



UK Industry View on Regulatory Changes in the UK

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- A little information about Valpak
- Putting things into context
- What does industry want?
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Who are Valpak?



- Largest UK packaging compliance scheme for the E.U. Packaging Waste Directive
 - ~3,000 member companies (~55% market share)
 - Not-for-profit independent company
 - ~60% of U.K. packaging recovery (3.2Mt in 2005)
 - Chairman Rt. Hon John Gummer (former UK Environment Minister)
 - UK representatives of PRO-EUROPE
 - Alliance of 26 recovery organisations
 - Internationally recognised models that contribute to the efficient fulfilment of the requirements of the EU Packaging Directive 2004/12/EC
 - Respected partner of the European Institutions sharing expertise and experience

Current UK Context



- Valpak's "Packflow 2008" project
- Available free on www.valpak.co.uk/packflow
- Forecast future challenges

	2002/3 (kT)	2008 (kT)	Total UK Increase Required	UK Household Increase
Glass	540	1280	85%	135%
Steel	43	90	22%	110%
Aluminium	8	20	44%	150%
Plastic	25	60	65%	140%

What does industry want from compliance?



- **Most just want a complex problem taken away**
 - At low cost
 - With reliability from their chosen scheme
 - Some place value on extra services (help with data, legislative and environmental consultancy, lobbying)
- **Legality**
 - To be sure that they won't be prosecuted
- **Some even care about targets**
 - Because shortages of recycling makes prices go up
 - Because of the consequences if we don't meet them
 - In future they want a "one stop shop" for all environmental compliance because.....

What does industry need?



- **Big UK producers, the UK government and UK compliance schemes understand and appreciate the dynamics of the UK market system**
 - The need to invest in infrastructure to minimise costs in the long term
 - The UK's increasing reliance on exporting recyclate
 - The need to dramatically expand UK household recycling

- **But the question is:– will the existing PRN system deliver or should we look for more radical change?**

The Common View



- The PRN system is criticised for failing to be 'long term'.
- The Green-Dot system is criticised for being costly.
- **Is there another way?**



What's the real difference?



- The PRN and 'Green Dot' systems
 - Differ significantly in many ways
 - Are very similar in many ways
 - Both are effective
- **But trying to change from one system to the other would be extremely difficult**

Pros and Cons



- **PRN System**

- Is designed to meet but not exceed targets
- Encourages 'go it alone' and competing schemes
- Which results in low costs and good customer service

- **But**

- Long term investment in infrastructure (by schemes) results in short term uncompetitiveness

- **Green Dot System**

- Is designed to operate with a single national scheme
- Does not control amount of material collected for recycling
- Which results in higher costs

