

SECTION 1. WHAT ACTION IS THE WELSH GOVERNMENT CONSIDERING AND WHY?

The overarching policy objectives of the Extended Producer Responsibility (EPR) scheme for packaging are to help achieve zero waste by 2050, support the reduction in use of virgin raw materials and contribute to Wales's move to a circular, net zero carbon economy. The reforms will place the costs of the disposal of packaging onto the producers, thereby incentivising increased resource efficiency, further improving Wales's recycling rates and reducing litter. The scheme will replace the current scheme under which producers only pay for up to 7% of the costs.

The defining principle of EPR is 'polluter pays', where those who make products that cause pollution pay for the full costs when they become waste and in developing these EPR reforms, the Welsh Government has applied the Well-being of Future Generations Act's sustainable development principle, encompassing:

Long term

The scheme will incentivise increased resource efficiency and contribute to the move towards a more circular economy in Wales, where waste is avoided, and resources kept in use as long as possible. This is an essential part of the long-term action needed to tackle the climate and nature emergency, whilst also bringing considerable economic opportunities as a part of the transition to a zero-carbon economy.

Prevention

The scheme is designed to help address some of the root causes of the climate and nature crisis in terms of the unsustainable use of resources and incentivise resource efficiency. Obligated producers' fees will be modulated so products with higher environmental impacts will pay higher fees than products with lower impacts. This will incentivise businesses consider the impact of the packaging material used across its whole lifecycle, embedding prevention.

Integration

These reforms are part of a wider set of integrated actions to deliver against the overarching programme for government objectives, which make a key contribution to the commitment to decarbonise the Welsh economy. In developing the scheme, consideration has been given to the need for integrated action which delivers economic, social and environmental outcomes. These aims are shared with other organisations from both the public and private sector within Wales, with a shared goal of responding to the climate emergency and decarbonising of our economy.

Collaboration

Development of the scheme has been supported by collaboration with key partners, including the other governments within the UK, Welsh Local Authorities and actors across the packaging value chain. The successful implementation of these reforms will require continued collaboration across the packaging value chain, including packaging manufacturers, producers of packaged goods, fillers of packaging, retailers, local authorities, recyclers and disposal bodies, consumers and members of the public.

Collaboration is also built into the operational design of the design of the reforms with collaboration required between Local Authorities, who collect and recycle packaging waste from households, and the newly obligated businesses who will become responsible for the costs of the end-of-life management of packaging waste incurred by Local Authorities in delivering their waste and recycling services with respect to packaging materials.

Involvement

Involvement and engagement have underpinned the scheme development, including the commitment to EPR within *Beyond Recycling*, the circular economy strategy. The development of the strategy included over 40 engagement events across Wales, actively engaging around 1,000 stakeholders, with specific events targeting young people, businesses, local authorities, the waste sector, environmental groups, academia and others.

In addition, two consultations have been held specifically on the EPR scheme, jointly with the UK, Scottish and Northern Ireland governments. The first was on the introduction of the scheme in 2019. The second ran in 2021 sought views on specific policy proposals. This has been invaluable in ensuring the reforms are workable and effective, with consultation responses overwhelmingly endorsing the proposals.

Impact

The scheme's main impact will be to incentivise increased resource efficiency, which is essential for Wales's wider transition to a circular economy and specifically cited in the statutory description of the *prosperous Wales* goal. Moving the responsibility of the end-of-life management of products to those businesses which place products onto the market, these reforms incentivise businesses to make more environmentally responsible and resource efficient decisions.

Throughout the scheme development, a wide range of businesses and trade bodies have been consulted to maximise the positive impact of EPR. A key impact from the reforms being to drive increased investment in packaging waste management, essential to tackling the climate and nature emergency and decarbonise the economy, with obligated businesses being required to cover the full cost of managing the material. How they manage these costs will be a commercial decision for each producer. Some will absorb the costs, others may reduce the amount of packaging they use or change the materials used, and others may pass some of the costs on to consumers. If they pass on costs to consumers, those consumers who purchase large amounts of highly packaged products would be impacted the most.

The reforms also include measures to tackle littering, through both cost incentives and anti-littering campaigns. In addition, improved labelling will clearly inform people how to dispose of their packaging, helping them contribute to improved recycling rates and litter prevention.

