

Modulated fees, labelling and plastic films recycling

7.1 Government wants to ensure there are clear incentives on producers to make more sustainable design and purchasing decisions in their use of packaging and proposes that this is achieved through the application of modulated fees. This section sets out Government's proposals in respect of modulated fees. It also sets out Government's proposals for the labelling of packaging as to whether it can be recycled or not. They are considered together in this section because both will be informed by the outputs of an assessment to determine the recyclability of packaging. This section also sets out some specific considerations in respect of the application of modulated fees and labelling to biodegradable and compostable plastic packaging and plastic films and flexible packaging.

Modulated fees

Strategic framework for modulated fees

7.2 Modulated fees will adjust the packaging waste management costs paid by individual producers based on the positive or negative aspects of the packaging they use. For instance, producers whose packaging contributes positively to Extended Producer Responsibility scheme outcomes (e.g. easily recyclable) would pay lower fee rates for that packaging, while fee rates for packaging which does not contribute positively to scheme outcomes are increased (e.g. unrecyclable).

7.3 The modulation of fees should be applied in a fair, proportionate and strategic manner. The requirement for the Scheme Administrator (and compliance schemes, if applicable) to modulate (vary) the costs paid by producers according to aspects of packaging design would be set in the regulations. The regulations would not be prescriptive, but the approach adopted should be designed to deliver changes that will contribute to scheme outcomes and targets, such as more use of recyclable and reusable packaging. **Government proposes that the approach to modulation and the fee rates that would apply to different types of packaging should be determined by an appointed value-chain led Scheme Administrator.** If the governance arrangements include a role for compliance schemes, they could have some flexibility to determine base fee rates for non-household packaging waste; however the modulation element would be determined by Scheme Administrator and apply to all schemes to ensure the same incentives are applied to obligated producers. It is proposed that fee modulation will be introduced by the Scheme Administrator in fees charged to producers from April 2024, based on the packaging they placed on the market in 2023.

7.4 Government has developed a proposed strategic framework for the determination of modulated fees and to enable an effective modulation system to be established. Prospective scheme administrators' will be required to set out their proposed approach to

modulation as part of the process to appoint the Scheme Administrator. The Scheme Administrator's proposed approach will then form part of its contract with Government. A proposed framework is set out below.

7.5 This approach to modulated fees gives flexibility to the Scheme Administrator to adapt and modify the fee structure as and when needed. This could be to respond to changes in packaging design and formats and the market, to increase the effect of the modulation, or in response to new targets that may be introduced in the future.

7.6 **The proposed strategic framework regarding the modulation of producer fees:**

- Modulation should **decrease the fee** rates for packaging that contributes positively to scheme targets and outcomes.
- Modulation should **increase the fee** rates for packaging that does not contribute positively to scheme targets and outcomes. The increase should provide an incentive for those producers to:
 - Use different packaging / formats
 - Make improvements to the packaging they use
 - Fund improvements to the management of their packaging
- Plans should be made by the Scheme Administrator to introduce financial incentives to producers to **increase the use of reusable or refillable packaging.**
- The modulation of fees **should aim to raise no more, or less, than what has been deemed the necessary costs** (see payments section), of an effective and efficient system for managing packaging waste in any given year/period (after netting off material value). However, some flexibility in the total fees raised between years may be necessary to account for factors such as fluctuations in material price and contract and investment cycles.
- In certain circumstances modulation should provide for **targeted additional funding to be raised against a specific packaging format to fund improvements to the collection, sorting or reprocessing infrastructure.** This could be to enable an 'unrecyclable' type of packaging to become recyclable. This would need the agreement of relevant producers who have established that investment in the waste management system is preferable to using alternative packaging formats. As such, this targeted investment is distinct from the use of modulated fees to discourage the use of a particular type of packaging or generally funding the capture of already 'recyclable' items to meet scheme targets and outcomes.
- **Packaging waste management costs should be fairly apportioned** across material types and formats based on their respective waste management costs. However, the modulation of fees must avoid **worse overall environment outcomes**¹ (e.g. increased

¹ This is a "requirement to consider" and not a mandate to do tests (such as Life Cycle Analysis) on every type of packaging. Tests such as LCAs are expensive, difficult, and not always conclusive, however they may have a role to play in some scenarios.

lifecycle carbon emissions from the use of more energy intensive packaging formats or increased food waste as a result of poor packaging). Where necessary, the product that is being packaged should be considered when modulating fees. For example, where a packaging format/material that is not easily recycled may be the only option available to the producer (e.g. blister packs for pharmaceuticals) a different modulation rate for that product may apply, for a limited transitional period or until such time as a viable alternative becomes available.

