

Consultation Paper on Recovery and Recycling Targets in Northern Ireland for Packaging Waste in 2002

*The Producer Responsibility Obligations (Packaging Waste)
Regulations(Northern Ireland) 1999*

March 2002



INVESTOR IN PEOPLE

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**PRODUCER RESPONSIBILITY OBLIGATIONS (PACKAGING WASTE)
REGULATIONS (NORTHERN IRELAND) 1999 (AS AMENDED)**

**CONSULTATION PAPER ON RECOVERY AND RECYCLING TARGETS
FOR PACKAGING WASTE IN 2002**

INTRODUCTION

- i. This Northern Ireland consultation paper sets down the proposed business recovery and recycling targets for 2002 under the Producer Responsibility Obligations (Packaging Waste) Regulations (Northern Ireland) 1999 (“the Regulations”). A separate consultation was issued in GB on the subject in September 2001 which took account of UK packaging wastearisings and UK recovery and recycling achieved in 2000. GB proposed to increase the recovery and recycling targets significantly for 2002 ie the target for recovery from 56% to 61% and the target for recycling either to stay at 18% or be increased to 20%. A decision in GB in relation to the recovery and recycling targets to be adopted for 2002 is expected in the near future. In light of the absence so far of a decision in GB, this paper consults on a recovery target which is towards the upper end of the range recommended by the Advisory Committee on Packaging (ie 58% to 60%). An RIA in respect of the proposed targets is attached as Annex 1. [(Unless otherwise indicated “the Agencies” means the Environment Agency (EA), the Scottish Environment Protection Agency (SEPA) and the Environment and Heritage Service of the Department of the Environment (EHS)).] A copy of NI’s proposed draft Regulations is attached as Annex 2 and an equality screening document is attached as Annex 3.
- ii. In December 2000, England and Wales and Scotland amended their respective regulations, following consultation, increasing recovery targets for 2001 from 52% to 56% and recycling targets from 16% to 18%. Such changes to the targets were considered necessary for the UK to meet its obligations under the EC Packaging Directive (94/62/EC) of 50% recovery, 25% recycling and 15% material-specific recycling. At that time the Minister, Mr Sam Foster, indicated (in correspondence with Michael Meacher) that he would carry out a separate NI consultation and gave the assurance that NI would play its part in meeting the UK’s obligations under the EC Packaging Directive in 2001. Unfortunately, due to resourcing problems, this consultation was not possible and the regulated targets in NI therefore remain at 52% for recovery and 16% for recycling. Producers in NI were, however, advised of the new targets adopted in GB and have been co-operating with EHS in striving to comply with the 56% recovery and 18% recycling targets.
- iii. The recovery and recycling targets for 2002, discussed in the consultation paper, are necessary to enable the UK to sustain the minimum 50% recovery level which the UK was to achieve in 2001 and to move from the targets set out in the Directive for 2001 towards likely new EU target levels in 2006. As with any Directive requirement, failure to meet these targets could potentially result in infraction proceedings against the UK and, in the worst case, the imposition of financial penalties. A consultation paper on the proposed EC targets for 2006 will issue in NI on this matter in due course.

- iv. The recovery and recycling targets which are finally adopted by NI in 2002, given the nature and location of the industry in GB, will be influenced by the level of targets adopted by GB. It is possible that a decision will have been reached on these target levels before the conclusion of NI's consultation period.
- v. This consultation paper invites comments on the proposed targets for 2002. As it has been drawn up on the basis of packaging waste in the UK waste stream, current recovery and recycling targets are quoted as being 56% and 18% respectively. In order to allow sufficient time to introduce the necessary legislation and to enable industry to make arrangements to comply with the suggested targets, responses are invited within 10 weeks rather than the standard period for consultation of 12 weeks. Comments are invited by mail or by e-mail and should be sent to arrive not later than 10 May 2002 to:-

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- vi. The Department may wish to make the responses to this consultation paper available to the public, and to the Northern Ireland Assembly or deposit them in its libraries. Please indicate whether your response is confidential by clearly marking this at the top of the page. Confidential responses will, nevertheless, be included in any statistical summary of numbers of comments received or views expressed. The Department will acknowledge all responses.
- vii. The consultation document may also be viewed on the Environment and Heritage Service website at www.ehsni.gov.uk

RECOVERY AND RECYCLING TARGETS IN 2002

1. This paper sets down the proposed recovery and recycling targets for 2002 under the Producer Responsibility Obligations (Packaging Waste) Regulations (Northern Ireland) 1999 (similar Regulations were introduced in GB in 1997), in order that NI can contribute to sustaining the minimum 50% recovery level which the UK was to meet in 2001, and that NI can play its part in enabling the UK to move from the targets set out in the Directive for 2001 towards likely increased target levels in 2006. The targets proposed by NI are 60% recovery and 19% material-specific recycling. Views would be welcomed on these proposals.

Background

2. The EU Directive on Packaging Waste requires the UK (and other Member States) to recover at least 50% of packaging waste, recycle at least 25% and 15% of each material by 2001. At the end of the third quarter the 25% recycling target and the material-specific targets for steel and paper had been achieved. Recovery had reached a level of 3,146,481 tonnes. It would appear therefore that, provided all obligated parties complied with their legal obligations in 2001, the UK can meet its Directive targets for 2001.
3. In looking at targets for 2002, we have taken into account the likely proposals from the European Commission for Directive targets to be met in 2006 so that a smoothly ascending profile can be planned. The proposed targets are based on the amount of packaging that the UK expects to be obligated in 2002.

