

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

Under a Deposit Return Scheme (DRS), consumers pay a refundable deposit when purchasing an in-scope container, which they can reclaim by returning the container. The overarching policy objectives of introducing the scheme for drink containers are to contribute to the transition to a circular economy by helping Wales to achieve zero waste and net zero carbon by 2050, whilst supporting the reduction in use of virgin raw materials and tackling the climate and nature crisis. The scheme will also help to reduce littering, further improve recycling, encourage producers to design more recyclable products using recycled content and importantly support the phasing in of reuse. It will also encourage behaviour change in consumers, producers and retailers in moving to reuse, reduce waste going to incineration and improve resource efficiency and supply chain resilience. In doing so, the scheme will deliver against the Well-being Goals within the Well-being of Future Generations Act (WFG Act).

In developing the scheme, the Welsh Government has also applied the WFG Act's sustainable development principle, encompassing:

- Long term

The scheme will 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 net 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. It will also help to prevent littering and can increase the quality and rate of recycling and support the roll out of reuse in Wales. The scheme therefore prevents waste by keeping materials in use and moving them up the statutory waste hierarchy, supporting our progress towards a more circular economy and delivering benefits for the economy and jobs.

- Integration

The scheme is part of a wider set of integrated actions set out in the Welsh Government's circular economy strategy, *Beyond Recycling*, and delivers against the overarching programme for government objectives. In developing the scheme, consideration has been given to the need for integrated action which delivers economic, social and environmental outcomes against the Well-being Goals. 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 transitioning to a circular economy.

The scheme has been designed to support interoperability between the schemes within each nation and provide certainty for producers and retailers. The DRS will build on the excellent recycling culture in Wales.

- Collaboration

Development of the scheme has been supported by collaboration with key partners including drinks producers, retailers, other actors across the packaging value chain and Welsh Local Authorities, alongside collaborative working with the other governments in the UK. The implementation of these reforms will see 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.

- Involvement

In addition to the active and ongoing engagement with industry and wider stakeholders, views on DRS were sought at several stages through formal public consultation. This included as part of our 2019-20 public consultation on our circular economy strategy, Beyond Recycling; the joint consultation on DRS held in 2019 (with 84% of responses favouring the principles of the scheme); a further joint consultation on the detailed proposals for DRS in 2021 (including engagement events customised to specific groups including producers, retailers, recycling businesses and third sector organisations); and the 2025 DRS consultation focusing in particular on the inclusion of both reusable and single-use drinks containers with over 300 responses were received.

Impact

The scheme will help to achieve zero waste by 2050, support the reduction in use of virgin raw materials and contribute to Wales' move to a circular, net zero carbon economy. The scheme will also help to reduce littering, further increase recycling rates, encourage producers to design more recyclable, increase the use of recycled content in packaging, and support the transition to reusable products. It will also encourage behaviour change in consumers, producers and retailers through a phased move to reuse, reduction in waste with less going to incineration or landfill, and improved resource efficiency and supply chain resilience.

Whilst the scheme will see an initial increase in the price of drinks due to the deposit, this additional cost is fully refundable when consumers redeem their deposits. The increase in prices will apply to all consumers, however, it may have a greater impact on people on lower incomes who have less disposable income to pay the increased initial prices.

Costs and Savings

The following costs and benefits of the proposed scheme are expected over the 10-year period (2026 to 2035) to Wales:

	100% Return to Retail option	Hybrid (digital / kerbside) option
Net Present Value	£424.7 million	£692.7 million
Net Present Costs	£1,362.2 million	£1,092.7 million
Net Present Benefits	£1,787 million	£1,785.4 million
Benefit: Cost Ratio	1.31	1.63

Expected greenhouse gas emissions:

GHG emissions – 10 year total	Tonnes CO ₂ e	
	100% Return to Retail	Hybrid (digital / kerbside)
Transport	316,000	134,000
Packaging	-171,000	-171,000
Net balance	145,000	-37,000

Note: a positive number shows an increase, a negative number shows a decrease.

To minimise the impact of the scheme on small businesses, exemptions will be available for producers of low volume product lines, which will apply to producers who place small volumes of products on the market. Small retailers in urban areas will also be exempt from hosting return points. Retailers will also be eligible to apply for an exemption from hosting return points in certain circumstances, including proximity to another return point, and health and safety due to limited storage capacity.

Mechanism

A Welsh Statutory Instrument is being used to make regulations for the scheme in Wales. This mirrors the approach taken in other parts of the UK.

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SECTION 8. CONCLUSION

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

A wide range of stakeholders including producers, retailers, and non-governmental organisations have been actively engaged since the early stages of developing the scheme. Views were sought on the commitment to a DRS during a public consultation held from 2019 to 2020 as part of our wider circular economy strategy, *Beyond Recycling*. Respondents expressed strong interest in the implementation of a DRS, which represents a form of Extended Producer Responsibility. Feedback strongly supported EPR and the application of the polluter pays principle, encouraging more responsible packaging design.