- The mechanism for modulating fees **should be developed in consultation** with the packaging value-chain.

Proposed framework for the packaging reporting categories

- The packaging reporting categories should be **granular enough** to allow the modulation mechanism to function effectively **but not be so granular** that reporting becomes excessively burdensome for producers.
- **All types of packaging should be attributable to a specific category** so that all packaging types carry a fee. For less common packaging types this may mean establishing a ‘miscellaneous or other’ category and associated fee rates depending on recyclability.
- The categories should be **reviewed annually**, and no category should be added or removed within a reporting period. Changes to reporting categories should be introduced with an **appropriate amount of lead-in time**, to allow reporting systems to be updated and necessary data to be sourced by producers.
- The categories, and any subsequent changes, should be developed in **consultation with the packaging value-chain**.

Producer reporting requirements

7.7 The setting of modulated fee rates will require producers to report data on packaging placed on the market in more detail than under both the current packaging producer responsibility system and the data which will be required for Phase 1 of Extended Producer Responsibility if implemented in 2023 (see detail on Phase 1 in Section 14). Producers would be required to collate data against new packaging reporting categories from January to December 2023, and report this data in January 2024, thereby allowing modulated fees to be introduced in April 2024. The new, more granular reporting categories are likely to mean that producers will need to put in place new internal data management systems to collate this data.

7.8 The UK Government and the Devolved Administrations have initiated a project in partnership with trade bodies representing producers, to establish the likely data requirements under the new Extended Producer Responsibility scheme and to develop an approach to modulated fees that the Scheme Administrator could choose to adopt². The

² The specification for this project can be found as a separate document on the consultation page.

outputs of this project will supplement responses to this consultation and inform decisions on the reporting requirements to be placed on producers. It will also inform the development of the digital solution for Extended Producer Responsibility that Government is taking the lead on developing (see Section 13). This project will build on a report on the modulation of fees undertaken by Eunomia for Defra in 2019³.

7.9 In developing the new packaging reporting categories, Government is minded that they should be as future proof as possible. This means not only designing the categories with current targets in mind (i.e. recycling) but also future objectives or targets such as increasing the use of packaging re-use systems. Future proofing the reporting categories initially may make data collation a larger task for producers. However, Government believes this is necessary and will be beneficial. Collating more granular data will help to inform the work around future priorities such as re-use. It will also help producers to future proof their own data management systems. As part of the development of the digital solution for Extended Producer Responsibility, careful consideration would be given to ensuring commercially sensitive data remains confidential.

Modulation for recyclability

7.10 Government proposes that fee modulation should focus initially on recyclability, consistent with the initial focus on recycling targets. This is due to several factors including the complexity of developing a mechanism to modulate fees, to allow time to set new targets that will drive the use of modulation for criteria beyond recycling (for instance re-use and closed loop recycling), and collating the data necessary to underpin any new criteria for modulation. Ensuring that modulated fees work effectively and drive the intended behaviours is important before adding new and additional criteria.

7.11 To enable fees to be modulated for recyclability producers will need to report on whether their packaging is recyclable or not. The previous consultation proposed that this should be done through establishing an 'approved list' of recyclable packaging. However, following engagement with the sector, Government does not believe this to be a practical way forward. This is because it would not account for individual packaging designs. For example, if a packaging format/material was put on the "approved list", such as PET (polyethylene terephthalate) pots, it may be that not all polyethylene terephthalate pots are easily recyclable; some producers may add labels or sleeves that are difficult to remove, making the packaging hard to recycle. Other examples include the use of certain inks or the proportion of plastic on laminated card.

³The title of this report is: *Study on Two Approaches to Extended Producer Responsibility for Packaging (2019)*. Publication of this report is due to occur in parallel with this consultation. The report will be published at <http://sciencesearch.defra.gov.uk>.

7.12 **Instead, Government proposes that producers should assess the recyclability of their packaging, using a prescribed assessment methodology, reporting separately the tonnages of recyclable and non-recyclable material used.** To facilitate this, it is proposed that the Scheme Administrator develops or procures the assessment methodology on behalf of its members. This would provide producers with a common methodology to determine whether for individual items of packaging the combination of components, materials, and design, meets the recyclability criteria. This approach would also underpin labelling for recyclability. In the previous consultation we were clear that recyclability would need to be determined on the basis of at least three criteria: that the packaging item can be collected and sorted, that reprocessing facilities are available and that a market exists for the reprocessed material.

