

CONSIDERATIONS AND RECOMMENDATIONS FOR A MORE EFFECTIVE PLASTIC PACKAGING TAX

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RECOUP is supportive of the Plastic Packaging Tax operating in a way that delivers its aims and the most effective environmental outcomes.

RECOUP believes the Plastic Packaging Tax, under its current operation, needs to be more effective to increase recycled content in plastic packaging. There are opportunities to make the tax more effective, reduce the risk of false claims of recycled content and support the aims of what the tax set out to achieve.

“The aim of the tax is to provide a clear economic incentive for businesses to use recycled plastic in the manufacture of plastic packaging, which will create greater demand for this material. In turn this will stimulate increased levels of recycling and collection of plastic waste, diverting it away from landfill or incineration.”

HMRC [1]



As of April 2024, the tax is applied at a cost of £217.85 per tonne for plastic packaging placed on the UK market that is not claimed to contain 30% recycled content. However, there have been a number of considerations, positions and issues identified during the two years the tax has been in place.

[1] <https://www.gov.uk/government/publications/introduction-of-plastic-packaging-tax-from-april-2022/introduction-of-plastic-packaging-tax-2021>



These include:

- Verification of recycled content is not being sufficiently enforced, particularly for packaging (filled and unfilled) that is imported into the UK with claims of recycled content.
- Limited use of recognised certification schemes and third-party auditing to verify claims of recycled content.
- These combined points are increasingly making the UK recyclers commercially unviable due to having to compete with cheap imports of virgin packaging and packaging with recycled content from countries with significantly lower cost base and greater access to material.
- It also means HMRC are losing revenue for an unknown quantity of packaging that does not contain 30% recycled content and is incorrectly avoiding paying the tax.
- Missed opportunity to align with Extended Producer Responsibility (EPR) legislation to include recycled content as part of the eco-modulation framework to incorporate a more holistic environmental impact of the packaging and support the full net cost of the collection and recycling of packaging by incorporating recycled content as part of the eco-modulation framework.
- The price point of the tax not being sufficient to incentivise use of recycled content due to the significant and changeable price difference between recycled and virgin plastics.
- Limitations for the availability of recyclate and the premium price it attracts to use it.
- Use of mass balance not being recognised as a method to allow chemically recycled material that would not be target material for mechanical recycling.
- Significantly increased administrative burdens on producers and users of plastic packaging.
- Lack of permitting for certification that is precluding the use of recycled content in food contact-sensitive applications and this severely limiting the use of recycled content in these packaging types.



RECOUP is therefore putting forward strategic considerations to HMRC to maximise the overall environmental impact of the tax and avoid unintended and negative environmental outcomes.

The strategic considerations are in five areas, with one recommendation and an absolute focus on enforcement and verification of the tax to act as a foundation to all other areas.

Introduce a robust enforcement framework

Gradual increase of the price point

Modulated approach to increasing recycled content

Reinvestment of revenues to support the objectives of the tax

Delivering effective policy

1. INTRODUCE A ROBUST ENFORCEMENT AND VERIFICATION FRAMEWORK, INCLUDING ACKNOWLEDGEMENT AND USE OF A CERTIFICATION SCHEME(S)



Checks and verification of recycled content to meet the threshold for the Plastic Packaging Tax is currently not fit for purpose. This is particularly relevant for the approximate 50% plastic packaging placed on the market that is imported into the UK.

To enable the tax to progress towards meeting its aims, a robust and effective form of enforcement and verification of recycled content claims is required. This could be done through existing certification schemes, which are already utilised by a number of organisations, as well as in the Spanish Plastic Packaging Tax where accredited, third-party certification of recycled content has been made mandatory by the government [2].

Accepting the use of these systems will help to ensure that claims of recycled content are validated and would help to reduce the risk and instances of false claims, whether deliberate or otherwise, taking place.