A joint public consultation with the UK Government and Northern Ireland Executive was undertaken specifically on the aims of DRS in 2019, receiving 1,180 individual responses and 207,089 campaign responses, with 84% supporting the principles of the scheme. A further joint consultation on the detailed proposals for DRS took place in 2021, featuring engagement events tailored to producers, retailers, recycling businesses, and third-sector organisations. Given the technical nature of DRS and strong support already received, this consultation focused on engaging stakeholders across the value chain.

In 2025, multiple sector-specific engagement events were undertaken together with a DRS conference on a *Best for Wales DRS*. Building on previous consultations, a further consultation was then undertaken which focused in particular on the phasing in of reuse. The responses received have specifically informed the collection targets within these regulations which apply to the DMO. This consultation received over 300 responses, and a youth-friendly version was produced to ensure accessibility and encourage participation from children and young people.

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

The scheme will help to achieve zero waste by 2050, support the reduction in use of virgin raw materials and contribute to Wales' move to a circular, net zero carbon economy. In doing so it will both build on Wales' recycling rates for single-use drinks containers while supporting a transition to reusable alternatives. It will also tackle the littering of drinks containers, improve on the go recycling, and ensure that polluters pay for the environmental impact of their products - creating a fairer system that incentivises better packaging design and innovation.

The scheme will help further increase recycling rates and improve the quality of collected materials, providing Welsh manufacturers with high-quality feedstock and strengthening

supply chain resilience. By supporting the transition to reusable products, the DRS will support the transition to net zero emissions for the sector and support innovation within the drinks industry. It will also support behavioural change among consumers and support the development of the market for reuse and sustainable consumption habits.

By further increasing recycling and introducing reusable containers, the DRS will deliver significant environmental, economic and social benefits. These include reducing the reliance on virgin materials, thereby decreasing the environmental impacts associated with their extraction, including deforestation and the associated impact on biodiversity. The move to reuse will reduce greenhouse gas emissions associated with the consumption of drinks and in turn contribute to Wales' transition to net zero carbon, building on Wales' track record as an international leader in the circular economy. The scheme will also create green job opportunities in logistics and the move to reuse and will also bring the opportunity for community fundraising through deposit donations.

Independent analysis suggests that moving towards a circular economy could generate up to £3.8 billion in savings for the Welsh economy, while creating high-quality green jobs, fostering innovation, and strengthening resilience in sectors such as logistics and manufacturing. [Research by Go Unpackaged](#) shows that scaling reuse across grocery products could create up to 13,000 new jobs, save £314m–£577m per year in system costs, and reduce pEPR costs by £136m annually. Businesses will benefit from access to high-quality recycled materials, more resilient supply chains, and greater resource efficiency through containers designed for reuse and closed-loop production cycles.

For citizens, the scheme will increase upfront drink prices due to deposits, which are refundable upon return. While this may disproportionately affect those on lower incomes, the long-term benefits include cleaner communities, reduced litter, and improved environmental outcomes. The Welsh Government's [Analysis of Protected Characteristics by Area Deprivation \(2017–2019\)](#) shows that certain groups - such as females, younger people, Black, Asian and minority ethnic communities, disabled people, LGBTQ+ individuals, and people of Muslim faith - are more likely to live in deprived areas and may therefore be more impacted by the deposit being added to the initial cost. However, the refundable nature of deposits should mitigate this effect.

Businesses will be required to participate in the scheme, with drinks producers paying registration fees to the Deposit Management Organisation (DMO). Producers will also see costs associated with changes such as product labelling, while retailers will incur costs for hosting return points, purchasing reverse vending machines, and the need for floor space and storage. These changes also bring opportunities for businesses to stimulate footfall, strengthen customer engagement, and evidence their delivery against sustainability goals.

Local authorities currently earn income from selling recycled material collected via kerbside recycling, including drinks containers. Under DRS, this income will reduce, but savings will arise from reduced sorting and disposal costs, particularly where containers are removed from commingled waste streams.

Local authorities and Natural Resources Wales (NRW) will take on new roles in monitoring and enforcing the scheme, supported by funding from the DMO to cover enforcement costs. Trading Standards will retain penalty fees from civil sanctions. Other public bodies

may also play a role, for example in delivering anti-littering campaigns and helping to build public awareness and support for the scheme.

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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?**

A DRS will support the Well-being Goals as follows:

A Prosperous Wales

The DRS will accelerate Wales' transition to a circular, low carbon economy by improving resource efficiency, building on current recycling rates, reducing greenhouse gas emissions and supporting the transition to reuse. By keeping valuable materials in use, the scheme will reduce waste and stimulate investment in collection and reprocessing infrastructure, creating economic opportunities and green jobs.

