

Consultation on legislative framework and scope of the Deposit Return Scheme (DRS) for Ireland

Response from Alupro Ireland

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About Alupro Ireland

Alupro Ireland is an industry funded, not-for-profit organisation with 30 years' experience representing Ireland's aluminium packaging industry. Our membership comprises the full spectrum of the aluminium packaging 'loop', including producers and rollers; packaging converters; packer fillers; and reprocessors and exporters, meaning we are uniquely placed to represent the industry to policy makers and opinion formers.

We work to fulfil the industry's obligation to meet, and exceed, recycling targets for aluminium packaging.

Our objective is to achieve and surpass the aluminium packaging recycling rates in Europe in the most cost-effective way. Alupro Ireland's membership has extensive experience of designing and operating DRS schemes in a range of countries around the world. This knowledge and experience have directly assisted the development of views put forward in our consultation response.

Key Points

Alupro Ireland is supportive of a well-designed DRS system in Ireland and is committed to ensuring that any system which includes aluminium beverage containers maximises recycling rates whilst being fair and equitable to all competing materials.

Having reviewed the draft framework and scope from the consultation document, we have identified a number of important issues which we believe are necessary to ensure an equitable and effective DRS system in Ireland.

1. We welcome the decision that the deposit will be varied by container volume. This will ensure that any potential distortion of the market is limited, while also ensuring that there is less incentive for consumers to purchase greater quantities of less recyclable materials. Crucially, as demonstrated in the successful Nordic schemes, the variable rate will deliver significantly higher return rates in the first two years of operation, which are crucial to ensuring consumer buy-in.

2. The need for an 'all-in' DRS. All container volumes up to 3L should be included in the scheme, which is the upper limit for other DRS' around the world, for example the Norwegian DRS.

Provision should also be made in legislation for other existing as well as any new materials and packaging formats developed in the future, such as beverage cartons and paper bottles, to be included in the DRS.

3. Conscious of the decision by the Government to proceed with a DRS involving only PET bottles and aluminium cans, Alupro Ireland is firmly of the view that those containers not included in the DRS should be subject to challenging collection and recycling targets as well.
4. Different containers have different costs to recycle and different market values, and each container must pay its way. To prevent cross-subsidisation within the DRS, each included container should have an independent profit and loss statement to ensure complete transparency. Aluminium cans are infinitely recyclable and when recycled retains identical material properties to virgin aluminium and thus can substitute it in manufacturing processes. The net cost of collection and the recyclability of the container must be fully accounted for in the product fee, which is paid by the producer for each container they manufacture, which means that these fees should also be variable by material.

A good example of how this works in practice would be the Swedish DRS where, to ensure that there is no cross subsidy, the DMO (Returpak) has set-up separate operating companies for PET and aluminium cans to enable full transparency of the costs and revenues for each material.

5. To achieve transparent financial flows, oversight of the Scheme Operator is crucial, with the government setting targets and objectives, as well as auditing and publicly reporting on the operator's performance against objectives on an annual basis. Within this:
 - **Audited Accounts:** The Scheme Operator should be obligated to produce annual audited accounts and other supporting materials together with a performance summary as to how it is progressing in achieving or exceeding the targets and objectives.
 - **Third party assessment:** Given the public interest and not for profit nature of the Scheme Operator, sufficient financial and operational material should be placed within the public domain for appropriate 3rd party assessment to be conducted.
 - **FOI:** The operator should be subject to Freedom of Information regulations
6. The consultation proposes that the Minister amend the deposit if it appears that the revenues returned to the Scheme are exceeding or are insufficient to cover operational costs. We would advise that this is inappropriate, as the only instance in which the deposit payable by the consumer should be amended is to further incentivise the consumer to return containers. If the value of unredeemed deposits combined with the sales of collected containers is insufficient to cover operational costs, the Scheme Operator should raise the product fee payable by drinks producers as opposed to raising the deposit value.