GB Consultation

4. The consultation carried out in GB in 2001 considered two options -

61% recovery, 18% material-specific recycling; and
61% recovery, 20% material-specific recycling
5. At the time of consultation the 61% target was quite a high jump up from their 2001 level. At the time, GB had no choice other than to propose this target because only 7.7 million tons of packaging had been reported by obligated businesses. This meant that the target of 61% was necessary to exceed the level of waste recovered in 2001. This is necessary to maintain the 50% recovery level because the amount of packaging waste arising in the waste stream in 2002 is greater than in 2001 (9.5 million tonnes as against 9.3 million tonnes in 2001).
6. However at this later stage the position is that 8.1 million tonnes of packaging has been reported and it is generally acknowledged, on the basis of these higher figures, that a target of 61% is not necessary to achieve the stated objectives, and that it would be difficult to achieve this level in one year, especially when one considers the infrastructural development required to extract the increasing amounts of packaging waste from the household stream that will, from now on, be necessary to meet targets.

7. Responses to the GB consultation generally highlighted an opposition to the 61% target on the basis of the infrastructure deficit- the necessary collection infrastructure for household waste extraction – and end-use markets.

Packaging Waste Targets for 2002

8. The 50% minimum recovery level that was to be attained in 2001 will have to be sustained in 2002 and thereafter. Should the UK fail, however, to meet the 2001 target, it will be important to have a plan in place to meet at the very least the minimum 50% recovery level in 2002 if the UK is to be able to stave off infraction proceedings, should this prove necessary.
9. However, we are also aiming for targets which can be expected to achieve progress over the level of recovery expected to be achieved in 2001, but without asking too much of business in a year in which infrastructural development will have to be put in place in order to begin the process of extracting packaging waste from the household waste stream. However we also want to continue to see an upward curve in recycling achieved in order to contribute to domestic waste strategy objectives while at the same time taking account of the prevailing tough trading conditions in the manufacturing industry.
10. In the circumstances, a 60% recovery target and 19% material-specific target is proposed.
11. A target of 60% would give us (UK) -
- 5,045,000 tonnes recovery or 53.1% recovery in 2002.
 - 108,383 tonnes more than is expected in 2001 to meet Directive’s targets.
12. These targets would allow UK objectives to be met, would remain consistent with the recommendation of the Advisory Committee on Packaging and would enable the UK to steer a smooth upwards path towards the legally binding EU targets in 2006.

Progression of GB and NI Business targets: recovery /recycling

1999 % recovery/recycling (r/co) (r/cy) targets				2000 % recovery/recycling (r/co) (r/cy) targets				2001 % recovery/recycling (r/co) (r/cy) targets				2002 % recovery/recycling (r/co) (r/cy) targets			
GB		NI		GB		NI		GB		NI		GB		NI <i>proposed</i>	
r/co	r/cy	r/co	r/cy	r/co	r/cy	r/co	r/cy	r/co	r/cy	r/co	r/cy	r/co	r/cy	r/co	r/cy
43	10	-	-	45	13	45	13	56	18	52	16	<i>Not known</i>	<i>Not known</i>	60	19

The European Commission's likely proposals for 2006

13. The Commission's proposals for the targets to be set in the revised Directive for 2006 are

- between 60% minimum and 75% maximum overall recovery target
- between 55% minimum and 70% maximum overall recycling target
- material-specific recycling targets of –

glass	60%
paper/fibreboard	55%
metals	50%
plastic	20%

Conclusion

14. In view of the aforementioned factors, 60% recovery and 19% material-specific recycling targets are proposed for 2002. Your comments would be welcomed.

PRODUCER RESPONSIBILITY OBLIGATIONS (PACKAGING WASTE) REGULATIONS - RECOVERY AND RECYCLING TARGETS FOR PACKAGING WASTE IN 2002

REGULATORY IMPACT ASSESSMENT

PURPOSE AND INTENDED EFFECTS OF THE MEASURES

Issue and Objective

1. The Producer Responsibility Obligations (Packaging Waste) Regulations 1997 No. 648 as amended (by UK Parliament SIs 1999 No. 1361, 1999 No. 3447 and 2000 No. 3375 and Scottish Parliament SI 2000 No.451) implement parts of the EC Directive on Packaging and Packaging Waste (94/62/EC) (“the Packaging Directive”) in Great Britain. The Producer Responsibility Obligations (Packaging Waste) Regulations (NI) 1999 No. 115 as amended in 1999 (1999 No. 496) were introduced to implement the Packaging Directive in Northern Ireland.
2. Consultation took place in 1998 and 1999 on changing the targets for 1999, 2000 and 2001 calendar years. Further consultations are likely to be conducted in mid 2002 to set the targets for calendar year 2003. Political agreement on a Common Position on the Directive’s 2006 targets may be reached in the summer of 2002. Final agreement is expected to follow in 2003.
3. On the basis of the data reported by obligated businesses in 1999, the Government, the National Assembly for Wales and the Scottish Executive jointly published in August 2000 a further Consultation Paper on Recovery and Recycling Targets for Packaging Waste in 2001. This proposed to raise UK business targets from 52% (recovery) and 16% (material specific recycling) to 58% and 18%. On the basis of the data available at the time, 58% and 18% were the targets necessary to achieve the Packaging Directive targets of 50% and 15% for 2001. On the basis of further reported data, however, the figures underlying the proposed targets were reviewed and the target changed to 56% (recovery) and 18% (material specific recycling). These targets took effect on 1.1.2001 and were designed to enable the UK to meet its mandatory obligations under the EC Directive on Packaging and Packaging Waste (94/62/EC).
4. The Regulations require obligated businesses to provide packaging data by 7 April. A significant number of businesses and schemes do not provide complete data by this date, such that full reported data in any given year is not available even by mid year. Failure to get all the necessary data on time means that the development of targets, for example, for future years cannot take place on the basis of the most recent and most accurate data. It has also to be asked whether fluctuating data returns reflect the usual changes in number and type of obligated

businesses and in the amount of packaging they handle (which will change as national and individual economic circumstances change); or, on the other hand, whether fluctuating data returns represent under-reporting by some businesses or even non-compliance. There is, of course, always the risk that data estimates are wrong but since these are based on reported data, late and incomplete data returns make it more likely that estimates are not correct.