A Resilient Wales

By reducing the need for virgin raw materials, whose extraction are a root cause of the global biodiversity crisis, the DRS will directly contribute to action on the nature crisis. By reducing waste the scheme will reduce landfill and incineration, and by reducing litter, also prevent material polluting Wales' natural environment and impacting on our biodiversity. By improving the domestic availability of high quality recycled material, it will also support improved supply chain resilience.

A Healthier Wales

Cleaner streets and public spaces reduce the visual blight and disamenity caused by litter, supporting mental well-being. Additionally the scheme could help reduce the consumption of sugary drinks, contributing to the tackling of obesity and improved dental health.

A Wales of Cohesive Communities

The scheme enhances the attractiveness and liveability of communities by tackling littering and its negative impacts. This fosters pride in local areas and strengthens community cohesion. Communities will also benefit from people being able to donate their deposits to charities.

A Wales of Vibrant Culture and Thriving Welsh Language

Wales is already recognised as a global leader in recycling. A DRS will build on this success, helping to further improve recycling rates and crucially phasing in reuse. In this way it can support the embedding of reuse as a core part of Welsh culture — following on from the way recycling has become a part of Welsh identity.

A Globally Responsible Wales

By reducing reliance on imported virgin materials and the impact of extraction on biodiversity the DRS contributes directly to action on the climate and nature crisis. This

includes reducing the need for harmful practices such as mining, while increasing recycling also reduces the material which goes to incineration, landfill or the export of waste.

A More Equal Wales

Litter disproportionately affects communities with higher deprivation levels. By reducing litter and its associated disamenity, the DRS helps create fairer, cleaner environments for all. The scheme also empowers individuals to contribute to these outcomes by returning containers and reclaiming deposits.

Consumers could however avoid the additional upfront cost (refundable) by purchasing fewer in-scope drinks and switching to alternatives. People will be able to return containers to any return point, not just where they purchased the container, thereby ensuring that there is a convenient option. The DMO running the scheme will be expected to ensure there is an extensive return point network across urban and rural areas.

The scheme will include the following to make returning containers as easy as possible:

- People will be able to return containers at any scheme return point, not just where they purchased them from.
- The DMO will be expected, to ensure accessibility of the scheme by managing the exemptions from hosting return points, the specifications of Reverse Vending Machines (RVMs), their locations and ensuring that machines are accessible to all. In creating the specification for RVMs, the Welsh Government will also expect the DMO to consider the usability of the machines (e.g. height of infrastructure) for all citizens.
- There will be an extensive return point network across urban and rural areas. Factors such as the local geography and demographic make-up of an area will need to be considered – including possibilities for setting up return points in areas of high footfall (e.g. shopping malls and transport hubs). The DMO will also need to review the operation of return points and make adjustments as appropriate, including potentially operating some return points itself.
- Retailers which sell in-scope containers will be obligated to host a return point unless they request and receive an exemption. Small retailers in urban areas will automatically be exempt from hosting return points. Before granting any exemptions, the DMO will need to be mindful of any accessibility issues. The exempted retailer will be required to display signage indicating the exemption, together with information on the location of the nearest return point.
- The DMO is expected to publish an RVM specification taking into consideration accessibility issues – including, for example, wheelchair users.
- Instructions for the use of RVMs and return points are expected to be user friendly and provided in clear and simple language.

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

The legislation for the scheme introduces data collection and reporting requirements, which in turn enable the monitoring and evaluation of the wider scheme.

The DMO will play a central role in the ongoing evaluation of the Deposit Return Scheme against agreed objectives. Statutory recycling targets will be embedded within the scheme and progress will be monitored by Natural Resources Wales (NRW) as the regulator. Additionally, NRW will oversee the DMO's compliance with its statutory obligations and operational standards, ensuring that the scheme delivers its intended environmental and social benefits effectively and transparently.

Local authority trading standards services teams will also have a key role in monitoring the performance and compliance of businesses with their statutory obligations and maintain confidence in the scheme.

This includes working collaboratively to provide support to businesses, whilst also responding to complaints, and taking appropriate action where necessary to safeguard consumers.

As part of the process for appointing the DMO, applicants will be required to provide robust evidence of how litter reduction outcomes will be achieved as a direct result of the DRS, including through monitoring, reporting, and evaluation mechanisms.

The DMO will be required to submit an annual report to the Welsh Ministers and NRW for each scheme year. The annual report must set out how and to what extent the deposit management organisation has acted in accordance with its operational plan. The Welsh Government will review the annual reports to inform any decisions regarding refinements to the scheme.

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SECTION 9. DECLARATION

Declaration

I am satisfied that the impact of the proposed action has been adequately assessed and recorded.

Name of Senior Responsible Officer / Deputy Director:

Department:

Date: