

A DEPOSIT AND REFUND SYSTEM IN IRELAND

A PERCHARDS REPORT COMMISSIONED BY REPAK LTD.

This note summarises the key findings of a major report into the operation of mandatory deposit schemes for certain types of beverage containers conducted by Percharads, the leading consultancy firm on packaging waste management policy. Additional context and background to this report is contained at Appendix A.

RECYCLING PERFORMANCE

Ireland's recycling rate for all packaging waste ranks seventh out of 26 EU member states (2005) and surpassed that of Denmark, Sweden, Finland and Estonia, all of whom operate deposit schemes. Belgium, which has no deposit scheme, achieved the highest packaging recycling rate in Europe and Germany, which operates a deposit scheme, ranked second, [ref. Percharads section 3.10.2]

OBJECTIVES

Deposits are seen as a way to tackle the litter problem and to boost recycling rates. However, it is important to recognise that drinks containers represent just 5.36% of total litter and about 10% of all packaging (National Litter Survey for 2006). [ref. Percharads section 1.0]

EXPERIENCES FROM OTHER JURISDICTIONS

None of the factors considered necessary to make mandatory deposit schemes successful apply in Ireland. These factors are –

- Mandatory deposits introduced when refillables were still common in the retail trade
- Mandatory deposits introduced before kerbside collections of recyclables was commonplace and before the introduction of producer responsibility for packaging waste
- A small number of market operators, as this reduces operating costs and complexity
- The support of industry
- Limited cross border shopping as this can have a significant distorting effect on deposit arrangements [ref. Percharads section 2.4.3]

COMPLEXITY

Mandatory deposit schemes are complex. Careful consideration must be given to their design and operation, including the structure of the market, the scope and level of any mandatory deposit applied, the system of returns and the management of the scheme. Otherwise, a range of undesirable and unwanted effects can result,

including market distortions, increased consumer and business costs and a low return rate. [ref. Perchards section 3.0]

INCREASED COSTS

Significant costs would be involved in establishing and operating a mandatory deposit scheme in Ireland, part of which would inevitably be passed on to consumers in higher retail prices. Total costs can be divided up among *set-up costs, producer costs, retailer costs and consumer costs*. In Germany, retailers face the highest costs – of the estimated €793 million annual cost, retailers bear €699 million and producers €94 million. [ref. Perchards section 3.7]

ENVIRONMENTAL IMPACTS

ENERGY AND CARBON

Mandatory deposits imposed on top of an existing recycling scheme such as Repak would involve unnecessary duplication of collection infrastructure, less efficient use of transport, increased traffic pollution and a wasteful use of scarce resources and negative carbon impacts. [ref. Perchards 3.10.3]

LITTER

Deposits do not solve littering. As drinks containers represent just 5.36% of total litter, a deposit scheme would have little impact on total litter - a conclusion which is supported by litter surveys undertaken around the world. It is unlikely that any significant cost saving for litter abatement would result from mandatory deposits.

The solution to littering lies in increased public information and awareness programmes which target the anti-social behaviour involved in littering, combined with increased enforcement of the Litter Act. Repak supports a range of initiatives with local authorities and businesses to combat litter. [ref. Perchards section 3.10.1]

RECYCLING

A deposit scheme would have a very marginal impact on overall packaging recycling rates. As drinks containers represent about 10% of all packaging, any improvement in recycling rates is unlikely to exceed more than about 1.5%. [ref. Perchards section 3.10.2]

Such marginal effects will have little impact on addressing the serious waste management challenges confronting Ireland. [ref. Perchards section 3.10.2]

ACCESSIBILITY AND SOCIAL COHESION

If Ireland opted for a deposit scheme with returns depots not in store, this would favour consumers with private cars and the environmental impact of consumers driving to returns depots must be weighed against any perceived environmental benefits of a deposit. For social cohesion reasons access to returns depots must also be provided for consumers that do not have a car. [ref. Perchards section 3.10.3]

EXISTING PRODUCER RESPONSIBILITY SCHEME

A mandatory deposit scheme would undermine the existing successful producer responsibility scheme operated by Repak. Specific impacts would include –