This is especially important for packaging that is imported, both filled and unfilled as HMRC does not have the remit to verify levels of recycled content on companies based outside of the UK, and therefore use of approved international certification schemes would help to address this challenge.

Any use of an enforcement and verification framework will have an impact on producers and users of plastic packaging and should ensure, as much as possible, that no avoidable burdens are placed on these businesses.

The RECOUP and the BPF Recycled Content Verification Systems report (December 2022) stated that if a recycled content verification function was to be considered, to be both effective and attractive for businesses in scope of the tax, it needs a well-designed framework that should include five focal features for auditors and certification schemes to operate within.

[2]

https://www.plasteurope.com/news/SPAIN_t254097/#:~:text=If%20a%20product%20contains%20certified,made%20mandatory%20by%20the%20government



Consistent reporting mechanism.

A consistent and independent audit approach with reporting templates to work from.



Operate internationally / multinational and to recognised international standards on recycled content and traceability.

A central requirement due to the international supply chain and use of globally recognised standards.



Provision to have an annual in-person audit at a site level with an auditor pool that can be deployed worldwide.

As an example, RECOUP and the BPF are aware of one business that had tasked audits of their sites in Canada, China, Europe and the UK and needed an auditor that could deliver consistently in all countries.



Affordable, credible and add value.

To ensure the administration costs associated with implementing the tax are kept to a proportional and reasonably expected level, are robust and transparent, and noticeably add value to business operations.



Monitor scientific laboratory-based testing technology.

This technology should be monitored closely to ensure any opportunities to verify recycled content are considered to improve the current audit-based systems.

In addition, HMRC has sought views on verification of recycled content from chemical recycling through a consultation that closed in October 2023, and there should be an appropriate and similar approach to ensure a level playing field with mechanical recycling.



Introduction of a verification framework for the UK should be a priority, with considerations given to the cost to industry for such a requirement, and prioritising packaging imported to the UK over packaging manufactured in the UK.

2. GRADUAL INCREASE OF THE PRICE POINT OF THE TAX

The current £217.85 cost of the tax could be gradually increased year-on-year with a view to reaching a more ambitious threshold by 2030. This would artificially inflate the cost of virgin content in comparison to recycled polymer and help to drive producers to using recycled material.

However, any gradual increase of the price point of the tax needs to:

- Avoid significant commercial impacts on UK recyclers and lost HMRC revenue for incorrect claims of 30% recycled content by being delivered in parallel with

effective enforcement to verify recycled content.

- Be under review annually to consider the market circumstances and other policy areas to reduce the risk of disproportionate cost to industry that may, or would be, passed on to consumers.

Using a proportion of the funds raised from the gradual increase of the price point of the tax should also be considered. This should fund, at a minimum, supporting public bodies to maximise the supporting structure around the tax to support its objectives (see point 5).

3. A MODULATED APPROACH TO INCREASING RECYCLED CONTENT THRESHOLDS

A modulated approach to increasing recycled content thresholds can be approached in two ways according to:

- What recycled content can be included by legislation in place.
- Incentivising higher percentages of recycled content.



Currently, due to food contact legislation, it is not possible to include recycled content in specific packaging types (e.g. non-PET/HDPE contact sensitive packaging through approved processes), and a modulated approach to increasing the recycled content threshold should be considered.

This would allow for an increased rate where legislation allows recycled content for PET packaging and natural HDPE drinks containers, for example, to 50% recycled content, whilst providing a lower threshold or exemption for those with food-contact requirements that cannot achieve food contact approval with recycled content.

Any modulation would need to be reviewed annually due to account for changes to food contact approval from the Food Standards Agency (FSA). A modulated approach would be a similar concept to that proposed as part of the Plastic Packaging Waste Regulations (PPWR) in Europe.