- **But**

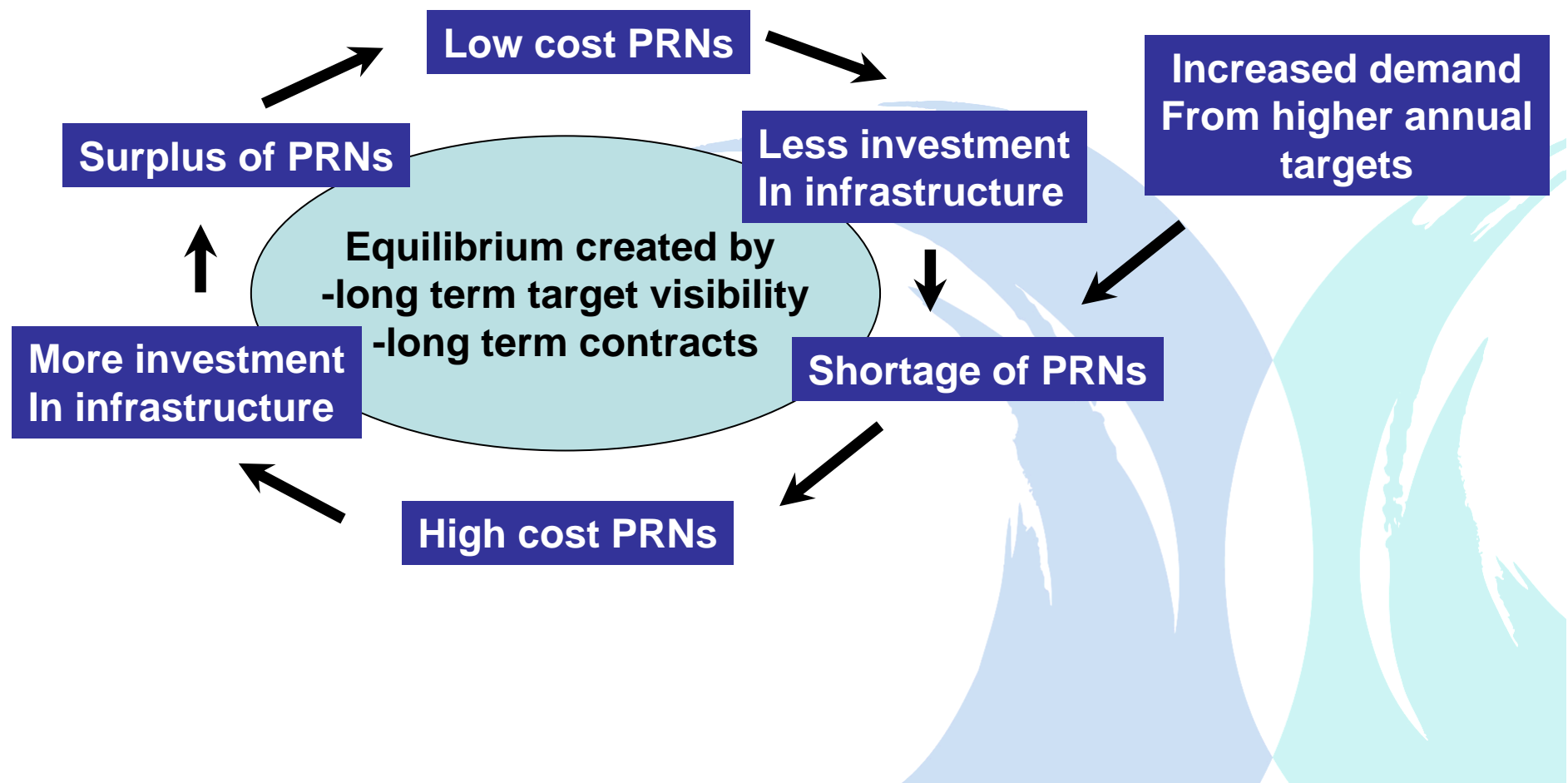
- Long term investment can be centrally planned

How do PRNs operate?

