body to let contracts for supporting activities to other public or private commercial operators to provide some of the functions and activities which are required

### **g. Own the material returned by consumers**

Yes

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- It is very important that the income from sales of material should be retained within the system and offset against the operating costs. This is in line with the Extended Producer Responsibility minimum requirements, as outlined in the Circular Economy Package updates to the Waste Framework Directive (Directive 2008/98/EC of the European Parliament and of the Council) on waste and repealing certain Directives), which require extended producer responsibility systems to ensure coverage of full net costs. The same would apply for the value of any unredeemed deposits
- The revenues could also be used to promote the scheme to consumers to maximise participation
- The material should not be owned by any one specific part of the supply chain, as this may distort operation

### **h. Reimburse those transporting returned drinks containers to recyclers/counting/sorting centres – and manage these contracts**

Yes

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- Day-to-day operation of the system should be completed by the DMO
- It may be appropriate for the managing body to let contracts for supporting activities to other public or private commercial operators to provide some of the functions and activities which are required

### **i. Fund counting sorting/centres – and manage the contracts for counting/sorting centres**

Yes

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- Day-to-day operation of the system should be completed by the DMO

# Consultation on introducing a Deposit Return Scheme in England, Wales and Northern Ireland

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## Valpak Draft Response

- It may be appropriate for the managing body to let contracts for supporting activities to other public or private commercial operators to provide some of the functions and activities which are required

### **j. Be legally responsible for meeting the high collection targets set by government for drinks containers within scope of the DRS.**

Yes

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- The scheme should be obligated to meet minimum targets, with penalties applied if the targets are missed.
- Please see response to questions 18 and 19

### **k. Measure and report recycling rates to government**

Yes

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- The scheme should be obligated to meet minimum targets, with penalties applied if the targets are missed.
- Please see response to questions 18 and 19

### **l. Run communications campaigns to aid consumer understanding of the DRS**

Yes

**Please briefly state the reasons for your response. Where available, please share evidence to support your view.**

- Day-to-day operation of the system should be completed by the DMO
- It may be appropriate for the managing body to let contracts for supporting activities to other public or private commercial operators to provide some of the functions and activities which are required
- If material is also obligated under EPR then consumer communication campaigns could be harmonised

### **26. Do you agree with our proposed definition of a producer?**

Yes

**Please briefly state the reasons for your response. Where available, please share evidence to support your view.**

- The definition should include producers which manufacturer under their own name or trademark or resells products under their own name or trademark but which are produced by other suppliers. The definition of a producer under the Waste Electrical and Electronic Equipment Regulations 2013 (as amended) includes aspects referring to brand ownership and may be a useful model
- The producer's role and other key responsibilities under the system should be clear

### **27. Should there be a de minimis which must be crossed for producers and importers of drinks in-scope of a DRS to be obligated to join the scheme?**

No

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**



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## Valpak Draft Response

- All drinks in scope of the DRS and placed on the market should be included in the scheme, and labelled appropriately

**28. Should a de minimis be based on:**

**d. None of these**

**29. If there is a buy back scheme for recycled materials, do you have evidence for how this could be effectively run?**

- It is likely that the material would achieve a better price on the open market, as opposed to a closed buy-back scheme
- It is more economically efficient, and fairer, to allow the material to be sold on the open market
- However it would also make sense to allow producer participants within the DRS first call on access to the collected material at commercial rates, with rates set according to market place information

**30. In line with the principle of full net cost recovery, the government proposes that producers would cover the set up costs of the DMO? Do you agree with this proposal?**

**Yes**

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- Extended Producer Responsibility systems are required to meet the full net costs of the system. This would include costs for setting up the system
- It should however be ensured that the costs are full net costs, i.e. take into account material sales and unredeemed deposits
- The DRS should have strict governance rules and procedures owing to the level of finance which is likely to be flowing through the system at any one time

**31. Should the DMO be responsible for co-ordinating the set-up of the DRS, including buying RVMs and an IT system?**

**Yes**

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- Day-to-day operation of the system should be completed by the DMO
- It may be appropriate for the managing body to let contracts for supporting activities to other public or private commercial operators to provide some of the functions and activities which are required
- The DRS should have strict governance rules and procedures owing to the level of finance which is likely to be flowing through the system at any one time

**32. Should producers of drinks within a DRS be responsible for DRS operational costs?**

**Yes**

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- Extended Producer Responsibility systems are required to meet the full net costs of the system. This would include costs for setting up the system

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## Valpak Draft Response

- It should however be ensured that the costs are full net costs, i.e. take into account material sales and unredeemed deposits
- Day-to-day operation of the system should be completed by the DMO
- It may be appropriate for the managing body to let contracts for supporting activities to other public or private commercial operators to provide some of the functions and activities which are required
- The DRS should have strict governance rules and procedures owing to the level of finance which is likely to be flowing through the system at any one time

### 33. Which of the following should be obligated to host a return point?

**a. Retailers who sell drinks containers in scope**

**b. Transport hubs**

**c. Leisure centres**

**d. Event venues**

**f. Other (please specify)**

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- The success of the scheme is likely to be reliant on there being a range of appropriate and accessible return locations, with clear communication to consumers on what is required
- Further on the go return points should be considered (for both models), for example universities, large offices, high streets, out-of-town shopping centres,
- Consumers may want to bring back one container, several containers, or a large number of containers at a time so there should be points which can accommodate all of these options
- It may not be practical for all retailers which sell drinks to host a return point due to floor space restrictions or amount of resource required. We would suggest a de minimis level should be applied with an option for stores under the de minimis level to voluntarily host a return point. Strategic mapping of return points, for example where there are several retailers, could also be considered