7. To ensure that those who are directly impacted by the introduction of DRS in Ireland are represented, we believe that the Scheme Operator advisory board should contain representatives from drinks producers trade associations, materials producers such as Alupro, and those associations representing return point hosts (e.g., retailers, small shops, transport hubs).

This is necessary in order to keep decisions at arms' length from any possible commercial discussions which could infringe on the running of the Scheme Operator.

8. Given the nature of retail today and the increasing number of online sales, we believe that online retailers should also have a takeback obligation. The exact details of how this can be achieved requires further investigation at this point, however.

In addition, online retailers should be required to pay into the DRS on the same terms as other producers where applicable.

9. Hospitality Requirements: Those who sell containers within the scope of the DRS from the hospitality sector, be they pubs, hotels, cafés, etc., should also have a takeback obligation. In many locations, however, where the packaging is not issued to the customer and does not leave the premises, the operator would not need to charge the deposit, simply arranging with the Scheme Operator to collect the used packaging and be refunded for the deposit they paid when buying the product. Such premises would carry no obligation to run a return obligation for the public returning packaging from other places.
10. Return Points: As well as retail outlets, event spaces, leisure centres, transport hubs, etc. could potentially host return points. Convenience and accessibility should govern the provision of the return infrastructure, for without these two key elements the scheme will not be used sufficiently well. It would be for the Scheme Operator to define appropriate and relevant sites to achieve the targets and objectives set it by the Government oversight body.
11. Fraud susceptibility must be considered given the threat in deposit and return schemes. Experience suggests the greatest risk of fraud is around "Multiple Returns" outside of a Reverse Vending Machine that imposes a discipline on users. This could prove to be third party collectors inappropriately managed: Waste Management Companies, Scrap Dealers etc collecting seemingly on behalf of others. In the Nordic systems, only loose cans and bottles can have the deposits redeemed by delivering to counting centres where they are checked by an automated counting machine to prevent fraud. For this reason, deposits shouldn't be paid out on baled material, which is difficult to check, and instead only be paid on containers that can be verified by legible scheme marking.

Ultimately the scheme operator is responsible for losses via fraud, and they should take the appropriate precautions, throughout the whole process, in concert with the relevant authorities, to prevent and address such issues.

12. To the greatest extent possible, the scheme should be interoperable with the planned scheme being proposed for Northern Ireland. This would avoid a scenario which would

incentivise the transportation of products and used packaging between Ireland and Northern Ireland to take advantage of a discrepancy between the deposit systems in the two jurisdictions, which would undermine legitimate businesses, create potential consumer confusion, lower consumer trust in the system and limit the effectiveness of the scheme(s). We acknowledge that officials from Northern Ireland have sat in on recent DRS Working Group meetings within the Department, which we welcome, but would caution that greater harmonisation is needed given the differing scopes of the drink containers to be included in the DRS in both countries.

13. In a similar vein, labelling is fundamental to consumer understanding of which products are in the system; the system will only be successful with good clear on-pack labels. Typically, the scheme should be prepared to apply three different “Identifiers” on each single container:
 - Scheme inclusion identifier notification of the container within the DRS – this should include an identifier code communicating to the consumer what the payable deposit is (without listing the actual deposit value) and also inform the consumer on how to redeem the Deposit. The Pant system operating in Denmark is a good example.
 - EAN Bar code – this verifies registration in the scheme by the producer and informs on the number of each product collected.
 - Security identifier – at the discretion of the scheme administrator, a fraud-proof identifier could be applied to mark the container as part of the DRS.

For certain small containers or small labels this level of labelling can prove challenging. The costs associated with security printing each container or label should not be underestimated. It can only be done by approved printers and once printed each label has the same value as the deposit amount, so much greater security is required.

14. It is crucial that a separate collection target for aluminium cans be included as part of the scheme as without it, the ambitions for aluminium can recycling in the DRS are somewhat baseless.

While there is a separate collection target of 77% (2025) and 90% (2030) for plastic bottles included in the Single Use Plastics Directive, there are no specific collection and / or recycling targets for recycling aluminium cans in the existing EU legislation, only an overall minimum target of 50% (2025) and 60% (2030) for all aluminium packaging. However, the national legislator is free to add specific targets for additional drink containers covered by DRS (and also for containers outside DRS).