5. The Government therefore thinks that it would be desirable to consider options for increasing the monitoring and enforcement of the Regulations to establish as far as possible whether firmer data estimates can provide surer ground for the future development of targets and assessment of progress. The Government is required to consult on any changes to the packaging Regulations and so it is proposed to consider such options at the next available consultation opportunity.

6. An increase in the targets for 2002 is intended to maintain the minimum level of at least 50% packaging waste recovery required by Directive 94/62/EC. The target proposals will also contribute to the achievement of the recycling targets in the Government's Waste Strategy 2000. The targets for 2002 are also set against the background of the proposal from the European Commission for higher recovery and recycling targets over the next 5 years, although the actual level of targets has not yet been agreed.

7. This Regulatory Impact Assessment (RIA) has been prepared by considering the overall UK-wide costs of the proposed changes to the packaging regime in 2002. Since the packaging recovery scheme was designed from the outset to operate in a seamless way across the United Kingdom it is not practical to separate out the costs and other data directly applicable to England, Scotland, Wales and Northern Ireland. While the Government and devolved administrations all recognise the importance of separated data, the best estimate in the circumstances is that costs in Scotland will be of the order of 10% of the UK total and that costs in Northern Ireland will be in the order of 2.5%-3% of the UK total.

Risk Assessment

8. The 2002 target has also been increased in order to maintain the momentum achieved by the targets up to and including 2001 and to avoid failing, in 2002, to continue to meet the targets in Directive 94/62/EC, ie. a minimum recovery of packaging waste in the waste stream of 50%. These objectives take account of the fact that the amount of packaging waste in the waste stream is increasing (from 9.3 mt in 2001 to 9.5 mt in 2002), and also to avoid the negative market impact on the Packaging Waste Recovery Note (PRN) system of low demand. The first few years of experience with the Regulations when targets were introduced, show that over the 5 year period a start with relatively low targets had to be followed by a significant increase in the target in the final year (2001) in order to meet the Directive requirements. As with any Directive requirement, failure to meet the targets could potentially result in infraction proceedings against the UK and, in the worst case, the imposition of financial penalties.

9. Further risks associated with not meeting the targets set in the Packaging Directive include the extra environmental impacts and disamenity generated by the landfilling of packaging waste that could be recovered.
10. In any year, if obligated companies fail to return their data on packaging handled by 7 April as required under the Packaging Regulations, there is a risk that the UK will fail to meet the targets set for that year, as targets are set on the basis of reported data. However, businesses not providing data on time will be committing an offence and are liable to prosecution by the relevant Agency, that is the Environment Agency, the Scottish Environment Protection Agency or the Environment and Heritage Service.
11. Calculations to identify the quantity of packaging in the waste stream have assumed that those businesses that are obligated under the Packaging Regulations do comply with their obligation. There is a risk that obligated businesses may under-report their obligation, but they are monitored by the relevant Agency who should prevent this from happening.

Note on data

12. This RIA will discuss the costs and benefits of the recovery and material specific recycling target for 2002 on the basis of the estimated obligated tonnage in 2002, and against data no higher than the data reported in 2001, as shown in Appendix A.

OPTION 1: TARGET FOR 2002

- 58% recovery;
- 19% material specific recycling.

13. On the basis of the estimate of data to be reported in 2002, a target of 58% is expected to deliver some 4,876,776 tonnes or 51.3% recovery in 2002. However, if we look at the impact of the 58% recovery target on data no higher than that reported in 2001, the 58% target is expected to deliver some 4,606,489 tonnes or 48.4% recovery (see **table 1.**) This is insufficient to maintain the minimum 50% recovery required under the Directive on Packaging and Packaging Waste (94/62/EC).

OPTION 2: TARGET FOR 2002

- 60% recovery;
- 19% material specific recycling.

14. The recovery target of 60% has been proposed in order to ensure that the percentage of packaging waste recovered in 2002 remains at at least 50% of the total arisings in the waste stream, taking account of the fact that the quantity of packaging waste in the waste stream increases from 9,313,900 in 2001 to 9,502,000 tonnes in 2002, and to contribute to meeting targets in the Waste Strategy 2000. On the basis of the estimate of data to be reported in 2002, a target of 60% is expected to deliver some 5,045,000 tonnes, (see **table 1.**) or 53.1%

recovery in 2002, However, if we look at the impact of the 60% target on data no higher than that reported in 2001, the 60% target is expected to deliver some 4,765,333 tonnes recovery, or 50.1%, 15,000 tonnes more that is absolutely required, and only 108,383 t more that we expect to get in 2001 to meet the Directive’s targets. A 59% target would only achieve 49.3% recovery on the data reported for 2001: 60% is therefore, the minimum recovery target to ensure that we maintain the 50% recovery level required under the Directive.