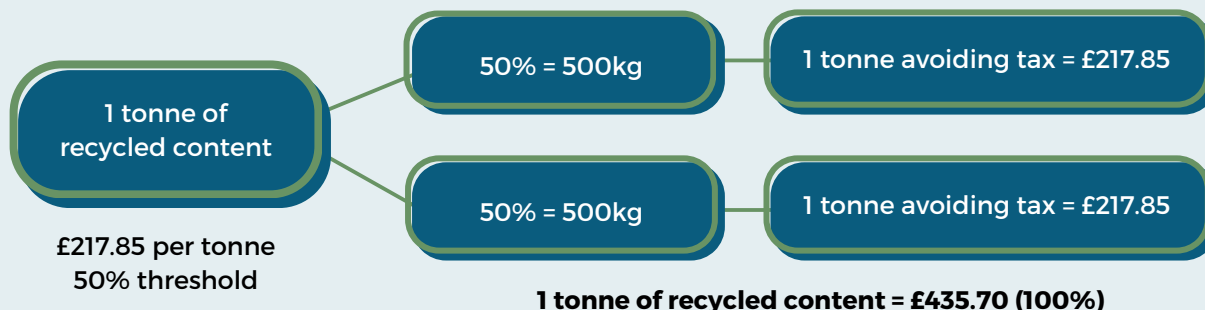
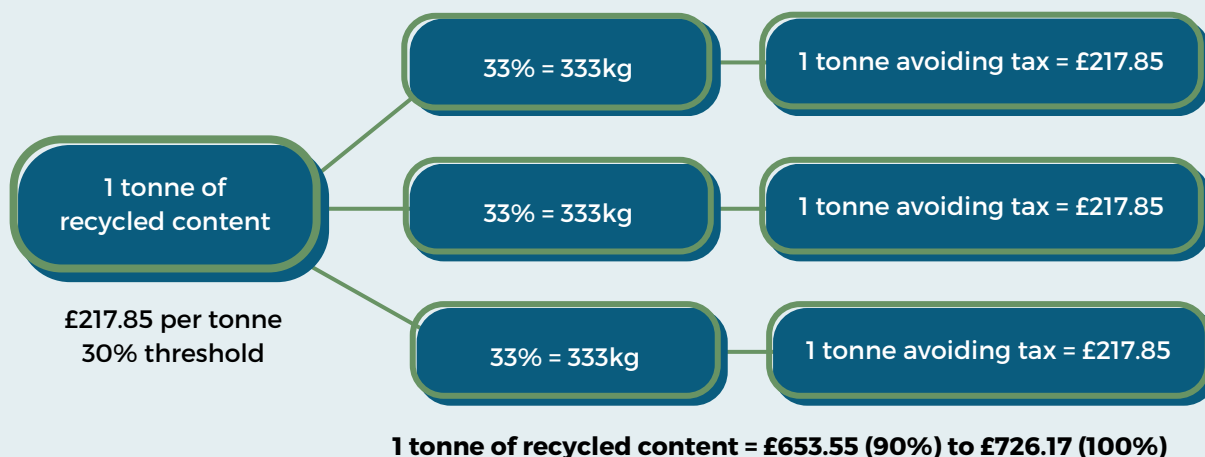
To provide context around the price point, when there is a higher percentage recycled content the true value of the recycled material needs to be optimised. At 30% recycled content it means 1 tonne of recycled content allows 3 tonnes of packaging to meet the recycled content percentage to avoid paying the tax.

If the recycled content percentage is changed, that impacts the value of the material. At £217.85 for 30% recycled content, the maximum value of recycled plastic to the packaging manufacturer is £726.17 per tonne (£217.85 is 30% and up to £726.17 is 100%). The packaging manufacturer then has a choice to use:

- 30% recycled content with a value of £217.85 and 70% virgin material;
- 30% to 100% recycled content with up to a value of £726.17 per tonne for 100% recycled content with any remainder virgin material; or
- 100% virgin material and pay £217.85 tax.