7.13 To enable modulated fees to be introduced from 2024, producers will need to report on the recyclability of all the packaging they placed on the market during the 2023 reporting year. Introducing modulated fees in 2024 would also be dependent on the Scheme Administrator being able to establish an approach to recyclability assessments following its appointment in 2023.

7.14 Government anticipates that for a large proportion of packaging items, this assessment should be a relatively straightforward process. Where packaging is not complex and is made principally from one material, it should be easily identified as recyclable or not recyclable. It is also likely that some producers will already have assessed the recyclability of their packaging. Government proposes that it should be left to the Scheme Administrator as to how it handles producers who have not assessed all their packaging in a given reporting year, or who have made inaccurate assessments. For instance, it could decide to treat all ‘unassessed’ packaging as unrecyclable or allow ‘broadly equivalent’ methodologies to be used until such time as assessments using the Scheme Administrator ‘approved’ tool can be completed. It would be for the regulators to enforce the regulations where a producer has submitted inaccurate or late recyclability assessments.

7.15 The proposed timeline to introduce modulated fees in 2024 is summarised in Table 6:

Table 1 - Proposed timeline for the introduction of modulated fees

Activity	Time	Description
Modulated Fees Project	Present – Late 2021	Proposed packaging reporting categories and a proposed mechanism by which fees could be modulated (plus other outcomes).
Extended Producer Responsibility Regulations	2022	Commencement of regulations in late 2022.

Framework for modulated fees	Late 2022	Framework for modulated fees set out in contract between Scheme Administrator and Government.
Appointment of the Scheme Administrator	Early 2023	To include a requirement for the Scheme Administrator to put in place a process to enable producers to self-assess the recyclability of their packaging.
Producers collate packaging data, and assess packaging recyclability	Jan 1 st – Dec 31 st 2023	Producers capture and collate packaging data for 2023 to comply with their obligations to report in Jan 2024, including packaging weight data, and recyclability information.
Scheme Administrator operational	During 2023	Scheme Administrator develops or adopts a modulation mechanism and integrates and establishes an IT system. Recyclability assessment tool and support is available early 2023.
Producers submit 2023 data	Jan 2024	Producers submit 2023 packaging data, including results of packaging recyclability assessment and weight data.
Data processing and invoicing	Feb - Mar 2024	Scheme Administrator apportions packaging waste management costs by packaging materials and formats and applies a modulation mechanism to determine the costs to be paid by individual producers. Invoices are issued to producers.
Producers pay modulated fees	April 2024	Producers make first quarter payments

Scope of modulated fees

7.16 To ensure modulated fees have maximum impact, Government would like to see all relevant packaging and relevant costs within scope. This includes packaging waste collected from households and businesses and would mean fees would be modulated against the total cost of managing packaging waste (i.e. a £2.5bn cost envelope not just the estimated £1bn household costs). As a result, the only packaging outside of scope of modulated fees would be the packaging directly managed by the producers themselves (for instance, back hauled packaging).

7.17 The extent to which this is possible may depend on the approach taken to business payments (more detail in Section 8) as, under a multiple compliance scheme model, the Scheme Administrator and compliance schemes will be responsible for setting producer fees, for household and business packaging respectively. In the event of a multiple compliance scheme system, a common approach to modulation would need to be developed and be applied by all compliance schemes. This is because Government

believes variation between compliance schemes on the modulation mechanism used would fundamentally undermine the policy intent and render modulated fees ineffective if schemes sought to minimise their members costs.

7.18 The collaborative modulated fee project referred to above will explore the extent to which modulation could be applied equally across multiple compliance schemes.

Packaging Labelling

7.19 Whilst many of our proposals place more responsibility on producers for the packaging they place on the market, consumers also have a responsibility to dispose of packaging waste correctly. Increasing consumer's knowledge of the packaging they can and can't recycle and enabling consumers to play their part in correctly managing packaging waste is a key outcome of our reforms. Along with enhanced communications, labelling on packaging is widely supported by stakeholders as a means of conveying this information to consumers.