15. There were 66 responses to the recent consultation paper in GB that put forward a recovery target of 61%. With one or two exceptions, the responses opposed a 61% recovery target because, in particular -

- Creating the infrastructure – particularly for household waste extraction - and end-use markets needed to deliver 61% is not achievable in one year;
- The 61% is higher than the Advisory Committee on Packaging’s recommended 58%-60%;

This result also influenced the proposal of a recovery target of 60%.

16. A material specific recycling target of 19% is proposed in order to see some progress in the recycling level of all materials and make some progress over the 18% material specific target in 2001. Additional PRN resources for all materials will allow further development of the necessary infrastructure, as accredited reprocessors issuing PRNs direct the revenue they receive into increasing the reprocessing capacity for packaging waste; increasing collection capacity for packaging waste; and developing end-use markets for recycle.

Table.1

	(a) Est. of data reported in 2002	(b) Data as reported so far in 2001
60% target	53.1% or 5,044,941 t	50.1% or 4,765,333 t
59% target	52.2% or 4,960,859	49.3% or 4,685,911 t
58% target	51.3% or 4,876,776	48.4% or 4,606,489 t

17. The benefits, costs and impacts of the **baseline scenario** are also being assessed in this RIA i.e. keeping the current 56% recovery target and an 18% material specific recycling target for all materials.

Issues of Equity and Fairness

18. The options for the 2002 targets and the baseline scenario will impact across all obligated companies. The impact on each sector will be proportional to the sectoral split of obligations already set, on the basis of industry advice, in the Regulations. In addition, the material specific recycling target will have a varying impact on different material sectors given the current differences in recycling levels achieved by each material. There will be no burden on small businesses as the Regulations already include safeguards for smaller businesses¹ (those with turnover of £2 million and less are excluded).
19. However it should be noted that a trade-off exists between avoiding extra burdens on smaller businesses and the proportional burden placed on businesses that are obligated (i.e. businesses above the thresholds). Targets apply to all the packaging waste in the waste stream, and therefore, the more exclusions there are to protect smaller businesses and others, such as charities, the higher the burden on obligated businesses to recover and recycle the required percentage of packaging waste and allow the UK to achieve the targets.

Benefits

Identify the benefits

Baseline scenario

20. The baseline scenario would have the benefit of requiring no change to what businesses are already planning to undertake in 2001. There would be no increase in costs to obligated businesses nor in the environmental benefits delivered in 2001.

Option 1: 58% recovery and 19% material specific recycling

21. The benefits of **option 1** are:

- To maintain the reduced impact on the environment of packaging waste and to provide a slightly higher lever of environmental protection when compared to the baseline scenario;
- To deliver a slight increase in what should become an upward trend in the amount of packaging waste recovered in the years following 2002, and to help meet the recycling targets in the Government's Waste Strategy 2000.
- To deliver a reduced cost to obligated businesses compared to option 2 and to help meet the recycling targets in the Waste Strategy for Northern Ireland.

Option 2: 60% recovery and 19% material specific recycling

22. The benefits of **option 2** are:

- to sustain the minimum of 50% recovery and 15% material specific recycling required by Directive 94/62/EC;

¹ See section "Impact on Small Businesses" at the end.

- to deliver the first step in what should be a smooth and balanced upward trend, for the years following 2002;
- to send a clear signal to obligated businesses that material specific recycling needs to increase in line with Government policy and expected developments on the review of the Packaging Directive;
- to further reduce the impact on the environment of packaging waste and to provide a higher level of environmental protection when compared to the baseline scenario and option 1.

Quantifying and valuing the benefits

Baseline Scenario

23. The baseline scenario could be expected to deliver recovery of around 4,709,000 tonnes under the estimated obligated tonnage in 2002 or 49.6% recovery of total packaging in the UK waste stream. This takes account of the 2002 total amount of packaging waste in the waste stream (9.5 mt). If the same targets are applied on the basis of reported data no higher than that reported in 2001, the outcome would be recovery of some 4,447,000 tonnes or 46.8% of the total in the waste stream.

Option 1: 58% recovery and 19% material specific recycling

24. Option 1 would deliver slightly increased recovery and associated environmental benefits when compared to the baseline scenario, but not as much as option 2. On the basis of the estimated obligated tonnage in 2002, the 58% recovery target is expected to deliver some 4,876,776 tonnes or 51.3% of the total of packaging in the UK waste stream. This takes account of the 2002 total amount of packaging waste in the waste stream (9.5 mt). If the same targets are applied on the basis of reported data no higher than that reported in 2001, the outcome would be recovery of some 4,606,489 tonnes or 48.4% of the total in the waste stream, which is not enough to sustain a 50% recovery level. Option 1 would also deliver a small step towards an upward trend in the years following 2002, and help to achieve the recycling targets in the Waste Strategy.

Option 2: 60% recovery and 19% material specific recycling

25. Option 2 would deliver increased recovery and the associated environmental benefits when compared to the baseline scenario and option 1. On the basis of the estimated obligated tonnage in 2002, the 60% recovery target is expected to deliver some 5,045,000 tonnes or 53.1% of the total of packaging in the UK waste stream. This takes account of the 2002 total amount of packaging waste in the waste stream (9.5 mt). If the same targets are applied on the basis of reported data no higher than that reported in 2001, the outcome would be recovery of some 4,765,000 tonnes or 50.1% of the total in the waste stream. Option 2 would deliver a first step towards what is intended to be a smooth and balanced upward trend in the years following 2002. This would also have the benefit of avoiding “last minute rush” to try to achieve any targets that may be agreed on the basis of the proposals from the European Commission in December 2001, which may have been the case for 2001. Additional benefits will include the development of the necessary infrastructure (collection, reprocessing and end-use markets) to deliver

the increased recycling levels. A 19% material specific recycling target for all materials will provide a signal to businesses that more needs to be done on material specific recycling in all materials. For plastic, the proposed material specific target will provide a particular driver for increased recycling.