### 34. What might the impacts be on those hosting:

**(a) Reverse vending machines? Where available, please share evidence to support your view.**

**(b) Manual return points? Where available, please share evidence to support your view.**

- Space to collect containers, either for the RVM or the manual return point
- Additional staff time
- Administration burdens
- Requirements if RVM breaks down
- Possible health and safety impacts depending on the DRS scope
- Security – possible increased risks of theft and damage if larger quantities of deposit material are stored before returning to sorting centres
- The handling fee should be based on the collection type and therefore the quality of the collected material; a higher fee for material which is sorted and crushed and a lower fee for manual collection which is unsorted.
- Variation of the fee payable is also likely to be affected by the material type
- Retailers should be reimbursed for their activities, including any transportation, staff time and storage.

### 35. Are there any Health and Safety-specific implications that may be associated with hosting return points?

# Consultation on introducing a Deposit Return Scheme in England, Wales and Northern Ireland

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## Valpak Draft Response

- The health and safety implications would depend on the DRS scope. There may be health and safety implications for example if glass is included in scope, particularly where there are manual return points. The inclusion of dairy products may also lead to health and safety implications, again which are likely to have a particular impact where there are manual return points.
- Security – possible increased risks of theft and damage or risk to staff if large quantities of deposit material are stored

### **36. Is there a de minimis level under which businesses who sell drinks in scope should be exempt?**

Yes

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- It may not be practical for all retailers which sell drinks to host a return point due to floor space restrictions or amount of resource required. We would suggest a de minimis, based on floor space, should be applied with an option for stores under the de minimis level to voluntarily host a return point. Strategic mapping of return points, for example where there are several retailers, could also be considered

### **37. Should a de minimis be based on:**

#### **a. Floor size**

##### **i. If yes, what floor size?**

- Small retailers should be excluded from the requirement to take back, but should be able to voluntarily “opt-in”
- The de minimis should be aligned where possible with existing commonly understood criteria, for example the Sunday Trading Act (280m<sup>2</sup>), although we recommend that further work be done to test the practicalities of this.
- Basing a de minimis on sales may lead to practical difficulties for businesses, especially smaller businesses, as they may not be able to easily identify their drinks sales figures from total sales figures.
- Basing a de minimis on staff numbers may lead to practical difficulties for businesses, especially smaller businesses, as it would be likely to need to be based on full-time-equivalent
- Further considerations should also be made regarding drinks delivered from vending machines.

### **38. Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- Please see response to question 37

### **39. Do you have alternative suggestions for return provisions that could be used to accept the return of drinks containers? Please provide details.**

- In the Norway system, in more rural locations, charities can arrange collection of DRS-bearing containers and return the containers to the system and keep the deposits

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## Valpak Draft Response

- Local Authorities may still collect a certain amount of DRS-bearing containers, so a system whereby Local Authorities can claim a certain amount of deposit back could also be considered. It is unlikely to be operationally practicable for this to be individually counted, but a sampling exercise could be undertaken and protocols agreed

### **40. For consumers who would have difficulty returning empty drinks containers, what provisions could be put in place so that these consumers are able to return drinks containers and receive their deposit refund?**

- The success of the scheme is likely to be reliant on there being appropriate and accessible return locations
- The comprehensive range of return points we have suggested should be convenient for the vast majority of consumers combined with the option to use their Local Authority kerbside collections.
- It is inevitable that there may be some consumers, for example with mobility restriction, who would find it difficult to participate and obtain refunds.

### **41. What provisions could be put in place for rural areas where there may be few small retail outlets spread over a wider area, in order to ensure that there are adequate return and collection facilities?**

- In the Norway system, in more rural locations, charities can arrange collection of DRS-bearing containers and return the containers to the system and keep the deposits
- By including small retail outlets in the system, the collection network should be closely aligned with the supply chain. As a minimum, consumers should be able to deposit their used containers at the same location they use for purchase of supplies
- Consumers may want to bring back one container, several containers, or a large number of containers at a time so there should be points which can accommodate all of these options

### **42. Do you have evidence that would help inform us about whether there is potential for siting RVMs outdoors e.g. in parks, at existing outdoor recycling centres, on highstreets?**

- No

### **43. Should online retailers selling drinks in in-scope containers be obligated to pick up and refund DRS material?**

Yes

**Please briefly state the reasons for your response. Where possible, please provide supporting information.**

- Online retailers should be included in take back requirements; the exact details of how this can be achieved require further investigations
- Online retailers should be required to pay into the DRS on the same terms as other producers where applicable

### **44. Should there be a de minimis under which online retailers would not be obligated to pick up and refund DRS material?**

Yes

**If yes, should a de minimis for online retailers be based on:**

**a. Sales figures for drinks in scope**

**b. Number of employees**

- If the retailer is online only, then the de minimis could apply to either sales figures for in scope drinks, or alternatively number of employees.