7.20 The key objective of mandatory labelling is to provide consumers with clear information regarding what packaging they can and cannot recycle. We have considered how best to implement mandatory labelling requirements to provide clarity to consumers whilst balancing fundamental considerations such as the costs and impact to business and the potential barrier to trade by requiring importers to adhere to UK requirements. Government has considered two options which are described in this section.

Who will be obligated?

7.21 Government proposes that any company or person offering packaged products for sale in the UK will be obligated to comply with the mandatory labelling requirements. This includes:

- Manufacturers of products produced and packaged in the UK (i.e. brand owners including retail 'own brand' as set out in Section 5) and
- Importers of packaged products for sale in the UK (the importer).

7.22 In order to provide clarity to consumers on whether items of packaging are recyclable or not, Government's preferred approach is that no de-minimis will apply. This means that all businesses who place packaged products on the UK market will be obligated to comply with the mandatory labelling requirements. To leave a proportion of packaging unlabelled would undermine the objective of providing clear information to consumers on whether packaging items can be recycled or not.

7.23 However, Government recognises the requirement to label packaging may be a burden for those small and micro-businesses who do not specify their own packaging, but rather buy and use unfilled 'off the shelf' packaging. Government also recognises the practical and operational issues involved in ensuring compliance by small business. Government proposes to address these issues through placing the labelling requirement

on businesses who sell unfilled packaging directly to small producers. This may be wholesalers/distributors or any business who sells unfilled packaging directly to small businesses. This aligns with the proposal for obligated producers as set out in section 5.

What packaging will be required to be labelled?

7.24 We propose that mandatory labelling will apply to packaging as follows:

- All primary packaging (the layer of packaging in immediate contact with the product; or the first packaging layer in which the product is contained)
- Primary packaging that comprises of multiple components (e.g. ready meal packaging with a card sleeve, plastic tray and plastic film lid) - clear advice on whether each component is recyclable or not will be required, but each separate component would not be required to be labelled
- All shipment packaging, that is packaging associated with online, catalogue or over the phone purchases that are either delivered direct to the purchaser or collected at store ('click and collect').

7.25 The following packaging will not be subject to mandatory labelling under the Extended Producer Responsibility regulations:

- Packaging items that are in scope of the Scotland deposit return scheme and an England, Wales and Northern Ireland deposit return scheme
- All secondary and tertiary (transit) packaging

What are the requirements and when will they enter into force?

7.26 Government wants all packaging either to be recyclable or not recyclable and labelled accordingly. The requirement will be to label packaging as 'recycle' or 'do not recycle'. To determine whether packaging is recyclable or not will require producers to assess the recyclability of their packaging. However, as discussed below some provision will be required for packaging where an interim labelling solution may be necessary due to the phased introduction of new collection and/or sorting and reprocessing infrastructure.

7.27 Government recognises that determining the recyclability of certain materials and packaging can be a complex process and producers may need support when assessing how to label their packaging. It is proposed that producers' self-assessment of the recyclability of their packaging to determine the modulated fee rates that would apply (as described in para 7.12), also underpins how the packaging is labelled. This will ensure alignment and confidence in the assessment process, mean producers only need to undertake this assessment once, and enable compliance monitoring to be focussed more effectively.

7.28 The requirement to label would be introduced through new Extended Producer Responsibility regulations expected to come into force in late 2022. Government

recognises that producers will need time to adopt the labelling requirements⁴ and that producers' ability to label packaging as recyclable will be dependent on the availability of collection, sorting and reprocessing infrastructure as key determinants in the assessment of recyclability. Therefore, timelines for the adoption of labelling need to align with those for the introduction of recycling collections for the core packaging materials.

7.29 Government therefore proposes that binary labelling is fully adopted by the end of financial year 2026/27 consistent with the timeline proposed for the rollout of collection of plastic films and flexibles packaging (see later in this section). However, for all other packaging Government proposes that binary labelling is introduced by end of financial year 2024/25. The core set of packaging items that will be collected from households and businesses include many packaging items that already are widely collected for recycling such as:

- Glass containers – such as condiment bottles, jars
- Paper and card packaging
- Plastic bottles / containers – including for milk, detergents, shampoo, cleaning products
- Plastic pots, tubs and trays
- Steel and aluminium cans

7.30 The core set will also include additional packaging materials that are not currently collected for recycling by all local authorities but which it is proposed will be required to be collected from both households and business from the start of Extended Producer Responsibility in 2023. These include:

- Other types of metal packaging – such as foil trays and aerosols
- Food and drink cartons

7.31 Subject to the self-assessment of individual packaging items, packaging that falls into these broad categories should be able to be labelled as recyclable.