There needs to be separate targets but equal collection targets for aluminium cans and plastic bottles, which the Scheme Operator should calculate as a % of the containers put onto the market and registered to the DRS by producers which is then returned through the DRS. The level at which this target is set should be the output of discussions between the Scheme Operator and the government and should be realistic and achievable, and measured using a methodology pre-agreed with the Scheme Operator.

When designing the targets, it is essential that the most up to date container recycling rates are used. We note the rates quoted in the Eunomia report are based on 2016. The most recent (2019) aluminium can recycling and recovery rate published by Repak was 89%, compared to the 69% rate quoted by Eunomia.

We would also request annual third-party validation of both the targets themselves, once set, to ensure they are realistic and achievable, and also third-party validation of the reported progress made towards these targets by the Scheme Operator.

15. Transition Period: Conscious of the Government's intentions to have a DRS rolled out in Ireland by Q3 2022, it is imperative that there is respect for the EU Guidance on a transition period given the steep learning curve for the Scheme Operator to meet these ambitious deadlines. According to the European Commission,¹ a transitional period of at least one year to adapt to the system is necessary.
16. Deposit Level: We note from the consultation document that Government may include the deposit level within the eventual regulations. We would advise against this and would instead recommend that any deposit level be set by the Scheme Operator in consultation with the Scheme Advisory/Supervisory Board. Whilst deposit level isn't the only factor driving return rates it is one of the key levers for the scheme operator to achieve the agreed targets. If the DMO is to be tasked with achieving high collection targets it should be in control of the key design factors of the scheme, including the deposit value.
17. The deposit payable in a DRS should be exempt from VAT, which is common in many schemes.
18. Significant time and effort should be given by both the Government and Scheme Administrator on consumer awareness and engagement campaigns to maximise participation in the DRS whilst reducing confusion. This will be as important before the launch of the DRS as during its early operational period.
19. The industry is open to innovation and explore the opportunities and benefits linked to emerging technological solutions, such as those presented by the so-called Digital DRS. In particular, such a system could be more effective at capturing 'on-the-go' consumption of beverages than a traditional return-to-retail DRS. However, there are challenges to the industry presented by this approach and there are still unknown quantities which must be explored through trials, so we would encourage the government to support these trials and allow sufficient flexibility to the Scheme Administrator for the adoption of such solutions.

¹ European Commission (2009): Communication from the Commission - Beverage packaging, deposit systems and free movement of goods. COM (2009/C 107/01).

Summary Response to the Proposed DRS Framework and Scope for Ireland (as laid out in the consultation)

DRS Component	Option chosen for Ireland	Alupro Ireland's response
Governance	Centralised; privately owned and operated; targets set by Government.	<p>Support.</p> <p>All competing materials drink containers should have the same challenging targets and penalties, even if they are not included in the DRS, which is the case in the Norwegian DRS and the proposed Dutch DRS.</p> <p>There must be a robust legislative framework that empowers the single Scheme Administrator to implement the scheme effectively.</p>
Scope – Containers	<p>PET plastic beverage bottles (up to 3L)</p> <p>Aluminium beverage cans</p>	<p>Do not support.</p> <p>All container volumes up to 3L should be included, to minimise the opportunities for producers to avoid the DRS by designing new containers that circumvent the scope.</p> <p>Additionally, those materials which fall outside the scope of the DRS should be subject challenging collection and recycling targets as those materials which are included. This is already the case in Norway and is proposed in the new Northern Ireland and Dutch DRS.</p> <p>Setting targets like these for materials and containers outside the proposed scope of the DRS ensures that every material is competing on a level playing field, reducing the risk of market distortions whilst helping to ensure public confidence in the recyclability of non-target materials like glass, which saw a reduced recycling rate in 2019 vs 2018.</p>
Producer Responsibilities	Additional obligations re: targets, penalties for failure to meet obligations, and market testing for other container types that could enable the achievement of	<p>Additional Clarification Required</p> <p>Re: penalties, it should be the responsibility of the Scheme Operator to determine how, and how often to check producers for compliance with the system, if obligated. We envisage the</p>