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## Valpak Draft Response

**45. Should certain businesses which sell drinks in in-scope drinks containers host return points, e.g. pubs, hotels, cafes? Please provide details.**

Neither

**Please briefly state the reasons for your response. Where possible, please provide supporting information.**

- The specific practicalities need further consideration, for example depending on the scope of the DRS there may be further health and safety considerations for locations where food preparation is also taking place, however there are also many larger retailers which would be expected to provide return points, but which also operate cafes on site. It is likely that clear and detailed guidance will be required.
- It may be possible for businesses such as hotels, pubs and cafes to “opt-in” voluntarily
- The success of the scheme is likely to be reliant on there being appropriate and accessible return locations, with clear communication to consumers on what is required

**46. Should there be an opportunity for retailers that don't stock drinks / those who may not be obligated to provide a return point to 'opt-in'?**

Yes

**Please briefly state the reasons for your response. Where possible, please provide supporting information.**

- The specific practicalities may need further consideration
- Depending on the scope of the DRS there may be further health and safety considerations for locations where food preparation is also taking place
- It may be possible for businesses which do not stock drinks to “opt-in” voluntarily
- The success of the scheme is likely to be reliant on there being appropriate and accessible return locations, with clear communication to consumers on what is required
- This could help improve the provision of on the go return points, such as large offices, shopping centre management companies etc.

**47. Do you have any further views, comments or evidence in relation to retailers not already covered above?**

- No response

**48. How should a DRS account for 'on-trade' sites such as bars and restaurants**

- Please see response to question 45

**49. What do you consider to be the optimum deposit level to incentivise return of drinks containers?**

- Our evidence from other countries is that a deposit level of between £0.10 and £0.20 is necessary to encourage high return rates.
- It may be appropriate to set a range within which the management organization can set the fee depending on performance although frequent changes should be avoided
- The deposit should be set at a rate that will ensure the objectives are met, but not so high as to encourage fraud
- Setting of the deposit fee level should primarily be the responsibility of the DMO however it may be appropriate for Government to set an appropriate range which would require approval if the DMO wished to go beyond.

**50. Should the deposit level be a flat rate across all drinks containers covered by the DRS?**

Yes

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## Valpak Draft Response

Please briefly state the reasons for your response. Where available, please share evidence to support your view

- All containers within the system should hold the same level of deposit, however it may be useful for this to be variable within specified limits and conditions if required – see Q49.
- This would ease both administration and consumer understanding of the system

**51. Should there be an alternative deposit level for drinks containers in a multipack, rather than each container carrying the same deposit?**

No

Please briefly state the reasons for your response. Where available, please share evidence to support your view

- All containers within the system should hold the same level of deposit, however it may be useful for this to be variable within specified limits and conditions if required – see Q49.
- This would ease both administration and consumer understanding of the system

**52. How do you think deposits should be redeemed? Please tick all that apply.**

a. Voucher (for deposit value, printed by the reverse vending machine or by the retail assistant at manual drop-off points)

b. Digitally (for example a digital transfer to a smartphone application)

c. Cash

d. Return to debit card

e. Option to donate deposit to charity

Please briefly state the reasons for your response. Where available, please share evidence to support your view.

- This will require further work with the sector but is likely to require a range of options. It will be important to ensure sufficient flexibility so that any groups of society are not excluded, for example those that do not use digital media
- Return either digitally or to a debit card would require a high level of data security of any app. Used
- Fraud prevention measures need to be taken into consideration in any of these solutions

**53. Should the DMO be responsible for ensuring that there is evidence that drinks containers have been recycled?**

Yes

Please briefly state the reasons for your response. Where available, please share evidence to support your view.

- Day-to-day operation of the system should be completed by the DMO
- It may be appropriate for the managing body to let contracts for supporting activities to other public or private commercial operators to provide some of the functions and activities which are required, including any data reporting required
- This will also be linked to ensuring there are actions in place to reduce fraud within the system

**54. In addition to reporting on collection rates, should the DMO also be obliged to report on recycling rates of in-scope drinks containers?**

Yes

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## Valpak Draft Response

Please briefly state the reasons for your response. Where available, please share evidence to support your view.

- Day-to-day operation of the system should be completed by the DMO
- It may be appropriate for the managing body to let contracts for supporting activities to other public or private commercial operators to provide some of the functions and activities which are required, including any data reporting required
- This will also be linked to ensuring there are actions in place to reduce fraud within the system
- The DMO should be set targets by Government and penalties should be applied if the targets are missed. The targets should correspond to the overall national targets, and where applicable, any further targets which are set specifically for in scope products, for example the collection targets due to be set under the European Single Use Plastic Directive.

### 55. How do you think transparent financial flows in a DRS could be achieved most effectively?

Please explain your answer, providing evidence where available.

- The DMO should have strict governance rules and procedures owing to the level of finance which is likely to be flowing through the system at any one time
- The DMO should be required to report on the use of its funding as transparently as possible to participating producers at least annually, whilst respecting any necessary commercial confidentialities. This should include audited accounts and signed by a competent authority

### 56. Would Environment Agencies in England, Wales and Northern Ireland be best placed to monitor/enforce a DRS covering England, Wales and Northern Ireland?

If no, why and is there another body that would be better suited to perform this function?

Yes

Please explain your answer.

- The Environmental enforcement bodies would be well placed to monitor and enforce a DRS in England, Wales and Northern Ireland, however a certain amount of monitoring should also be completed by the DMO.