26. It is difficult to value the additional environmental benefits of a reduction of the environmental impact of packaging waste. Environmental benefits could result from a reduction in the amounts of waste going to landfill, while the production and use of recyclate would mitigate against the use of virgin materials. Hence, the greater recovery and recycling of the 2002 targets could potentially reduce emissions to air, soil and water. This is an objective that underlies the UK's vision of sustainable development, while increasing recycling is one of the objectives of the UK's Waste Strategies.
27. Approximately 40% of packaging waste arises in the household waste stream. Increased recovery and recycling of this material will have to occur to reach the proposed target. This will also help to achieve objectives in the Landfill Directive (avoiding the landfilling of biodegradable waste materials such as paper from the household waste stream), and contribute to achieving the recycling targets set out in the Waste Strategy.

COMPLIANCE COSTS FOR BUSINESS, CHARITIES AND VOLUNTARY ORGANISATIONS

Business sectors affected

28. The only sectors that will be affected by this proposal are those already obligated under the Regulations and those involved in delivering recovery and recycling of packaging waste. The sectors obligated under the Regulations are those that are:
 - Manufacturing packaging raw materials
 - Converting materials into packaging
 - Using packaging to pack or wrap products
 - Selling packaging to final consumers
 - Importing packaging or packaging materials.

In total, the Regulations currently place an obligation on approximately 14,000 firms. In addition, there are approximately 210 businesses that carry out recovery and recycling of packaging waste and will be affected. Charities, as defined in Section 506 of the Income and Corporation Taxes Act 1988, are exempt from the Regulations. De-minimus businesses (those at and below the threshold limits of £2 million turnover and 50 tonnes of packaging handled) will also not face any compliance costs, as they are excluded from the Regulations.

Compliance costs for a “typical” business

29. It is difficult to estimate the compliance costs for a typical business as this varies according to the type of business (manufacturer, converter, packer-filler, seller), the type of materials used and the total tonnage of packaging handled. A typical business is here defined as an “average” business, so the costs for a typical business are calculated by dividing total costs by the number of businesses obligated (around 14,000).

Baseline scenario

30. Excluding the effect of growth of waste packaging, the baseline scenario will not result in additional compliance costs to those anticipated in 2001. Estimated costs are around £13,0712 per business on average.

31. However, smaller and larger obligated businesses are likely to experience a lower or higher cost respectively as a result of the smaller or larger packaging tonnage handled respectively. Businesses that use different materials may incur different costs but these are very difficult to assess.

32. The baseline scenario would result in recovery of an insufficient quantity of packaging waste to guarantee that the UK will sustain minimum level of 50% recovery and 15% material specific recycling required under Directive 94/62/EC. This could result in infraction proceedings being taken against UK for failing to continue to comply with the minimum recovery and recycling requirements which, under Directive 94/62/EC, had to be reached by 2001.

Option 1: 58% recovery and 19% material specific recycling

33. Option 1 would result in compliance costs in addition to those anticipated in 2001 under the current Regulations. Estimated costs are around £13,5713 per business on average.

34. However, smaller and larger obligated businesses are likely to experience a lower or higher cost respectively as a result of the smaller or larger packaging tonnage handled respectively. Businesses that use different materials may incur different costs but these are very difficult to assess at this stage. Research has shown that businesses that operate close to the threshold of a £2 million turnover may experience compliance costs that are disproportionate to those of larger businesses. (see paragraph 38. below)

35. Option 1 might result in recovery of an insufficient quantity of packaging waste to guarantee that the UK will sustain the minimum level of 50% recovery and 15%

2 This is obtained by dividing the cost of compliance of the baseline scenario set out in Annex A (£183,000,000) by the number of businesses estimated to be obligated (14,000) for the total.

3 This is obtained by dividing the total cost of compliance set out in Annex A (£190,000,000) by the number of businesses estimated to be obligated (14,000).

material specific recycling required under Directive 94/62/EC. This could result in infraction proceedings being taken against UK for failing to continue to comply with the minimum recovery and recycling requirements which, under Directive 94/62/EC, had to be reached by 2001.

Option 2: 60% recovery and 19% material specific recycling

36. Option 2 will result in compliance costs in addition to those anticipated in 2001 under the current Regulations. Estimated costs are around £14,0714 per business on average.
37. However, smaller and larger obligated businesses are likely to experience a lower or higher cost respectively as a result of the smaller or larger packaging tonnage handled respectively. Businesses that use different materials may incur different costs but these are very difficult to assess at this stage.
38. Small businesses at and below the threshold limit of £2 million turnover and 50 tonnes of packaging handled will not face any compliance costs as they are excluded from the packaging Regulations. However, research done by the Packaging Management Group for the Association of Convenience Stores (ACS), who would be retailers under the Regulations, has shown that businesses that operate close to the threshold of a £2 million turnover experience compliance costs that are disproportionate to those of larger businesses. After looking at a sample of ACS members, they found that a retailer with an annual turnover of £2 million paid an average £1,223 per year in 2000 to comply with the Packaging Regulations, which even assuming a net profit margin of 2% equates to £2.26% of profits. For larger businesses, although the actual compliance cost increased, the relative cost as a percentage of profits decreased significantly to only 0.18%.
39. Furthermore, some businesses and compliance schemes are already aware that targets are likely to increase in 2002 as the Advisory Committee on Packaging has recommended an increase to Ministers, and the Government has consulted on higher targets. It is possible that businesses and compliance schemes will be able to reduce their future costs by planning in advance to meet higher targets.