- Current kerbside and bring arrangements would collect less material, creating under-utilised capacity becoming more expensive and losing efficiency
- Repak would receive less fee income to support recycling in Ireland
- A mandatory deposit would undermine Repak’s shared fee structure, where the costs of recycling are shared equitably along the trading chain
- Repak would no longer have sole responsibility for meeting Ireland’s national packaging recycling targets [ref. Perchards section 3.9]

ALTERNATIVE APPROACHES

Significant progress has been made in growing packaging recycling in Ireland. Some other EU member states have looked at deposit schemes as a means to reduce littering and boost recycling rates, but have opted for alternative approaches which Ireland should explore. More can be achieved in Ireland with action in the following areas -

- *Collection and Recycling Infrastructure* – investment to bring Irish recycling infrastructure to density levels which correspond to the best available in Europe
- *Education and Information on Recycling* – sustained programmes targeting households and businesses
- *Enforcement* – a significant increase in enforcement activity to target “free-rider” businesses that continue to ignore their obligations under the Packaging Regulations, denying additional funding available to support recycling in Ireland.

CONCLUSION

The detailed review of mandatory deposit schemes undertaken by Perchards concludes that –

- Ireland already operates a successful producer responsibility scheme exceeding national packaging recycling targets
- The factors associated with successful implementation of deposit schemes in other jurisdictions do not apply in Ireland
- The environmental benefits would be marginal and are likely to be out weighed by adverse environmental impacts, including the duplication of collection infrastructure and the less efficient use of transport
- A mandatory deposit scheme is complex and would need careful planning and implementation
- There would be high costs for producers and retailers.
- There would be a significant adverse impact to the existing producer responsibility scheme operated by Repak .

APPENDIX A – CONTEXT AND BACKGROUND

CONTEXT

In July 2008, the Minister for the Environment, Heritage and Local Government, John Gormley TD appointed Eunomia/Tobin Consultants to conduct an International Review of Waste Management Policies in Ireland and to make recommendations on policy changes which the Government should consider. In the area of packaging waste, the Minister's brief requests Eunomia/Tobin to examine international experience of deposit and refund schemes and their role in supporting the recovery and recycling of certain types of packaging waste, mainly considered to be non-refillable beverage containers (drinks cans and PET soft drink containers).

Repak Ltd, the organisation which supports Irish business in meeting its obligations to recycle packaging as required under the EU Packaging Directive, 1994, commissioned Perchards to examine the operation of deposit and refund schemes in other jurisdictions, and to consider their application and likely effectiveness in meeting the objectives of growing packaging recycling and reducing litter in Ireland. This document summarises the key findings from the Perchards report.

PACKAGING RECYCLING IN IRELAND

Since 1997, Repak has invested over €140 million in supporting packaging recycling, growing recycling from under 15% in 1998 to over 60%, or 651,000 tonnes, in 2007. As a result, Ireland has exceeded its national packaging recovery targets in both 2001 and 2005. Repak's financial support has helped extend kerbside services to 1,100,000 households nationally, and support collections from over 2,000 bring sites and 90 recycling centres.