### 57. How frequently should the DMO be monitored?

(This monitoring would look at, i.e., financial accounts, material flows, proof of recycling rates, setting of deposit level (if done by the DMO))

- Other (please specify)

- How frequently the DMO would be monitored may depend on:
  - What was being monitored, for example certain reporting may not be available until the end of the financial year
  - How mature the system is; at the set up stage increased monitoring may be required
  - Whether the DRS is meeting targets or if enforcement action has been required

### 58. How often should producers be checked for compliance with the DRS (if compliance is obligated)?

- Other (please specify)

- This will be for the enforcement agencies to determine. How frequently producers would be monitored may depend on:

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## Valpak Draft Response

- What was being monitored, for example certain reporting may not be available until the end of the financial year
- How mature the system is; at the set up stage increased monitoring may be required, especially to ensure reporting is as accurate as reasonably possible
- Whether the producer has required previous enforcement action to be taken

### 59. Should enforcement focus on:

#### a. A sample of producers?

#### b. All producers?

- Enforcement can only ever be practical over a sample of producers, but it may be possible to target this to particular sectors or products as appropriate and vary over time. How many producers are monitored may depend on a number of factors, for example the maturity of the DRS. At the beginning of the system monitoring efforts may be required for all producers, and this could then be reduced over time
- Initially a significant communication campaign amongst producers is likely to be necessary to inform them of the requirements and this could be facilitated by relevant Trade Associations

### 60. Should any penalties (fines) on the DMO or producers/importers be set by the regulator appointed to monitor the DMO?

Yes

Please briefly state the reasons for your response. Where available, please share evidence to support your view.

- This would appear to be a sensible approach
- Penalties should be set at a rate which incentivises compliance

### 61. Are there any points in the system which you think would be particularly susceptible to fraud? Please state

- If there is not a UK-wide approach, then cross border issues could be a particular point of risk for fraud
- Un-manned machines with no additional security, such as CCTV, are likely to be more at risk of fraudulent activity
- Manual return points may be more susceptible to fraud, particularly with no additional security such as CCTV
- If local authorities are able to redeem deposits, this could be a susceptible area to fraud by those within the collection of this material from households
- Direct or 'grey' imports of product or material from other countries

### 62. Which labelling/markings on drinks containers in scope would best protect against fraud?

Please select all that apply:

#### a. Deposit value amount

#### c. Existing product barcode (containing DRS information when scanned)

#### d. Other (please specify)

Please explain your answer. We are particularly interested in evidence of effective fraud prevention in existing DRS systems.

- Reliance on bar codes alone is unlikely to be a secure solution as these are relatively easy to duplicate and print



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## Valpak Draft Response

- The use of high security labelling is likely to provide the best protection against fraud, but the decision to use this type of technology would need to be fully assessed in a cost benefit analysis
- Our evidence from other countries indicates that fraud can be a large cost to the system (multi-million euro incidents reported in Germany for example), but there is likely to be a tipping point at which the cost of adding labels outweighs the cost of fraud to the system
- The deposit level should be set at a rate that will ensure the objectives are met (i.e. by increasing recycling rates by encouraging consumers to return containers to the system) but not so high as to encourage fraud
- In addition we recommend that a simple and clear visible marking be designed and made mandatory for all 'in scope' products so that consumers can easily identify whether or not they have paid a deposit on a particular container
- Whether to tolerate or mitigate fraud depends on the cost of investment in anti-fraud measures relative to the value of avoided fraud. This is a key economic consideration for producers regarding costs and should be included in the economic analysis.

### **63. How could return via reverse vending machines (RVMs) best be protected against fraud? We are particularly interested in any evidence you may have to support suggestions.**

- We would assume that most of these points would be within retailer sites, or other public places such as train stations and other transport hubs, and therefore some existing security measures would already be in place, e.g. CCTV
- If there are likely to be any machines in open public spaces then further additional security measures, such as the installation of CCTV, may need to be considered
- The use of high security labelling is likely to provide the best protection against fraud, but the decision to use this type of technology would need to be fully assessed in a cost benefit analysis
- Our evidence from other countries indicates that fraud can be a large cost to the system (multi-million euro incidents reported in Germany for example), but there is likely to be a tipping point at which the cost of adding further security measures outweighs the cost of fraud to the system
- We have contacts who have developed novel approaches to high security labelling at potential reasonable cost vs the benefits in Germany and would be happy to introduce these if appropriate.

### **64. How could the process of manual returns best be protected against fraud? We are particularly interested in any evidence you may have to support suggestions.**

- We would assume that most of these points would be within retailer sites, or other public places such as train stations and other transport hubs, and therefore some existing security measures would already be in place, e.g. CCTV
- The use of high security labelling is likely to provide the best protection against fraud, but the decision to use this type of technology would need to be fully assessed in a cost benefit analysis
- Our evidence from other countries indicates that fraud can be a large cost to the system (multi-million euro incidents reported in Germany for example), but there is likely to be a tipping point at which the cost of adding further security measures outweighs the cost of fraud to the system
- We have contacts who have developed novel approaches to high security labelling at potential reasonable cost vs the benefits in Germany and would be happy to introduce these if appropriate.