7.32 For packaging materials for which the recycling infrastructure is poorly developed and will take several years to roll out, it will not be feasible to move directly to binary labelling. Interim labelling solutions will therefore be required to ensure that where there is existing provision for these materials, people continue to recycle them. Labelling of plastic film and flexible packaging will need to instruct consumers to take their used film and flexible packaging to their nearest front of store collection point or check whether their local authority includes it in their collections.

⁴ In the 2019 consultation; 35% of respondents suggested they would need 1-2 years to adopt labelling and 32% 2-3 years. Subsequent stakeholder engagement indicated a minimum of 2 years. Higher costs to businesses associated with earlier introduction reflect the costs of changing packaging out with the typical business cycle of reviewing packaging design and/or before existing stock inventories are used.

7.33 Due to reasons outlined later in this section (from paragraph 7.60) clear advice will also be required on biodegradable and compostable plastic packaging. As most compostable and biodegradable plastic packaging will be considered as not recyclable, it will be required to be labelled as 'do not recycle'. There may be some exemptions to this which would be specified in the Extended Producer Responsibility regulations and kept under review.

7.34 Packaging items deemed not recyclable because of the material(s) they are made from, their format or because they are comprised of a number of materials which means they are not recyclable would be required to be labelled as 'do not recycle'.

7.35 The 2019 consultation sought views on whether the percentage of recycled content in packaging should be stated on the packaging. There was some support for this (53%) however including this information on labels risks consumer confusion regarding recyclability of the packaging, therefore, there will not be a mandatory requirement to include this information on packaging.

Options for implementing mandatory labelling

7.36 Government has considered two approaches for how producers could meet their obligations:

Option 1: Use of approved labels

7.37 Government would specify in regulations the criteria that labels must meet; such as the format, size and appearance. Producers would be required to label their packaging using a label which meets these requirements. Labels would be required to be approved by Government (or the Regulator) prior to use. This would provide a means of ensuring consistency of message to consumers but provide producers with some flexibility in how they label. Producers could either choose to establish their own label or they could choose to subscribe to a labelling scheme and use the labels and services provided by that scheme.

7.38 As a variation of this approach, the requirements of the 'do not recycle' label could be set in the Extended Producer Responsibility regulations thereby providing no flexibility to producers in how they label packaging that is not recyclable.

Option 2: A single labelling scheme

7.39 Under this approach producers would be required to adhere to a single labelling scheme and to use the same labels. This would provide consistency in the approach to labelling. Government would appoint a single labelling scheme and considers this could be achieved by including this as part of the Extended Producer Responsibility Scheme Administrator's functions. The Scheme Administrator could choose to run the labelling scheme itself; or it could appoint an organisation to deliver this function or include an organisation to run this function as part of its team from the outset. This would provide an opportunity for established voluntary schemes to be considered to deliver this function.

7.40 All obligated producers would be required to register with the labelling scheme; the operator of the scheme (Scheme Administrator or other) would establish the process of registration; develop the labels; provide the artwork and necessary support to producers on how to use the labels; and undertake auditing to ensure correct use of the labels.

7.41 **Government's preference is option 1.** This approach would enable producers who already use an existing labelling scheme to continue to do so provided the label is approved. It would also allow producers the flexibility to adopt any existing voluntary scheme or any other labelling scheme that may emerge subject to approval. Producers who already label packaging that complies with the requirements set by Government would not have to change their labelling so long as it was approved. As such, this option would allow mandatory labelling to be brought in more quickly and minimise cost on producers.

7.42 Government recognises that there are some potential limitations to this approach, including the need for more nuanced communications to householders but believes these can be reduced by requiring labels to be approved and by mandating the 'do not recycle' label. Government also considers these will reduce over time as a broader range of materials are collected for recycling and modulated fees encourage a shift away from unrecyclable material.

7.43 Government is also keen to obtain views on enhancements to labelling, such as including 'in the UK' on the labels and on digitally enabled labels (e.g. container QR codes) as a way of further supporting consumers to understand what is and is not recyclable. The former is proposed as it is recognised that some European/ internationally imported packaging carries labelling that is not relevant in the UK. Similarly, UK exporters will need to differentiate between labelling relevant to the UK and to international markets. As Government does not have legal powers to prohibit the use of alternative/additional recycling labels the 'in the UK' detail is proposed as a potential option.