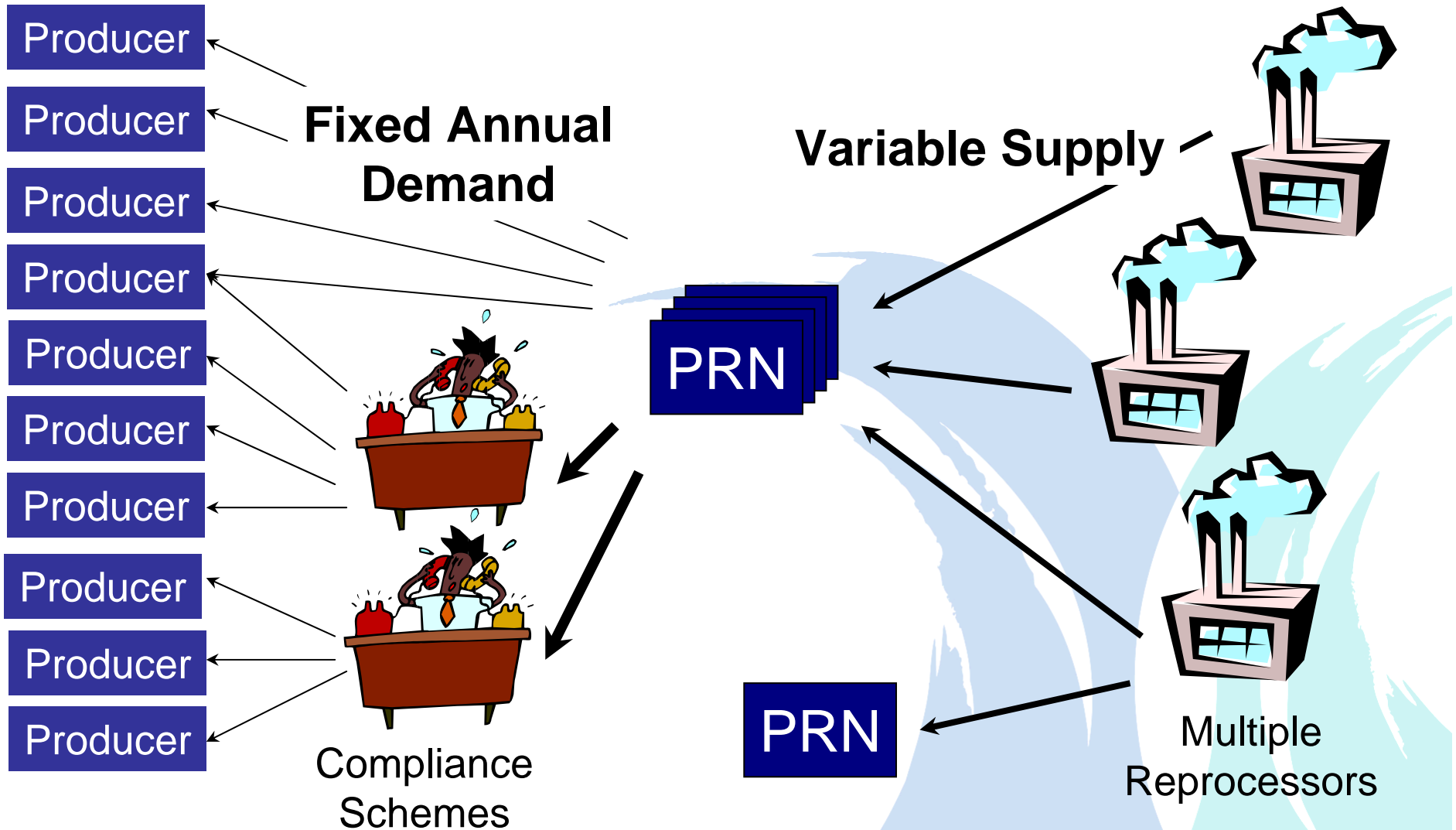


- UK producers are each given their share of the total UK recovery target as a tonnage obligations
- Producers buy 'packaging waste recovery notes' (PRNs) from recyclers as evidence that recycling has taken place
 - Details of the system were the subject of my talk last year so I'm sure I don't need to go over all that again!

PRN Market Balance



The PRN System



Why Won't the Existing PRN System Deliver for 2008?



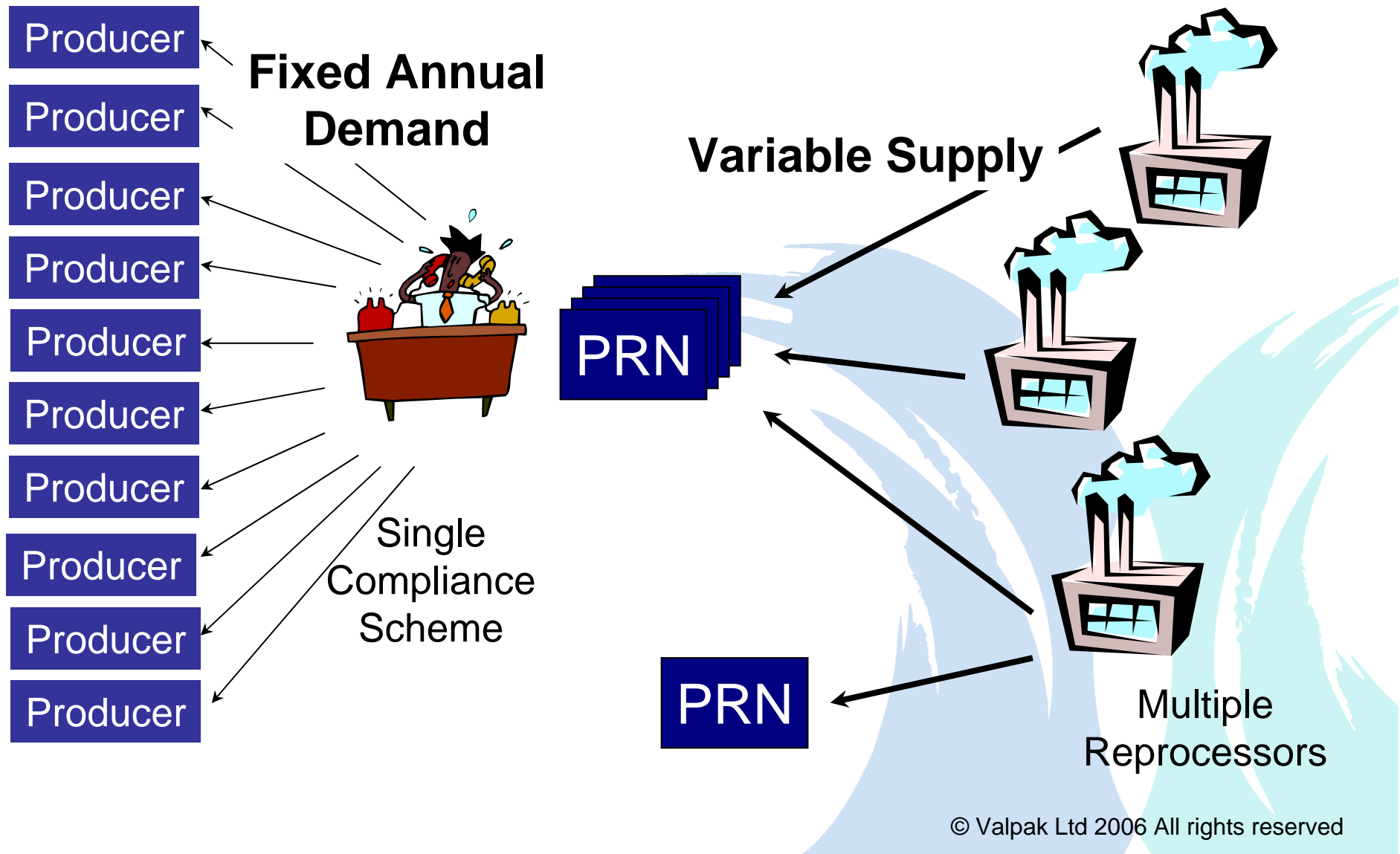
- Targets
 - Only set until 2008
- Investment of PRN funds
 - Unclear how reprocessors spend the money to increase recycling (if at all!)
- Market data
 - Data often published late and inaccurate
- Fraud and poor practices
 - Some PRNs issued for non-packaging recycling
- Penalties and Enforcement
 - Inadequate penalties for non-performing schemes and producers