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## Valpak Draft Response

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**65. How could a DRS best protect against fraud across Devolved Administrations in the event of similar schemes with common underlying principles (but not one uniform scheme)?**

- Please see response to question 62

**66. Should drinks containers over a certain size, for example beer kegs and containers used for water coolers, be excluded from an all-in DRS?**

Yes

**Please state the reasons for your response. Where available, please share evidence to support your view**

- It is unlikely that these types of containers would be consumer-facing
- A flat rate DRS fee would be unlikely to be large enough (in comparison with the cost of the product) to encourage a change of behaviour

**67. If drinks containers over a certain size were excluded from an all-in DRS, what should the maximum cut-off size be?**

> 5 Litres

Other

There should be no maximum size cut-off

**Please state the reasons for your response. Where available, please share evidence to support your view**

**68. Do you agree with our definition of 'on-the-go' as less than 750mls in size?**

Neither

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- We broadly agree with the consultation definition of on-the-go, however it may be more appropriate to consider setting the limit at <500ml so that large numbers of glass beer bottles are excluded as these are less likely to be littered than other containers (depending on whether glass is included at all).
- In any event the definition should apply to drinks sold singly and exclude multi-packs
- The definitions used in Valpak work are:
  - OTG is defined by the location in which (drinks) containers are disposed or littered, which is considered to be in a public space, such as on the street, at a station, at an airport, etc.
  - Away from Home is defined as any consumer-type packaging disposed of outside of the household (this therefore includes OTG packaging but also that disposed of in offices, events etc.)
- It is useful to include a container size cut-off in this definition

**69. Do you agree with our definition of 'on-the-go' as excluding multipack containers?**

Yes

**Please briefly state the reasons for your response, including in which cases multipack containers should not be excluded from our definition of 'on-the-go'. Where available, please share evidence to support your view**

- Excluding multipacks ensures that only single format containers are in scope, making the scope to consumers clear

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**70. Based on the information above, and where relevant with reference to the associated costs and benefits outlined in our impact assessment (summarised below), which is your preferred DRS option?**

**Neither**

**Please state the reasons for your response. Where available, please share evidence to support your view**

- We do not have a model preference, however any model should:
  - Ensure the basic principles are implemented
  - Fully understand the costs and implications of introduction of a DRS
  - Be transparent in the levels of collection and recycling which can be achieved
- Please also see our response to question 71 regarding the Impact Assessment

**71. Do you agree with our impact assessment?**

**No**

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- We have included below a number of points which we believe should be taken into consideration when assessing the economic analysis included in the Impact Assessments. It should be noted that we have included comments which relate not only to the DRS Impact Assessment, but also to the Packaging Reform (EPR) consultation Impact Assessment, as this also specifically includes DRS scenarios.

### Baseline assumptions

- The DRS Impact Assessment (IA) benefits and costs should be assessed against a modelled baseline, using consistent assumptions and approaches to allow transparent comparison between scenarios.
- DRS IA baseline has assumed there to be no changes over 2023 to 2032 (Placed On the Market (POM), recycling rates, targets, Plastic Pact etc.). The EPR Packaging Reform IA baseline assumes consistency in materials collected, and collection systems has been implemented.
- Across the IAs which accompany the packaging consultations and consider DRS there are substantially different estimates of the economic impacts of DRS depending on the modelling assumptions and the assumptions in the baseline. For example, the DRS schemes in the DRS IA show positive societal net present values, however in the EPR IA the all-in DRS shows a societal net cost (-£243mn) compared to a societal net benefit of £2,189mn in the DRS IA. The differences largely relate to inclusion or not of litter disamenity impacts.

### Benefits and costs

- IAs should monetise and include all relevant benefits and costs such as:
  - Loss of revenue to LAs from materials captured by DRS
  - Savings to LAs from management of packaging material diverted to DRS
  - Indirect benefit to reprocessors of higher quantity & quality DRS materials, this also needs to consider the quality and value of packaging recovery as a whole
  - Impact on consumers of lost deposits and deposit rates on consumer purchasing behaviour
  - Inconvenience cost to consumers of having to return materials, time and effort required to sort and get DRS containers back to return points is an inconvenience cost for consumers
  - Consideration of impacts on retailers' sales space and staff time to manage in-store returns relative to UK/England retail businesses, and impacts on foot fall (and sales) for small business premises without return points
  - Impact on WMC, sorters, MRFs/PRFs etc. from loss of material diverted to DRS from municipal collection systems

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- Economic assessment of fraud prevention. Whether to tolerate or mitigate fraud depends on the cost of investment in anti-fraud measures relative to the value of avoided fraud. This is a key economic consideration for producers regarding costs and should be included in the analysis.

### Deposit and return rate

- There is no causal link between a deposit at 15 pence and achieving a return rate of 85%. We agree that setting the deposit level is a balance between encouraging participation and discouraging fraud, and that a single rate for all in-scope containers is operationally simpler and limits format switching.
- The IA includes discussion of international experience used to establish a deposit and a return rate (Section 5, charts 1 and 2). We note the containers size thresholds do not match those in the modelled DRS scenarios. For containers >500ml, there are approximately 4 data points around a deposit of 15p, all below 85% return rates. For containers <500ml, there are 3 or 4 data points around a deposit of 15p, all with above 85% return rate.
  - We agree that exactly how much we can read across from international DRS experience to England / the UK is subject to uncertainty due to the differences in the design of the DRS systems, the time and context in which they were introduced, the data on collection/recycling rates, the way in which waste management systems work, and the cultural differences. We note that the Norwegian experience has been to set a higher deposit at 20-30p and welcome further research and evidence gathering in this area.
- DRS scenarios should consider a phased-in achievement of target for container return rates

### Material prices and impact to Local Authorities (LAs)

- DRS IA estimates revenue materials loss and value to LAs (all-in: £31mn; on the go: £8mn). These are assumed to be a transfer to the DMO and are not included in the IA.
- We note different assumptions on materials prices are made across the separate IAs.
- Regarding the modelling of revenues, the materials prices used are adjusted for sortation costs but it appears odd that the aluminium cans price used is £72/t versus market prices of approximately £1000/t for aluminium cans.