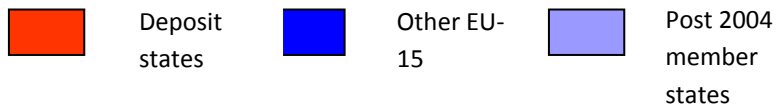
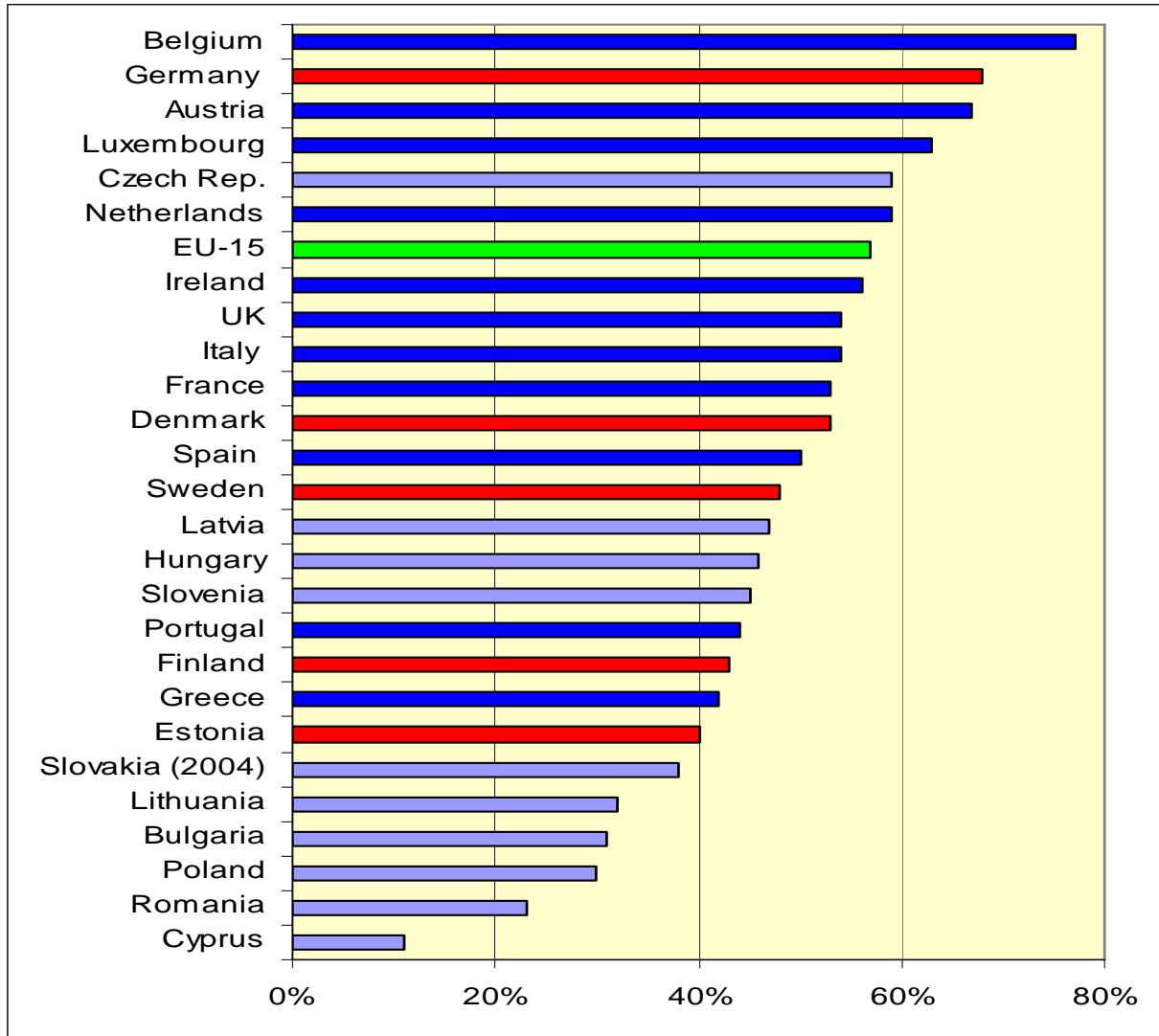
Repak operates a "*producer responsibility*" scheme whereby businesses that place product packaging on the Irish market become member companies of Repak and pay it fees based on the quantities of packaging placed by them on the Irish market. Repak in turn applies these funds to the collection and recycling of packaging waste. Member companies also agree to supply Repak with information and data on the quantities and types of packaging they place on the market and to control and recycle packaging on their own premises.

Repak membership fees can also be considered as a levy which applies to all packaging in a way which is both sophisticated and equitable, and encourages waste minimisation and a choice of materials by business which supports recycling.

RECYCLING PERFORMANCE - COMPARISON WITH OTHER EU MEMBER STATES

The graph below shows overall recycling rates for packaging waste in the EU in 2005 [ref. Perchards section 3.10.2]

FIG. 1 EUROPEAN RECYCLING RATES FOR ALL PACKAGING, 2005



Source: EU Commission