	higher performance in terms of application of the waste hierarchy.	Scheme Operator would have its own team of compliance officers to ensure ongoing implementation of the rules of the DRS by producers and retailers.
Targets	Centralised schemes are generally underpinned by legislation which provides for a means of Government authorisation of a scheme that is then mandated to achieve specific performance targets in terms of separate collection and recycling of plastic bottles and aluminium cans.	<p>Support</p> <p>The Scheme Operator should design and run the DRS scheme to achieve targets agreed with Government. We propose that the Scheme Operator is mandated to achieve one target - the overall return/collection rate by material of packaging in scope.</p> <p>The Scheme Operator should be tasked to reach a certain return rate target for the beverage packaging in scope, calculated as a % of the in-scope containers put onto the market and registered to the DRS by producers which are then returned through the DRS.</p> <p>As mentioned above in the section on the scope of the drink container materials, competing out-of-scope materials should be mandated to also hit challenging collection and recycling targets.</p>
DRS System Operator	The DRS System Operator must set out a clear plan on a range of issues, including: a) How the scheme will operate on a financially sound, not-for-profit basis; b) How it will achieve collection and recycling targets; c) How it will work with retailers; d) How they will work with waste collectors and processors to ensure DRS material is kept separate; e) How they will promote the scheme; f) An undertaking to examine the incorporation of further materials; g) and Making proposals on collection locations.	<p>Support</p> <p>a) Yes - Day-to-day operation of the system should be completed by the Scheme Operator. 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.</p> <p>b) Yes – As explained in previous answers.</p> <p>c) Yes</p> <p>d) Yes</p> <p>e) Yes</p> <p>f) Yes – in discussion with the Scheme Operator Board and Government</p>

		<p>g) Yes - It would be for the Scheme Operator to define appropriate and relevant sites to achieve the targets and objectives set it by the Government oversight body. Typically, this is done through reverse vending machines (RVMs), but in the future emerging SMART DRS systems, which utilise smart phone apps and blockchain technology, could supplement the inclusion of a number of RVMs.</p>
<p>Retailer Obligations</p>	<p>Retailers obliged to a) accept all materials covered by the scheme; b) Refund the deposit to the consumer on the return of waste materials; and c) Report in a prescribed manner to the scheme.</p>	<p>Support</p> <p>a) Yes - all retailers who sell drinks in scope should be obliged to host a return point and accept all materials covered by the scheme. As for online retailers, they should also have takeback obligations; the exact details of how requires further investigations.</p> <p>b) Yes - We believe that a scheme based on a return to retail obligation with very limited exemptions will provide the best possible coverage of return points across the country in order to facilitate a high return rate. Return points will be readily accessible by all those able to purchase a product, and consumer awareness of return points is likely to be higher in this instance.</p> <p>c) Yes – we believe that the Scheme Operator Board should be composed of representatives of trade associations which represent drinks producers and retailers, in order to provide reporting opportunities.</p>
<p>Citizen / Consumer</p>	<p>Consumers will pay a deposit on all beverage containers that come within the scope of the scheme at the point of purchase. Subject to a small number of exceptions, they will be able to return their</p>	<p>Support</p> <p>We believe that a scheme based on a return to retail obligation with very limited exemptions will provide the best possible coverage of return points across the country in order to facilitate a high return rate. The only scenario where there may be an exception is when</p>

