

Plastic packaging Tax Consultation
Energy and Transport Tax team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

10 May 2019

Consultation on Plastic packaging tax

Natural Resources Wales (NRW) is a Welsh Government Sponsored Body. Our purpose is to ensure that the natural resources of Wales are sustainably maintained, used and enhanced, now and in the future.

NRW welcomes this opportunity to contribute to the consultation. The following are responses to those questions within the consultation on which NRW has a view.

6. Do you agree with the government's suggested approach to defining plastic in scope of the tax?

Yes, we agree with the approach.

7. Do you agree with the government's suggested approach to defining packaging and packaging materials in scope of the tax?

Yes, we agree with the approach.

8. Is the government's approach to components of plastic packaging consistent with the way businesses operate and packaging is created?

Composite packaging that is not predominantly plastic by weight will result in composite packing such as fast food packaging and tetra packs not being captured by the tax. This packaging is predominately card with a plastic film and is widely used. Composite packaging such as this is notoriously difficult to recycle, often contaminating both plastic and card waste streams. By not capturing this material there is a risk that more manufactures will use these materials to avoid the tax, therefore resulting in a perverse outcome. The plastic tax should be seen as an incentive to reduce all composite packaging materials.

Option 2 should be the preferred option, however, this should consider the entire weight of the packaging product as the plastic element would be insignificant by weight in comparison to the other mixed materials. Volume may be a better option however neither would result in an incentive to move away from difficult to recycle composite materials.

The consultation for Deposit Return Schemes also proposes to exclude certain packaging materials, such as tetra pack. This would effectively result in the most undesirable packaging types being excluded from all initiatives to tackle challenging composite waste streams.

9. Which of the above options for defining plastic packaging for composite material items do you think works better for the purposes of the tax?

Option 2 but with further consideration regarding impacts of weight based charges.

10. Do you think alignment with reformed Packaging Producer Responsibility regulations is important for the purposes of the tax?

To reduce confusion definitions should be consistent between the 2 pieces of legislation.

12. Are there any environmental or technical reasons to consider excluding any particular ways of recycling plastic?

Consideration needs to be given to bioplastics and the extent to which those bioplastics are biodegradable.

13. Is there any way that the proposed approach to defining recycled content could encourage unintended consequences, such as wasteful manufacturing processes?

Consideration should be given to whether pre-consumer material is considered recycled if it is a by-product of a manufacturing process, as per Article 5 of the Waste Framework Directive.

14. Do you agree with the government's preferred approach of a single threshold, and why? If not, what alternative would be better, and what are the risks associated with this? Please explain your answer and provide any supporting information and evidence.

An ambitious approach to encourage recycled content would be to have a sliding scale for recycled content. While the 30% threshold would ensure all manufactures are moving towards recycled content to avoid paying a tax, for any manufacture that chooses to use 100% recycled content, there is no further incentive.

This does not incentivise the industry to innovate as there is no financial benefit. It also does not prompt the industry to consider alternative materials and avoid the use

of unnecessary plastic packing and seek alternative materials where appropriate. It allows manufactures to undertake the minimum based on today's methods of production and commercial environment. In order to develop the infrastructure needed to collect and process recycled plastic domestically there needs to be sufficient demand for recycled plastic. Therefore, having a scale of thresholds may drive the industry further to become a fully circular plastic recycling economy.

Has the option for a flat rate for all plastic packaging product with a sliding scale of tax for recycled content with an exemption or a relief for recycled content been considered? This system, similar to car tax, would ensure that all manufactures pay to place plastic product on the markets but manufactures of 100% recycled content are not liable for any tax. This system could also exclude any relief for composite and difficult to recycle materials.

NRWs experience as a regulator is that an effective compliance scheme needs to ensure an income/revenue for compliance activity. Will it be difficult to assess compliance if all manufactures are able to meet the 30% threshold requirement for example in the next 5-10 years. Is there of risk that a low or no revenue being generated to allow for compliance activity?

15. Assuming a single threshold, do you agree with a 30% threshold for recycled content and why?

Whilst it is understood that the threshold is derived from the current plastic pact, we would recommend that further investigations are made into what is technically feasible for the industry. We do not believe that a 30% threshold is ambitious enough when there are plastic packaging products currently available on the market that are derived from 100% recycled content e.g. branded water bottles.

To fully achieve the ambition of the proposals, it will be necessary to ensure that the waste collection and infrastructure systems can guarantee the supply of recycled content in sufficient quantity and quality. Other policy drivers are being considered currently that could support this.

18. What evidence is currently held by liable manufacturers and importers on the levels of recycled content in their plastic packaging and how it might be able to meet the requirements of identifying recycled content levels?

Under packaging regs producers must know weight of imports but no current requirement for recycled content. This will vary greatly between producers and overseas suppliers and may prove difficult to ascertain when requiring the information from agents/third parties etc and ensuring that the data is passed along packaging chain.

From a regulatory perspective this may prove challenging for the HMRC to determine how the information is verified/corroborated.

20. Do you agree with the government's suggested approach of setting a flat rate per tonne of a plastic packaging product? Why?

No, see response 14 and 15 above.

Films and similar lighter plastics will be difficult to increase the recycled content and are also challenging to recycle at the end of their life. Another option may be to consider polymer types and their whole life cycle impacts, to result in the best overall environmental outcomes, when determine tax rates to apply, this would also allow for manufactures to consider alternative materials and move away from challenging plastics such as composite materials and lightweight films.

42. Are there any further compliance risks that have not been addressed in this chapter, please provide details?

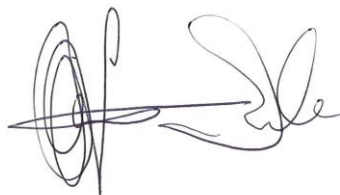
If manufactures are able to comply with the requirement of a 30% threshold for recycled content, then no revenue will be generated from the scheme for the treasury. How will the scheme then be monitored for compliance if no revenue is generate in the long term when the UK government ambition has been met.

56. Unless already covered in your responses to other questions within this document, is there anything else you would like us to note about the impact of the tax, especially any potentially adverse impacts on groups with protected characteristics

The overall aim of the plastic tax is to incentivise the use of recycled content in plastic packaging manufacturing and stimulate markets and demand for recycled plastic. However, it should also be an ambition that it encourages manufactures to make decisions or choices around eradicating unnecessary plastic packaging. Whilst we recognise plastic has its place and use, it should only be considered where there is no alternative.

We are content to be contacted again by Welsh Government in relation to this consultation.

Yours sincerely

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

Acting Head of Regulation and Permitting/Pennaeth Rheoleiddio a Thrwyddedu (dros dro)