Total Compliance costs

Baseline scenario

40. Under the estimated obligated tonnage in 2002, costs of recovery and recycling are estimated at around £183,000,000 in 2002; Assumptions and calculations underlying this estimate are presented in Appendix A. Cost estimates are highly dependent on the assessment made of the costs of Packaging Waste Recovery Notes (PRNs) which rise and fall according to the market. The consideration of the estimated costs for 2002 should therefore be viewed against the background of

⁴ This is obtained by dividing the total cost of compliance set out in Annex A (£197,000,000) by the number of businesses estimated to be obligated (14,000).

the outturn costs of recovery and recycling in 1998, 1999 and 2000 which were as follows –

1998	£78,000,000
1999	£33,000,000
2000	£35,000,000

Option 1: 58% recovery and 19% material specific recycling target

41. It is estimated that there will be 9,502,000 tonnes of packaging in the waste stream in 2002. To sustain a 50% recovery rate will, therefore, involve recovering 4,751,000 tonnes. This is some 94,000 tonnes more than we expect to recover in 2001. If, however, we use the data reported so far for 2001, a target of 58% will only deliver 4,606,489, which is less than the amount we expect to achieve in 2001 to meet the Directive's target.
42. Under the estimated obligated tonnage in 2002, costs of recovery and recycling are estimated at around £190,000,000 in 2002; assumptions and calculations underling these estimates are presented in Appendix A. Cost estimates are highly dependent on the assessment made of the costs of Packaging Waste Recovery Notes (PRNs) which rise and fall according to the market. The estimated costs for 2002 should therefore be viewed against the background of the outturn costs of recovery and recycling in 1998, 1999 and 2000 which were as shown in paragraph 33 above.
43. Table 2 below summarises the cost of complying with the baseline scenario and options 1 and 2 based on the estimated obligated tonnage in 2002. Low, average and high costs are produced by using the different estimates for PRN prices provided to the Government in the responses to the consultation paper. These were between £35 and £85 per tonne. See Table 3 in Annex A.

Option 2: 60% recovery and 19% material specific recycling

44. It is estimated that there will be 9,502,000 tonnes of packaging in the waste stream in 2002. To sustain a 50% recovery rate will, therefore, involve recovering 4,751,000 tonnes.
45. Under the estimated obligated tonnage in 2002, costs of recovery and recycling are estimated at around £197,000,000 in 2002; assumptions and calculations underling these estimates are presented in Appendix A. Cost estimates are highly dependent on the assessment made of the costs of Packaging Waste Recovery Notes (PRNs) which rise and fall according to the market. The consideration of the estimated costs for 2002 should therefore be viewed against the background of the outturn costs of recovery and recycling in 1998, 1999 and 2000 which were as shown in paragraph 40 above.

Table 2 Compliance costs under different options (low and high estimates in brackets). £ Million

	Estimated Obligated Tonnage in 2002		
	low	average	high
Baseline scenario	152m	183m	230m
Option 1	158m	190m	238m
Option 2	164m	197m	247m

CONSULTATION WITH SMALL BUSINESSES: 'THE LITMUS TEST'

46. Businesses that do not simultaneously satisfy the two thresholds of the Regulations (i.e. businesses with an annual turnover of £2m or less; and those handling 50t or less of packaging per annum) are excluded from the obligation to recover and recycle waste packaging. Therefore the proposed changes to the level of targets do not affect small businesses below this threshold.

OTHER COSTS

47. As the reporting and recycling obligations are already in place, apart from some one-off adjustment costs, there are no other costs of compliance to businesses due to proposed changes in the level of recovery/recycling targets.

Overall

48. The benefits of raising the packaging targets to 60% recovery and 19% material specific recycling include, apart from the environmental benefits of preventing unnecessary quantities of material going to landfill, and extracting greater use from waste arising instead of virgin materials, the avoidance of infraction proceedings against the UK; a progressive upward trend in the targets in the years following 2002; the development of the necessary infrastructure to deliver increased recycling levels. These benefits justify the cost to business, as infraction proceedings, and the costs that could be associated with this, will be avoided. The UK will develop an improved recovery and recycling infrastructure which will lead to cost saving in the long term, and increased targets will also help to meet the objectives in the Strategy, and the Landfill Directive by delivering higher packaging waste recovery and recycling levels.

49. The benefits of raising the packaging targets to 58% recovery and 19% material specific recycling, include slightly reduced environmental benefits from above; the beginning of an upward trend in the targets in the years following 2002; and an indication to industry that the necessary infrastructure needs to be developed to provide for increased recycling targets in the future. A target of 58% recovery and 19% material specific recycling would also cost the packaging industry less

than a target of 60%, and would mean that they could delay investing in the necessary infrastructure that will be necessary to meet much higher targets. However, delaying planned investment at an early stage in the five year period may result in unnecessarily higher costs being associated with a high last minute target to meet Directive requirements. Against the benefits, the 58% target may also result in a strong possibility that the UK will fail to sustain the 50% recovery level under Directive 94/62/EC. If this is the case then the UK may face infraction proceedings.

Estimating the cost to firms of complying with the 2002 Target.

50. In order to estimate the total cost to business of compliance in 2002, it is assumed that the cost of collecting, processing and reprocessing one tonne of waste packaging material is equal to the average price of a Packaging Waste Recovery Note (PRN) for that material. Furthermore it is assumed that non-material specific recycling for 2002 is distributed across different materials according to the percentage split in 2001.