Therefore, to maximise the value of the material there is currently a financial incentive to use as little over 30% recycled content as possible. If the percentage of recycled content increases, the value of that material to the packaging manufacturer is therefore reduced.

For example, if the tax remained at £217.85 per tonne, but the threshold increased to 50% recycled content, would mean the value of that material is £435.70.



To incentivise the level of recycle content, a range could be used from paying no tax for 100% recycled content to paying the maximum tax if no recycled content was included. In this scenario, examples of different recycled content levels if the tax was £500 per tonne are:

- No recycled content would mean paying £500 tax
- 50% recycled content would mean paying £250 tax; and
- 100% recycled content would mean paying no tax.

4. REINVESTMENT OF REVENUES RAISED FROM THE TAX TO SUPPORT ITS OBJECTIVES

With the news that the tax had raised more than was predicted in its first year, despite limited enforcement about claims of recycled content, a proportion of the revenues raised should be reinvested to support the objectives of the tax. This could be done in two ways, with the first point to be prioritised as a minimum requirement when considering increasing the price point of the tax.

- ✓ Supporting public bodies such as the Environment Agency (EA) and FSA to ensure that they are sufficiently resourced and capable to support their respective aims relating to plastic packaging and recycling.
- ✓ As outlined in the House of Commons Environment, Food

and Rural Affairs Committee The Price of Plastic – Ending the Toll of Plastic Waste report [3], the committee recommended that the UK Government ban the export of plastic waste by the end of 2027. To achieve this, it called on the government to reinvest income raised from the Plastic Packaging Tax into recycling infrastructure and promising areas of future research to create ‘investment ready conditions’ to unlock between £500 million and £1 billion, and potentially up to £10 billion of private investment ready to be invested in plastic reprocessing infrastructure in the UK. The Government rejected this proposal in January 2023 [4].



[3] <https://committees.parliament.uk/publications/31509/documents/176742/default/>

[4] <https://committees.parliament.uk/publications/33720/documents/184245/default/>

5. DELIVERING EFFECTIVE POLICY

RECOUP encourages HMRC to communicate details on the outcome of the chemical recycling and adoption of a mass balance approach consultation in 2023. The potential development of chemical recycling infrastructure as a result of this could help to generate recycling infrastructure for hard-to-recycle packaging types that would not be target packaging for mechanical recycling.

Development of recycled content in food contact policy will also be key for the sector in enabling greater use of recycled content in specific packaging types. RECOUP and its members will be engaging with the FSA separately to encourage increased focus and efforts to ensure that these policies do not restrict innovation in the use of recycled content in this area, and do not limit its use purely due to dated legislation.

Ongoing engagement and assessment with the implementation of EPR for packaging is needed to ensure the most effective overall environmental outcomes, and that no avoidable burdens are placed on producers

and users of plastic packaging and that each complimentary policy to the works other.

Focussing on EPR eco-modulation and related business decisions, consideration should be given to:

- Include recycled content as part of the eco-modulation framework. This would incorporate a more holistic environmental impact of the packaging and support the full net cost of the collection and recycling of packaging.
- Avoid unintended environmental and outcomes, it is important that material substitution to non-plastic packaging alternatives that do not pass the 'environmental test' is not made economically attractive. Changes to packaging should be done based on technically and environmentally sound decisions and not changed environmentally for less beneficial alternatives which have a greater overall carbon impact, or are less sustainable, economic, or effective in their use.

Written by: RECOUP



ABOUT RECOUP

RECOUP, founded in 1990, is the UK's leading independent authority and trusted voice on plastics resource efficiency and recycling. As a registered charity, our work is supported by a network of over 170 members who share our commitments including a more sustainable use of plastics, increased plastics recycling, improved environmental performance and meeting legislative requirements. We achieve these by leading, advising, challenging, educating and connecting the whole value chain to keep plastics in a circular system that protects the environment, underpinned by evidence and knowledge.

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