	<p>used containers to any retailer.</p>	<p>several retail outlets in close proximity to one another share a RVM.</p> <p>Return points will be readily accessible by all those able to purchase a product, and consumer awareness of return points is likely to be high. A ‘no exemptions’ approach will ensure that even the most remote communities will be able to participate in the scheme.</p> <p>Consideration could also be given to emerging technologies which could support a traditional RVM based system in the future, like Smart or Digital DRS, which could increase convenience for consumers by providing redemption points closer to the point of consumption and disposal whilst ‘on the go.’ However Alupro Ireland would stress that we believe that the model and technology required to deliver such a system at any significant scale are not yet mature enough to support a deployment in the near future.</p>
<p>Deposit Level</p>	<p>Variable</p>	<p>Support</p> <p>We welcome the decision that the deposit will be varied by container volume, as may be recommended to the Minister by the Scheme Operator.</p> <p>The variable rate will limit distortion of the market caused by the introduction of a DRS and ensure that there is no incentive for consumers to purchase greater quantities of less recyclable materials.</p> <p>However, we would advise against including the deposit level within the Regulations and would advise instead that this be set by the Scheme Operator.</p> <p>The Deposit amount should start low and move higher, if required. It may become complex and cumbersome for the consumer if the rates fall or fluctuate beyond what is vital.</p> <p>Whatever the initial deposit level, it should not attract VAT. The deposit level should be</p>

		<p>reviewed periodically by the DMO. Different deposit levels between Northern Ireland and the Republic of Ireland may also lead to abuse of the system, and so coordination is advised.</p>
<p>Waste Collectors</p>	<p>Waste collectors will be eligible to claim the deposit for containers that end up in recycling bins</p>	<p>Additional Clarification Required</p> <p>Experience in other countries has shown that there is a real risk that deposit bearing containers placed in kerbside boxes are “stolen” prior to collection and so in reality the waste collector does not benefit from the level of unredeemed deposits that might be expected.</p> <p>This has been the case in New South Wales where as a result of “bin mining” there has also been a problem with kerbside bins being turned upside down so deposit bearing containers can be quickly removed and the remaining contents being left on the street as litter.</p> <p>If waste collectors are allowed to claim the deposit for containers that end up in recycling bins, there are questions that must be answered regarding material ownership as well how the deposit refund claims will be verified by the Scheme Administrator. It is imperative that there is a transparent and agreed method as to how this will be accomplished whilst minimising the potential for fraud. In most DRS’, the Scheme Administrator owns the material, which is collected and bulked at sorting and counting centres dedicated to DRS materials, before being sold to end market reprocessors. If waste collectors can claim the deposit, which should cover the cost of collecting and sorting for each container, then they should also have to keep these containers separate and transfer the material to the Scheme Administrator.</p>
<p>Labelling</p>	<p>Not specified in consultation.</p>	<p>Labelling is a vitally important element of the design of a successful DRS both in terms of security (fraud), particularly considering the scheme may be introduced separate to Northern Ireland’s scheme, and consumer</p>

		<p>understanding/participation. The value of the deposit should not be stated on the label to limit disruption if the price has to be adjusted. However, it should be properly communicated in the retail environment, till receipts, etc.</p> <p>To ensure a robust and practical labelling scheme is developed packaging manufacturers must be involved in the planning and design of the DRS.</p>
<p>Funding of the Scheme Operator</p>	<p>Material Revenues.</p> <p>Unredeemed deposits.</p> <p>Producer fee for every container placed on the market.</p>	<p>Support.</p> <p>Alupro Ireland note that the consultation (page 10) notes that the System Operator’s role will involve ‘setting the level of any such subscription or charges which it may review from time to time.’ Once unredeemed deposits and material revenues are accounted for, producer fees are the only element which should be considered to fill any potential income gap, so as not to pass the cost on to the consumer.</p> <p>Producer fees could also be eco-modulated, as per overarching Extended Producer Responsibility principles, with easier to recycle and valuable materials paying less – in Norway aluminium cans incur a negative fee, for example.</p> <p>Additionally, as every material in a DRS should pay its own way, each material should have a separate P&L to prevent cross-subsidy in the Scheme.</p> <p>We also note that this is a requirement of the Waste Framework Directive and the Packaging and Packaging Waste Directive.</p> <p>The unredeemed deposits must remain with the scheme administrator and reinvested to clean and maintain the RVMs and further develop the DRS (e.g. replace obsolete RVMs, additional collection points etc.)</p>