Imported filled packaging and trade considerations

7.44 Concerns were raised in the 2019 consultation that mandating the use of a specific label may create barriers to trade (which may affect the free movement of goods into the UK) and increase complexity and costs to manufacturers. Government recognises these concerns. However, there is a need to balance these potential issues against the objective of increasing recycling rates and ensuring equal treatment of UK producers and international producers.

7.45 According to the National Packaging Waste Database, approximately 3.2 million tonnes of 'filled' packaging is imported into the UK. This represents approximately 30% of

all packaging placed on the market⁵. Therefore, omitting imported packaging from the labelling requirements would reduce the effectiveness of the scheme.

7.46 Importers of filled packaging for sale into the UK will be expected to comply with the labelling requirements set out in the Extended Producer Responsibility regulations and follow the approvals process for the labels they want to use on their packaging. This provides importers with some flexibility to use their own labels for recyclable packaging provided they meet the standards set and are approved by Government or the regulator.

7.47 Government is considering its approach to regulation to ensure compliance with the mandatory labelling requirements.

Collection and recycling of plastic film and flexible packaging

7.48 Plastic film and flexible packaging makes up a third of the 2.4mt of plastic packaging placed on the market annually in the UK. The estimated total consumer plastic film/flexible packaging (such as single use carrier bags, bread bags, and confectionary wrappers) placed on the market in 2017 was 395,000 tonnes, with 365,000 tonnes estimated to arise in the household-like and other commercial and industrial waste streams^{6,7}. However, only a small proportion is recycled, due to challenges with its collection, sorting and recycling as well as end markets.

7.49 The 2019 consultation recognised that the reprocessing of difficult to recycle materials (such as plastic films) would be required to achieve higher plastic packaging recycling rates. There has also been a call from the packaging value chain (especially producers, who will ultimately pay for its collection and management under Extended Producer Responsibility) to require local authorities and businesses to collect these materials for recycling. This has been driven by HMT's plastic packaging tax, which is already providing a strong incentive for producers to use recycled content in their packaging, and the wider expectations of consumers who want to be able to recycle this packaging.

7.50 This section provides an outline of our proposals for this type of packaging. Annex 5 provides further background.

⁵ These figures relate to packaging handled by obligated producers so there may be a small proportion which falls under the threshold which is not reflected in this estimate

⁶ WRAP (2019) Plastics Market Situation Report and accompanying Impact Assessment to this consultation

⁷ Agricultural film plastics are out of scope of this consultation as they are not classed as packaging.

7.51 In 2020, Government established a sprint group of representatives of the packaging value chain, facilitated by WRAP, to identify the challenges to plastic film recycling and identify solutions. The group proposed the introduction of plastic film collections from households and businesses by no later than 2028⁸, recognising that while time is needed to address the challenges, the sector requires a clear signal from Government to stimulate the necessary investment including upgrading of sorting facilities and additional reprocessing capacity.

7.52 Having considered the conclusions of the sprint group, and informed by wider discussions with stakeholders, Government believes it should be feasible to introduce collections and recycling for all films and flexibles by no later than the end of financial year 2026/27. Individual local authorities and commercial waste collectors collecting from households will be expected to introduce collections as soon as is feasible ahead of this. Collections from businesses should be introduced no later than the end of financial year 2024/25. This recognises that commercial waste collectors can move faster than local authorities to introduce collection of plastic films and flexibles as contracts with their customers are for much shorter time periods. Tonnages available for recycling would start to increase and help stimulate infrastructure upgrades and end markets in the lead up to the widespread collection of these materials from households.

7.53 The impact assessment accompanying this consultation assesses an illustrative scenario of UK wide collections of plastic film in 2025 (the date proposed by the UK Plastic Pact and also the European CEFLEX projects)⁹. **Net present societal value arising from the inclusion of plastic film is estimated as £218m over the period 2023-2032,** compared to £157m without its inclusion. Benefits include an estimated additional material revenue for the recycling sector of £92.6m over the same period.

7.54 Government therefore proposes to introduce a requirement for plastic films and flexibles to be collected from businesses by no later than end of financial year 2024/25 and from households by no later than end of financial year 2026/27.

7.55 These specific requirements would cover all consumer plastic film and flexible packaging. This includes laminated and metallised formats (for example crisp packets), and flexible formats incorporating multiple layers of plastic and/or other materials such as aluminium (for example, pet and baby food pouches).