51. The following needs to be estimated:

- a) the average price of PRNs in 2002;
- b) the percentage split of non-specific recycling across different materials in 2000.

a) the likely average price of PRNs in 2002

52. Table 3 shows, the estimate of 2001 PRN's prices made by DEFRA in the August 2000 consultation paper, the current (November 2001) PRN prices, and the estimate for PRN prices in 2002.

Table 3 PRN prices (£/t): current 2001, estimated in 2000 and estimates for 2002 as submitted as part of the consultation response.

Materials	Estimate for 2001 prices made in 2000 ⁵	Current 2001 prices ⁶		Estimate of 2002 average PRN prices ⁷		
		Min	Max	Min	Medium	Max
Paper	32	20	28	35	37	50
Aluminium	21	20	25	35	53	50
Steel	30	20	24	35	37	50
Plastic	112	45	60	35	43	85
Glass	22	22	28	35	37	50
Wood	31	16	20	35	37	50
Energy from Waste	31	16	20	35	28	50

53. Table 3 shows that, so far, the estimates for PRN prices made in the August 2000 Consultation paper are proving to be an overestimate. However, from next year increasingly more packaging waste will have to be collected from the household

⁵ "Consultation paper on recovery and recycling Targets for packaging waste in 2001" DETR, Scottish Executive and National Assembly for Wales, August 2000.

⁶ Figures taken from Letsrecycle.com on 20 November 2001.

⁷ prices reflect predictions provided by three respondees to the DEFRA 2001 consultation paper.

waste stream for recycling, which is likely to be more expensive than from the commercial and industrial waste streams.

54. The estimated price range for 2002 PRNs are predictions of 2002 prices provided in the response to the Department's 2001 consultation paper.

b) the percentage split of non-specific recycling across different materials in 2001.

55. The percentage split for non-material specific recycling in 2002 is assumed to be: 61.7% for paper, 19% for glass, 6.5% for steel, 12.7% for wood, and 0.1% for aluminium. This percentage split is based on the comparison of actual recycling carried out in 2000 and minimum recycling needed to meet the material specific targets in 2000. It appears that paper, wood and glass are the materials more likely to be used to carry out unspecified recycling, partly at least because they are the cheapest PRN prices.

Estimated cost of Baseline scenario

56. Under the baseline scenario the total recovery of packaging waste is estimated to be 4,708,612 tonnes. Total recycling (material specific and non-specific material recycling) of packaging waste for 2002 is estimated at 4,207,813 tonnes. In particular, at least 593,913t is estimated to be paper; 326,862t is estimated to be glass; 21,720t is estimated to be aluminium; 119,876t is estimated to be steel; 293,637t is estimated to be plastic; 153,876 is estimated to be wood; and 2,695,129t is estimated to be non specified material recycling. Packaging recovery from energy from waste is estimated at 500,000t.
57. The recycling of non-specified material has been allocated across different materials according to the percentage split estimated in (b) above.
58. Based on the estimates calculated in (a) and (b), the total average cost of the baseline scenario is estimated to be about £183,000,000 (with a low estimate of £152,000,000 and a high estimate of £230,000,000).

Estimated cost of option 1, 58% recovery and 19% material specific recycling

59. Under the estimated obligated tonnage in 2002 the total recovery of packaging waste is estimated to be 4,876,776 tonnes. The total recycling (material specific and non-specific material recycling) of packaging waste for 2002 is estimated at 4,375,995 tonnes. In particular at least 626,908t is estimated to be paper; 345,021t is estimated to be glass; 22,927t is estimated to be aluminium; 126,535t is estimated to be steel; 309,950t is estimated to be plastic; 162,050 is estimated to be wood; and 2,779,212t is estimated to be non-specific material recycling. Packaging recovery from energy from waste is estimated at 500,000t.
60. The recycling of non-specified material has been allocated across different materials according to the percentage split estimated in (b) above.

61. Based on the estimates calculated in (a) and (b), the total cost of the 2002 target is estimated to be about £190,000,000 (with a low estimate of £158,000,000 and a high estimate of £238,000,000).

Estimated cost of option 2, 60% recovery and 19% material specific recycling

62. Under the estimated obligated tonnage in 2002 the total recovery of packaging waste is estimated to be 5,044,941 tonnes. The total recycling (material specific and non-specific material recycling) of packaging waste for 2002 is estimated at 4,544,160 tonnes. In particular at least 626,908t is estimated to be paper; 345,021t is estimated to be glass; 22,927t is estimated to be aluminium; 126,535t is estimated to be steel; 309,950t is estimated to be plastic; 162,050 is estimated to be wood; and 2,947,376t is estimated to be non-specific material recycling. Packaging recovery from energy from waste is estimated at 500,000t.

63. The recycling of non-specified material has been allocated across different materials according to the percentage split estimated in (b) above.

64. Based on the estimates calculated in (a) and (b), the total cost of the 2002 target is estimated to be about £197,000,000 (with a low estimate of £164,000,000 and a high estimate of £247,000,000).

STATUTORY RULES OF NORTHERN IRELAND

2002 No.

PUBLIC HEALTH

**The Producer Responsibility Obligations
(Packaging Waste) (Amendment)
Regulations (Northern Ireland) 2002**

Made 2002
Coming into operation 2002

The Department of the Environment, in exercise of the powers conferred on it by Articles 3 and 4(1)(c) of the Producer Responsibility Obligations (Northern Ireland) Order 1998(a), for the implementation of Article 6(1) of Directive 94/62/EC(b) on packaging and packaging waste and of every other power enabling it in that behalf, after consultation in accordance with Article 3(2) of that Order, and after having regard to the matters specified in Article 3(6), as required by Article 3(5) of that Order, hereby makes the following Regulations:

Citation, commencement and interpretation

1. —(1) These Regulations may be cited as the Producer Responsibility Obligations (Packaging Waste) (Amendment) Regulations (Northern Ireland) 2002, and shall come into operation on [2002].