### Return points

- There would likely be fewer manual return points required in an on the go DRS, i.e. not all convenience stores (as modelled), although there is likely be more emphasis on RVM return points in an on the go system

### Litter

- The IA assumption is that with an 85% return rate in-scope materials littered will reduce by approximately 85%, and this leads to a large cost benefit estimate. There is a contradiction between the assumptions as reported in the DRS consultation document and the IA. The DRS consultation document states ‘... meeting a 90% collection rate by 2030 (this would be 85% collected through a DRS, with an additional 5% expected to be recovered through kerbside collection)’. In the IA modelling it is assumed that 70% (the baseline container recycling rate) of the DRS containers not captured by DRS are collected by kerbside with the remainder either being littered or in the residual stream. Therefore, the overall capture of DRS containers is 95.5%.
- Furthermore, in the EPR IA DRS scenarios given the baseline recycling rates at 70% for all-in DRS materials and 54% for on the go materials, modelled additional recycling coming from residual/litter

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reduction amounts to 51% of baseline in the all-in scenario and 67% in the on the go scenario. This calculation should be reassessed and corrected.

- It should also be noted that the use of 54% recycling of on the go materials appears to have been incorrectly quoted from the Valpak/WRAP Drinks Recycling On The Go report. This value comes from the consumer survey which is subsequently revised down based on wider evidence to between 5% and 9% (see section 3.5 Drinks Disposal, available here <https://www.valpak.co.uk/information-zone/reports/material-flow-reports>.) The use of a 54% recycling rate as the baseline for on the go materials substantially understates the modelled incremental improvement in the on the go recycling rate following the introduction of an OTG DRS.
- The DRS IA scenarios are assumed to capture all baseline recycling of in-scope materials which implies consumers are indifferent (in terms of time and effort) between using kerbside systems and return points. For some consumers the deposit is not sufficient compensation and DRS materials will be captured in kerbside systems.
- The estimates of litter disamenity and reductions in litter disamenity are huge and implausible. For example, the estimated benefit (reduction in litter disamenity) is £986mn, a huge multiple of the estimate of the cost of UK litter collection. By implication an implausibly large benefit and implied benefit-cost ratio from public investment in litter collection.
- The litter disamenity impact estimated is subject to substantial uncertainty. It is scaled up from only 591 households (in London, Manchester & Coventry) to 27.2mn UK households. The IA modelling extrapolates the study findings to quite different price point, annualises the figure, and then scales to the UK. Our analysis based on the figures provided by the original study show substantially lower benefits of reductions in litter disamenity. As a result, societal net present values are: DRS All in NPV - £4,410mn, on the go DRS -£1,894mn, both indicate substantial societal net costs versus substantial societal net benefits reported in the DRS IA.
- We note that the EPR IA DRS scenarios don't attempt to monetise litter disamenity or to monetise the direct cost of litter and obtain substantially different estimates of the net societal benefits of DRS
- Robust figures for the UK cost of packaging litter (and by DRS materials in scope) don't exist. The modelling considers count and weight based fractions but then arbitrarily takes an average of these as the best estimate. The analysis scales Zero Waste Scotland estimates of Scotland litter costs to the UK, this is subject to substantial uncertainty due to the very different geographies, population densities and potential for economies of scale.
- While introduction of DRS may have an impact on quantity of littered in-scope materials, there is limited evidence on the potential for reduction in litter costs by LAs as there would still be a need for crews to go out collecting non-drinks items littered and remaining drinks containers that are littered

### DMO

- The DMO proposed is operated on a not for profit basis, we advocate not-for-distribution to allow for operational smoothing of surplus/deficits particularly in the light of (expected) commodity price volatility. Break even as implied by a not for profit however does not imply low system cost (cost to producers) or overall economic efficiency.
- The DMO is essentially a monopoly operator, the nature and level of penalties for not meeting performance targets are not specified or discussed in the IA. And, it is by far from automatic (as assumed) that high return rates incentivise efficient operation of the DMO.

### Unredeemed deposits

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- The DRS IA suggests the deposit should be set appropriately at levels which do not affect consumer purchasing behaviour. Unredeemed deposits to the HM Treasury are £500mn a year, the IA dismisses these impacts as minor but there should be detailed analysis of this included.
- We are also aware of a new economic briefing paper by Christopher Snowden of the Institute of Economic Affairs, “A Load of Rubbish? Introducing a Deposit Return Scheme to the UK”, which may provide some useful independent analysis (available here: <https://iea.org.uk/publications/a-load-of-rubbish-introducing-a-deposit-return-scheme-to-the-uk/>)
- We have also produced a short summary of the possible implications of this report to costs and benefits, which accompanies this consultation response and can be found here: <https://www.valpak.co.uk/information-zone/packaging-reform>

### 72. Do you think more data is needed? If yes, please state where.

Yes

Please briefly state the reasons for your response. Where available, please share evidence to support your view

- We have indicated in our response to question 71 a number of areas where the IA required re-assessment or is inconsistent.