Costs and Savings

At a UK wide level, the scheme is expected to be cost neutral. The central estimate of the Net Present Value of the scheme in the UK is £1.3million, within a range of -£2,549million to +£2,207million depending on which option is chosen.

By 2033, the scheme is predicted to save around 270kt of carbon emissions per year across the UK. 2.2MT of GHG emissions are expected.

Further non-quantifiable savings will be accrued through the reduction in consumption of virgin raw materials and associated environmental and economic benefits along with an increase in perceived value of amenity through a reduction in littered packaging.

Mechanism

The data reporting Statutory Instrument will be laid in the Senedd in January 2023 and will put in place the requirements for the collation of the data in 2023 to inform calculation of producer fees for payment in 2024. UK regulations will then be introduced to implement the main EPR reforms.

SECTION 8. CONCLUSION

8.1 How have people most likely to be affected by the proposal been involved in developing it?

The purpose of this statutory instrument is to put in place the requirements to enable the collection of data on the amount and type of packaging placed onto the market. As Extended Producer Responsibility reforms apply the polluter pays principle, newly obligated businesses have been actively engaged in the development of the reforms through two consultation exercises alongside specific working groups.

A specific public consultation on EPR for packaging was jointly undertaken with the other governments within the UK on the broad aims of the proposed scheme. This was held in 2019 which received 679 individual responses and 34 campaign responses. A further joint UK-wide consultation on more detailed proposals for the EPR policy was then held from March to June 2021 and included engagement events customised to specific groups including producers, retailers, recycling businesses and third sector organisations across the UK.

More broadly, the Welsh Government's Programme for Government includes the commitment to *Introduce an extended producer responsibility scheme to incentivise waste reduction by businesses*, with the commitment also included in the circular economy strategy, *Beyond Recycling*. A consultation on the latter having been undertaken from December 2019 to April 2020, including over 40 engagement events, which took place across Wales and beyond, actively engaging around 1,000 citizens and stakeholders between the events and the written consultation.

8.2 What are the most significant impacts, positive and negative?

The purpose of this statutory instrument is to put in place the requirements to enable the collection of data on the amount and type of packaging placed onto the market. This will provide data for the Extended Producer Responsibility scheme for packaging, the impact of which will see obligated businesses being required to cover

the full cost of the management of packaging over its lifetime. The proposals will therefore impact businesses that make sell or handle packaging, with those who place products onto the market paying for the full costs of packaging waste. Under the scheme, the costs of managing packaging waste, currently borne by local authorities, will therefore be transferred to producers who will also incur data collection and reporting costs.

How businesses manage these costs will be a commercial decision for each producer - some will absorb the costs, others may reduce the amount of packaging they use and others may pass some of the costs on to consumers. The extent and option chosen will depend on market conditions and competition between producers. If obligated businesses decide to pass on the costs to consumers, those consumers which purchase large amounts of highly packaged products will be impacted more than those consumers who do not. Should businesses choose to pass on some of the costs, then price rises would have a proportionately greater impact on people in lower income groups who have less disposable income. However, people would be able to mitigate this by choosing products with less or more sustainable packaging. In addition, those businesses that either do not pass on the costs or improve their resource efficiency and design have the potential ability to improve their competitiveness with businesses that do.

Introducing EPR directly contributes to the delivery of the following Welsh Government well-being objectives:

- 'Build a stronger, greener economy as we make maximum progress towards decarbonisation'

By moving to a more circular economy through improving resource efficiency and increasing recycling and by keeping materials in use for longer. The scheme will also help reduce the use of raw materials and single use packaging.

- 'Embed our response to the climate and nature emergency in everything we do'
By allocating responsibility for the full net costs it will embed action on a climate and nature emergency within the lifecycle for packaging, thereby reducing the use of raw materials and reducing greenhouse gas emissions. .
- 'Build an economy based on the principles of fair work, sustainability and the industries and services of the future'
The scheme will support the building of an economy based on sustainability by applying the polluting pays principle and thereby incentivising an increase in resource efficiency and reduction in the use of virgin materials as part of the move to a circular economy.