7.56 In line with the proposed general expectation for modulated fees (set out earlier in this section), Government would expect to see obligated producers for this type of

⁸ WRAP (2021) A report to the Defra Packaging Collections Recycling Working Group on the implementation of plastic film/flexibles recycling within consistency policy. Available at: www.wrap.org.uk/resources/report/defra-collections-implementation#

⁹ <https://www.wrap.org.uk/flexible-plastic-packaging-roadmap> and <https://ceflex.eu/>. The final stage IA will include a firmer policy proposal for plastic film and flexible packaging.

packaging fund the necessary investment to allow for its collection and recycling, unless funded through payments in 2023, and provided this does not result in perverse environmental outcomes. The varying status of different plastic film and flexible packaging formats in terms of recyclability means that fee modulation is likely to need to apply differently to different formats. This will be a decision for the Scheme Administrator.

Front of store recycling of plastic film and flexibles

7.57 Through independent initiatives and the UK Plastics Pact some retailers provide or are trialling front of store collections of plastic films and flexibles. UK Plastic Pact members have continued to launch trials or introduce collection points during 2020¹⁰. This is anticipated to become more prevalent in the lead up to the introduction of packaging Extended Producer Responsibility. The Pact's roadmap estimates that by late 2022 around 10% of plastic film and flexible packaging could be captured via this route.

7.58 Given the above, there can be confidence that front of store recycling can provide a means to make early progress and provide consumers with the opportunity to recycle types of films and flexibles until kerbside collections are fully implemented.

7.59 Finally, the current packaging producer responsibility system allows producers to offset this packaging against their obligated tonnages. The business payments section of this consultation proposes this arrangement continues under packaging Extended Producer Responsibility.

Modulated fees and labelling in relation to compostable and biodegradable plastic packaging

7.60 There are challenges associated with the use and management of compostable and biodegradable packaging. Evidence suggests that some of these types of packaging do not fully biodegrade in the open environment (such as in soils or the ocean) and can potentially leave behind harmful microplastics.

7.61 In the UK, the number of industrial composting or anaerobic digestion facilities that accept these materials is also limited and they are not widely collected for composting or incorporation into digestate (a form of fertiliser). Where the material is accepted, there are concerns that it does not always fully biodegrade, and questions remain over whether it can be defined as recyclable and contribute to a circular economy, given the low level of evidence that it contributes to the quality of soils or digestate.

¹⁰ UK-Plastics-Pact-Annual-Report 2019-20

7.62 In addition, it can cause consumer confusion as it is easy to mistake for conventional plastic. Biodegradable or compostable packaging can contaminate and disrupt conventional plastic recycling if it arrives at reprocessing facilities. It can also contaminate compost that seeks to achieve composting standards that place limits on the presence of plastic in the final compost product.

7.63 The challenges associated with this packaging are set out more fully in Annex 6. Based on this assessment most compostable or biodegradable packaging would be considered not recyclable. Consequently, it is likely to attract higher fee rates than packaging that contributes positively to scheme outcomes when modulated fees are introduced in 2024 and would be required to be labelled as 'do not recycle'.

7.64 Should the Scheme Administrator see a strong case for a different approach, including based on greater certainty over not just a lack of any negative effects but also evidence of benefits in end applications, Government would remain open to considering supporting an alternative approach. It would be contingent on the Scheme Administrator having the support of its members to fund both the necessary infrastructure upgrades, and any measures required to protect the quality of conventional plastic recycling and compost and digestate production.

7.65 However, notwithstanding the existing concerns over the evidence base, Government recognises that use of this packaging in some niche applications could avoid perverse environmental outcomes. Evidence currently suggests this would be at 'closed loop' venues (see Annex 6) where it is not possible to reuse or facilitate recycling of packaging such as food containers. In this circumstance, use of compostable packaging to be filled and consumed on site could prevent conventional plastic or other packaging being disposed of in the residual waste stream, if dedicated collection of it for onward treatment at facilities that accept it can be put in place.

7.66 Therefore, Government considers that packaging intended for this specified application should be exempt from applying the 'do not recycle' label and an alternative label could be used to provide the consumer with instructions on how to dispose of this packaging. An illustrative example could be 'place in composting bin on site'. Any such exemptions would be set out in the Extended Producer Responsibility regulations and kept under review.