(2) In these Regulations, “the principal Regulations” means the Producer Responsibility Obligations (Packaging Waste) Regulations (Northern Ireland) 1999(c).

(a) S.I. 1998/1762 (N.I.16)

(b) O.J. No.L365, 31.12.94, p.10

(c) S.R. 1999 No 115; as amended by S.R.1999 No. 496.

Amendment of the principal Regulations

2.—(1) The principal Regulations shall be amended in accordance with paragraph (2).

(2) In Schedule 2 (recovery and recycling obligations) —

(a) in paragraph 4 —

- a. in sub-paragraph (a) the word “and” shall be omitted,
- b. for sub-paragraph (b) there shall be substituted —
“(b) for the year 2001, 52%; and”, and
- c. after sub-paragraph (b) there shall be inserted —
“(c) for the year 2002 and any subsequent year, **%.” ; and

(b) in paragraph 5 —

- (i) in sub-paragraph (a) the word “and” shall be omitted,
- (ii) for sub-paragraph (b) there shall be substituted —
“(b) for the year 2001, 16%; and”, and
- (iii) after sub-paragraph (b) there shall be inserted —
“(c) for the year 2002 and any subsequent year, **%.”.

Sealed with the Official Seal of the Department of the Environment on
[].

(L.S.)

Minister of the Environment

EXPLANATORY NOTE

(This note is not part of the Regulations)

The Producer Responsibility Obligations (Packaging Waste) Regulations (Northern Ireland) 1999 (“the principal Regulations”) impose on producers obligations to recover and recycle packaging waste, and related obligations.

These Regulations further amend the principal Regulations by increasing from the year 2002 onwards, the recovery target used to calculate recovery obligations, from 52% to **%, and the recycling target, used to calculate recycling obligations, from 16% to **%.

SCREENING FOR EQUALITY IMPACT ASSESSMENT

THE PRODUCER RESPONSIBILITY OBLIGATIONS (PACKAGING WASTE) REGULATIONS - POLICY PROPOSALS FOR INCREASES IN THE RECOVERY AND RECYCLING TARGETS FOR PACKAGING WASTE IN 2002

**NORTHERN IRELAND ACT 1998 (SECTION 75)
STATUTORY EQUALITY OBLIGATIONS**

1.0 General Details

1.1 *Title of proposed Regulations:*

The Producer Responsibility Obligations (Packaging Waste) (Amendment) Regulations (Northern Ireland) 2002

1.2 *Brief summary of the scope of the proposed Regulations:*

The Regulations will increase the recovery and recycling targets for packaging waste for 2002. The proposed increases are necessary in order that Northern Ireland can play its part in enabling the UK to move from the targets of 50% of packaging waste to be recovered, at least 25% recycled and 15% of material-specific recycled which were specified in the EC Packaging Directive (94/62/EC) towards assumed target levels in 2006. The proposed increase in targets will bring NI into line with the position in GB.

1.3 *Aims of the Regulations:*

To amend the Producer Responsibility Obligations (Packaging Waste) Regulations (NI) 1999 by increasing the recovery and recycling targets for packaging waste in 2002 from 52% to 60% recovery and from 16% to 19% recycling.

2.0 Screening Analysis

Screening aims to identify those policies which are likely to have the greatest impact on equality of opportunity and community relations. This is assessed against the nine categories listed below:

- (1) Persons of different religious beliefs
- (2) Persons of different political opinions
- (3) Persons of different racial groups
- (4) Persons of different ages
- (5) Persons of different marital status
- (6) Persons of different sexual orientation
- (7) Men and women generally
- (8) Persons with a disability and persons without

(9) Persons with dependents and persons without

2.1 Q Is there any evidence of higher or lower participation or uptake by different groups as listed in Section 75?

A There is no evidence that any particular group is, or will be, affected by the policy proposals.

The packaging Regulations place on certain businesses (producers) obligations to recover and recycle specified tonnages of packaging waste based on the amount of packaging handled by the business. Producers handling less than 50 tonnes of packaging annually and with a turnover of more than £2m are not obligated under the Regulations.

Q Is there any evidence that different groups (as listed in Section 75) have different needs, issues and priorities in relation to the particular policy?

A There is no evidence that the policy proposals would affect the particular groups in this way. The proposals affect business and none of the groups in Section 75.

Q Is there an opportunity to better promote equality of opportunity or better community relations by altering the policy or working with others in government or the community at large?

A No such opportunities have been identified. The policy proposals affect business and not Section 75 groups.

Q Have consultations with relevant groups, organisations or individuals indicated that particular policies create problems that are specific to them?

A Consultation is mainly with businesses and organisations representing the various businesses obligated by the packaging waste Regulations.

3.0 **Impact Assessment Decision**

3.1 Full impact assessment procedure is confined to those policies considered likely to have significant implications for equality of opportunity and community relations.

Q Taking account of the Screening Analysis in Section 2.0, do these proposals need to be submitted to a full equality impact assessment?

A The Department considers that there are no equality issues arising from these policy proposals and therefore does not consider that a second sift (scoping) or full impact assessment are required. The proposals will have no adverse effects on any of the “Section 75” Groups.

Reason for Decision

As a result of the screening analysis in Section 2.0, it is considered that there will be no significant implications for equality of opportunity or community relations as a result of the proposals.