### 73. Are there other costs and benefits which we have not covered in our impact assessment?

- Yes. We have indicated in our response to question 71 a number of areas where the IA required re-assessment or is inconsistent
- We are also aware of a new economic briefing paper by Christopher Snowden of the Institute of Economic Affairs, “A Load of Rubbish? Introducing a Deposit Return Scheme to the UK”, which may provide some useful independent analysis (available here: <https://iea.org.uk/publications/a-load-of-rubbish-introducing-a-deposit-return-scheme-to-the-uk/>)
- We have also produced a short summary of the possible implications of this report to costs and benefits, which accompanies this consultation response and can be found here: <https://www.valpak.co.uk/information-zone/packaging-reform>

### 74. Do you have further comments on our impact assessment? Please be specific.

- Yes. We have indicated in our response to question 71 a number of areas where the IA required re-assessment or is inconsistent.
- We are also aware of a new economic briefing paper by Christopher Snowden of the Institute of Economic Affairs, “A Load of Rubbish? Introducing a Deposit Return Scheme to the UK”, which may provide some useful independent analysis (available here: <https://iea.org.uk/publications/a-load-of-rubbish-introducing-a-deposit-return-scheme-to-the-uk/>)
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**75. The dual objectives of a DRS are to reduce litter and increase recycling. Do you wish to suggest an alternative model that would be more effective at achieving these objectives? If so please briefly describe it, making reference to any available evidence**

- Yes. We believe that it would be quite feasible to design a reformed EPR system to achieve at least equally positive outcomes in these areas that would cover all packaging rather than only drinks containers.

**76. A potential option for introducing a DRS could be to start with the 'on-the-go' model, and then expand/phase roll-out to 'all-in'. Do you think this would be an effective way to introduce a DRS?**

Yes

**Please briefly state the reasons for your response. Where available, please share evidence to support your view**

- This could be a viable option to consider depending on the output of a revised Impact Assessment
- This may allow the implications of consistent collections (in England) and EPR reform to be fully assessed before rolling out a more expensive "all-in" system

**77. Do you think a DRS would help us to achieve these outcomes? Please briefly state the reasons for your response. Where possible, please share evidence to support your view:**

**a. Reduction in litter and litter disamenity (include expected % decrease where possible)**

Yes

- However the benefit of these outcomes is likely to be even greater through a reformed EPR system, as EPR would cover all packaging, not just drinks containers. A significant amount of litter is non-drinks.
- Please also see our response to question 71 with regards to the Impact Assessment. We have included the points from question 71 relating to litter below
- The IA assumption is that with an 85% return rate in-scope materials littered will reduce by approximately 85%, and this leads to a large cost benefit estimate. However, given the baseline recycling rates at 70% for all-in DRS materials and 54% for on the go materials, modelled additional recycling coming from residual/litter reduction amounts to 51% of baseline in the all-in scenario and 67% in the on the go scenario. This calculation should be reassessed and corrected.
- The estimates of litter disamenity and reductions in litter disamenity are huge and implausible. For example, the estimated benefit (reduction in litter disamenity) is £986mn, a huge multiple of the estimate of the cost of UK litter collection. By implication an implausibly large benefit and implied benefit-cost ratio from public investment in litter collection.
- The litter disamenity impact estimated is subject to substantial uncertainty. It is scaled up from only 591 households (in London, Manchester & Coventry) to 27.2mn UK households. The IA modelling extrapolates the study findings to quite different price point, annualises the figure, and then scales to the UK. Our analysis based on the figures provided by the original study show substantially lower benefits of reductions in litter disamenity. As a result, societal net present values are: DRS All in NPV - £4,410mn, on the go DRS -£1,894mn, both indicate substantial societal net costs versus substantial societal net benefits reported in the DRS IA.
- We note that the EPR IA DRS scenarios don't attempt to monetise litter disamenity or to monetise the direct cost of litter and obtain substantially different estimates of the net societal benefits of DRS
- Robust figures for the UK cost of packaging litter (and by DRS materials in scope) don't exist. The modelling considers count and weight based fractions but then arbitrarily takes an average of these as

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the best estimate. The analysis scales Zero Waste Scotland estimates of Scotland litter costs to the UK, this is subject to substantial uncertainty due to the very different geographies, population densities and potential for economies of scale.

- While introduction of DRS may have an impact on quantity of littered in-scope materials, there is limited evidence on the potential for reduction in litter costs by LAs as there would still be a need for crews to go out collecting non-drinks items littered and remaining drinks containers that are littered

### **b. More recycling of drinks containers in scope of a DRS, especially those disposed of 'on-the-go'**

#### **I don't know / I don't have enough information**

- The Impact Assessment estimates an 85% collection rate, however does not provide information on recycling rates
- The Impact Assessment also assumes an immediate collection rate of 85% in the DRS however it is likely that this would not be achieved at the beginning of the system
- It is not clear how much in scope material would still be attributed to kerbside collections
- Kerbside collections of plastic, metal and glass beverage containers are already at ~70% and this could be improved further through a reformed EPR system

### **c. Higher quality recycling**

Yes

#### **I don't know / I don't have enough information**

- It is likely that the material available would allow high quality separated recycling
- This may depend on the scope of the DRS. For example the inclusion of dairy could lead to high levels of contamination

### **d. Greater domestic reprocessing capacity through providing a stable and high-quality supply of recyclable waste materials**

No

- A DRS on its own will not influence UK reprocessing capacity' other policy drivers would also need to be implemented. For example requiring a set proportion of collected material to be reprocessed in the UK. These proportions would have to be carefully assessed to be realistic because it may not be feasible to increase UK capacity for some materials in a realistic timeframe.
- A similar drive to increase UK reprocessing could also be achieved through a reformed EPR system which would have larger benefits as it would cover all packaging rather than just drinks containers.