The scheme also directly contributes to the Well-being Goals by:

A Prosperous Wales - supporting the move to a circular, zero waste and net zero carbon Wales by 2050. It will increase Wales's recycling, tackle littering, improve resource efficiency and reduce the use of single use packaging and virgin raw materials and help more effectively capture resources for use within a circular economy.

A Resilient Wales - contributing to reduced extraction of raw materials and the associated destruction of habitats, thereby also safeguarding biodiversity.

A Wales of Cohesive Communities- helping to tackle littering by encompassing the full net costs for the management of littered packaging, thereby tackling the disamenity of packaging litter in communities.

A Healthier Wales –reducing the disamenity of litter, the scheme will support mental wellbeing.

A Wales of Vibrant Culture – by supporting Wales’ recognised position as a recycling nation with a recycling culture that people and communities are proud of. EPR will also further embed sustainability into Welsh society.

Globally Responsible Wales –incentivising an increase in resource efficiency and reduction in the use of raw materials, thereby contributing to reduced destruction of habitats and reduced emissions.

A More Equal Wales – applying the polluter pays principle to introduce a fairer system reflecting the full net costs of packaging waste.

This SI is focused on putting in place the requirements to collect data and does not directly impact on people with protected characteristics. A Children’s Rights Impact Assessment has therefore not been undertaken. The impact assessment required for the wider packaging reforms and subsequent Regulations will consider the impact of the scheme on people with protected characteristics, including children.

8.3 In light of the impacts identified, how will the proposal:

- **maximise contribution to our well-being objectives and the seven well-being goals; and/or,**
- **avoid, reduce or mitigate any negative impacts?**

The regulations are focused on putting in place the requirements to collect key data on the amount and type of packaging placed onto the market. This is a key step in implementing the EPR scheme for packaging as a key policy to directly support the move to a circular economy and help achieve a zero waste and net zero carbon Wales by 2050. By reducing the use of packaging, which is often single use, and increasing the recycling of packaging the scheme will reduce the associated carbon emissions, the use of virgin raw materials and the volume of packaging litter and associated impacts.

The scheme will maximise the contribution to the delivery of the Welsh Government’s Well-being Objectives and statutory Well-being goals as set out above. Sustainability being a central principle of these reforms, which support the move to more sustainable solutions to meet the needs of the present in relation to the use of packaging, whilst tackling the current impacts of packaging use which directly compromise the ability of future generations to meet their own needs.

The main impacts are associated with the transfer of costs to producers to cover the waste management and recycling costs of the materials obligated businesses chose to use. Under the first phase of EPR (due to commence in 2024), costs relating to household packaging (£1.2bn) will be transferred to producers, with a second phase of EPR covering costs relating to small and micro businesses waste being phased to follow at a later date (£0.9bn).

To mitigate the impact on smaller businesses, a de minimis threshold will be set at £2m turnover and 50 tonnes of packaging placed on the market for producers. Producers who are below this £2m/50tonne threshold, but above £1m turnover and 25 tonnes of packaging placed on the market will however be required to report the amount of packaging, by material and packaging type, that they place on the market in 2024. They will not though be obligated to pay fees to cover disposal costs or meet recycling obligations. This will reduce the burden on small producers, whilst ensuring they are brought into the system, thereby increasing their awareness of the scale and impacts of their packaging.

Manufacturers and importers of unfilled packaging will also be obligated for packaging that is sold to a small business below the de-minimis threshold. This means that the business selling the packaging to the small business would be obligated to pay the producer fees, rather than the small business themselves. This will result in more packaging being reported in the system and the costs being shared more fairly among producers, whilst protecting the smallest businesses from the impacts of the obligations.

The scheme will also introduce a mandatory takeback requirement for fibre-based composite cups. To mitigate the impact on small businesses, sellers that employ fewer than 10 or more full time equivalent staff will be exempt from this requirement.

8.4 How will the impact of the proposal be monitored and evaluated as it progresses and when it concludes?

This SI specifically introduces requirements in relation to data collection and reporting, which in turn will enable the monitoring and evaluation of the wider scheme.

For the scheme as a whole, the Scheme Administrator, who will be tasked with operating the scheme, will undertake a key role in the on-going evaluation of the reforms. In addition, statutory recycling targets will form part of the scheme and progress against these will be monitored by Natural Resources Wales as the regulator of the scheme in Wales.