Implementation Methods



- **Government Taxation** → Least popular / most expensive
 - Eco-taxes related to product 'performance'
- **Central Control and Investment (published fees)** → Tends to overshoot targets which can increase costs
 - WEEE and Battery systems (Belgium / Holland)
 - "Green Dot" packaging recovery
- **Evidence Trading** → Meets targets but difficult to invest long term
 - The PRN system
 - (The 'no frills' clearing house?)
- **Permission Trading ("Cap and Trade")** → Meets targets at low cost – but not applicable to packaging
 - SO₂ emissions in U.S.A. (1980's)
 - The ROCs system
 - LATs (including banking and borrowing)
- **"Individual" Producer Responsibility** → Appears best suited to large, high value items
 - ELV 'Own Marque' system

Single Scheme PRN System



What might happen?



- In theory this would:
 - Allow long term investment
 - Retain the system's ability to exactly meet targets
 - Retain competition (amongst reprocessors) to supply at low cost
- But it has been tried already
 - It's how Valpak was originally conceived and resulted in uneconomic projects
 - Single scheme cannot be aware of all potential technologies
 - Collection streams change and develop
 - Competition between waste operators and monopoly schemes in similar situations has been problematic

So what is the answer?



- ✓ **Targets:**
 - 5 year rolling targets extending beyond 2008
 - Allows confidence and stability for investors
 - Encourages long term PRN contracts
- ✓ **Operational Plans & Business Plans from Schemes and Reprocessors:**
 - Should be subject to much closer scrutiny
 - Should be directly linked to expansion of packaging recovery from local authority collections and other sources
- ✓ **Packaging obligation and recovery data:**
 - More accurate and timely data is essential
 - Underway via UK Government Advisory Committee
- ✓ **PRN/PERN fraud**
 - Positive activities undertaken by enforcement agencies should be continued and, where possible, strengthened
- **Non-compliance penalties would complete the picture:**
 - Non-criminal, tonnage-related, financial penalty charges
 - Revenue used to enhance UK packaging recycling and recovery



Conclusions

- UK Schemes and producers agree with the continuous improvement of the Regulations by UK government
- We are keen to accept our responsibilities but we cannot operate in isolation
- UK Schemes and producers need to work constructively with Local Authorities and Enforcement Agencies
- Significant challenges ahead across Europe, all PRO-EUROPE members are committed to ensuring that targets are reached at lowest costs



Thank You

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