## **78. Do you think a DRS, as set out in this consultation, is necessary in helping us achieve the outcomes outlined above?**

No

**Please briefly state the reasons for your response. Where available, please share evidence to support your view.**

- The EPR IA states that the increase in plastic packaging recycling rate achieved by an all-in DRS in addition to the changes made under EPR and consistent collections would only be approximately 2%.
- The EPR IA states that the increase in all packaging recycling rate achieved by an all-in DRS in addition to the changes made under EPR and consistent collections would only be approximately 3%.



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- Due to the planned reform of the Packaging Regulations, introduction of consistent local authority recycling collections and a plastics tax on recycled content, we believe it would be prudent to delay the introduction of any DRS scheme until the impacts of these other changes have been fully assessed. If a DRS remains necessary, then it could then be specifically designed to optimise the benefits required in this new packaging landscape.
- As per our response to question 20, Valpak is aware of some example schemes where the unredeemed deposits are not used within the system and have resulted in issues with their operation, including in New South Wales
- We are also aware that the collection rates in the New South Wales example were extremely low, partly due to there being an existing kerbside collection system already in place
- As per our response to question 71, we have also assessed a number of gaps and inconsistencies within the IAs which would need to be addressed before the full benefit / cost of the DRS system, as modelled in this consultation, could be assessed
- We are also aware of a new economic briefing paper by Christopher Snowden of the Institute of Economic Affairs, “A Load of Rubbish? Introducing a Deposit Return Scheme to the UK”, which may provide some useful independent analysis (available here: <https://iea.org.uk/publications/a-load-of-rubbish-introducing-a-deposit-return-scheme-to-the-uk/>)
- We have also produced a short summary of the possible implications of this report to costs and benefits, which accompanies this consultation response and can be found here: <https://www.valpak.co.uk/information-zone/packaging-reform>

### 79. Do you think the outcomes of what we are hoping to achieve could be reached through an alternative approach?

Yes

Please explain your answer, providing evidence where available.

- The outcomes are likely to be even greater through a reformed EPR system, as EPR would cover all packaging, not just drinks containers.

### 80. Do you think an alternative approach would be a better way of achieving the outcomes?

I neither agree nor disagree

Please explain your answer, providing evidence where available.

- This is for the government to decide, but it would also be possible to design a reformed EPR system to achieve potentially even better outcomes as it would cover all packaging, not just drinks

### 81. Are there particular local authority considerations that should be taken into account when considering whether to implement either an “all-in” or “on-the-go” model?

- It is likely that an “all-in” model would remove more of the higher value material from kerbside collections
- There may be an impact on the amount of other recycling which takes place at the kerbside
- Both models may provide an opportunity to create infrastructure to deal with some on-the-go materials, although beverage containers are not the only source of on-the-go packaging

### 82. Are there specific considerations associated with your local authority that DRS policy makers should consider?

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(Specific examples and any cost estimates, where applicable, would add value to this response).

- No response

**83. What benefits and/or disadvantages can a DRS provide to your local authority?**

(Specific examples and any cost estimates, where applicable, would add value to this response).

- No response

**84. Are there any specific considerations associated with local authorities that collect waste from designated DRS return points that we should consider?**

(Specific examples and any cost estimates, where applicable, would add value to this response).

**85. How should a DRS drive better design of packaging? Please select all that apply:**

- a. Varying producer fees that reflect the environmental cost of the products that producers are placing on the market
- b. An additional producer fee for producers using unnecessary and/or difficult to recycle packaging
- c. Other (please specify)

Please briefly state the reasons for your response. Where available, please share evidence to support your view.

- As discussed in the consultation document, these aspects could either be included within the DRS model, or by including DRS in scope material under EPR

**86. Who should be involved in informing and advising on the environmental cost of products? Select all that apply**

- a. Government
- b. Reprocessors
- c. Producers
- d. Local Authorities
- e. Waste management companies

Please briefly state the reasons for your response. Where available, please share evidence to support your view.

- A range of stakeholders should be involved in this process to achieve a consensus and obtain the best possible information.

**87. Do you agree or disagree with our assessment of other waste legislation that may need to be reviewed and amended?**

**Agree**

Please briefly state the reasons for your response. Where available, please share evidence to support your view.

- In particular, consideration should be made to the exemptions regime which is currently under review
- It would be beneficial for all involved in a DRS to be communicated what the legal requirements were, and what would be expected. Relevant Trade Associations would be a useful mechanism.
- The DMO should ensure that any businesses used for transportation, storage and treatment have the correct permits, as part of the Duty of Care requirements

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**88. Do you have evidence to suggest that we might need to revise any other waste-related regulations as part of introducing a DRS? Please specify.**

- No

**89. Is there anything else we should be considering related to drinks container recycling and litter reduction which has not been covered by other questions?**

- No