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# Consultation on proposals for reform to the Packaging Waste Recycling Note (PRN) system

March 2026

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## 1. Executive Summary

### 1.1 Introduction

1.1.1 The Producer Responsibility Obligations (Packaging and Packaging Waste) Regulations 2024 (the “Regulations”) require producers to recycle an amount of packaging waste each year based on the quantity of packaging (in tonnes) they supply. This is known as ‘the recycling obligation’.

1.1.2 To meet their legal obligations, producers must obtain evidence of recycling in the form of Packaging Waste Recycling Notes (PRNs) and Packaging Waste Export Recycling Notes (PERNs) from reprocessors and exporters (R/E) who have been accredited by the relevant regulator to issue that evidence. In doing so, the sale of PRN/PERNs provides additional revenue to the recycling sector. This can help facilitate investment in both existing and new infrastructure, with over £92 million in 2024 supporting future infrastructure and capacity improvements, of which over £60 million was invested by domestic reprocessors<sup>1</sup>. PRN/ PERN prices are influenced by market conditions and infrastructure capacity.

1.1.3 The PRN system has met its core objective of increasing recycling rates and meeting recycling targets, according to the UK statistics on waste linked here: [UK statistics on waste - GOV.UK](#). However, businesses and regulators are seeking reform in order to reduce the system’s vulnerability to fraud, and level the playing field for UK domestic reprocessors.

### 1.2 Recent Reforms

1.2.1 Following consultations in 2021 and 2022, reforms were introduced from 1 January 2026, including:

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<sup>1</sup> A total of £60.2m was spent by domestic reprocessors in 2024 on improving future infrastructure and capacity ([NPWD PRN/PERN Revenue Data](#)). This number may be higher given the wood and glass (non re-melt) sectors (which account for a further total £10.8m) cannot be split into domestic and export reprocessing. Release of this data will breach EIR Regulation 12(5)(e) - the confidentiality of commercial or industrial information where such confidentiality is provided by law to protect a legitimate economic interest.

**1.2.2 A new fit and proper person test** to ensure that regulators are able to take into account the wider track record, including previous conduct and convictions, of any R/E when assessing their application for accreditation.

**1.2.3 Increased regulatory charges** to ensure regulators are adequately resourced to meet their increased duties, and the inclusion of an inflationary clause to ensure resource can be maintained.

**1.2.4 More frequent and detailed reporting requirements on R/Es concerning PRN/PERN supply, price, and revenue spend.** This should help reduce price volatility by increasing market transparency. This supplements changes to producer reporting requirements which should give R/Es a clearer picture of the demand for PRNs/PERNs, helping them better plan and invest.

**1.2.5 New provisions relating to the ‘recyclable proportion’ of waste.** We have become aware that there are differing interpretations of the new requirements. Section 3.1 sets out how we intend to resolve this.

1.2.6 These measures will deliver important progress, but we recognise that there is more to do. We are therefore consulting on a further package of measures that have been codesigned with industry experts and we are planning a further consultation which will seek views on potential wider reforms to the PRN/PERN system.

## 1.3 Case for Reform

1.3.1 In 2021, recycling was valued at more than £7 billion<sup>2</sup> and the domestic reprocessing sector employed approximately 21,200 people<sup>3</sup>. However, there are concerns about the viability of some operations. These concerns are driven by a range of factors, including the impact of global oil prices and the volatility of energy costs. While some positive investment is occurring, there is likely to be an ongoing capacity gap without further action<sup>4</sup>. Key reforms, like Simpler Recycling and the Deposit Return Scheme for drinks containers (DRS), should help increase the supply of quality feedstock for reprocessing. PRN/PERN reform could provide further support by levelling the playing field between domestic reprocessors and exporters.

1.3.2 Feedback from industry indicates that fraud and error within the PRN system is contributing to the challenges facing the sector. Fraudulent PRNs/PERNs result in an

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<sup>2</sup> [https://esauk.org/wp-content/uploads/2024/06/24800\\_Tolvik-document\\_summary\\_June2024.pdf](https://esauk.org/wp-content/uploads/2024/06/24800_Tolvik-document_summary_June2024.pdf)

<sup>3</sup> [ONS Annual employee and employment estimates for Great Britain and UK split by two, three and five-digit Standard Industrial Classification: SIC 2007](#). SIC codes 38.310 (Dismantling of Wrecks) and 38.320 (Recovery of sorted materials) were used to cover the domestic reprocessing sector within the UK.

<sup>4</sup> [Recycling Infrastructure Capacity Analysis | WRAP - The Waste and Resources Action Programme](#) - This report forecast a capacity gap of 324kt/pa of plastic packaging reprocessing infrastructure in 2035, if exports remained the same. It does not account for recent changes to domestic reprocessing capacity.

oversupply of evidence of recycling, lowering PRN/PERN prices. This reduces revenue for legitimate operators and the incentives to invest.

1.3.3 The consequences of fraud in the system extends beyond economic impacts. Investigations by environmental charities and journalists have shown that some UK packaging waste exported overseas can be mismanaged.<sup>5</sup> This risks causing environmental damage and harm to people, including those working in the waste sector. For example, poor management of waste can lead to environmental degradation, including through releasing pollutants such as microplastics into terrestrial and aquatic environments, with the most severe impact often occurring in countries with differing regulatory approaches than the UK. This contradicts the four nations' commitment to delivering ambitious, coherent action that addresses the triple planetary crisis of pollution, biodiversity loss and climate change.

1.3.4 While PRN/PERN reform cannot address all these issues, it can make an important contribution by ensuring that domestic reprocessing is supported through the system. In particular it can help to:

- i. Increase the resilience of the UK waste management system to export disruptions. For example, when China banned imports of packaging waste in 2017 it left many UK exporters without markets for their waste for several months, creating issues at UK ports, and impacting on recycled material prices. PRN/PERN reform is intended to strengthen and promote UK recycling activity by levelling the playing field for domestic reprocessors and so reduce dependence on exports.
- ii. Unlock investment, generate jobs, and contribute to economic growth while safeguarding environmental and public health, both in the UK and overseas.
- iii. Improve access to recycled material (i.e. increase material security) and, for the purposes of the Plastic Packaging Tax, provide verification for recycled content claims. This would provide higher-quality recycled materials for use in new plastic products, including contact-sensitive applications such as food, medicine, and cosmetics packaging.

## 1.4 Summary of Proposals and Benefits

1.4.1 Since summer 2025, the four nations have worked intensively with relevant businesses to identify and prioritise measures to tackle fraud, level the playing field and ensure that the UK takes greater responsibility for the packaging waste we generate (see Annex A for a list of those engaged to date). We have heard from industry sources that the case for reform is greatest for plastic and glass given the challenges associated with reprocessing these materials, the suspected levels of fraud, the importance of ensuring a

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<sup>5</sup> [Why is UK recycling being dumped by Turkish roadsides? - BBC News](#)  
[Malaysia returns 42 containers of 'illegal' plastic waste to UK - BBC News](#)

level playing field between domestic reprocessors and exporters, and the need to tackle the reduced availability of materials for domestic reprocessors. The case for material specific reforms in the paper and card, aluminium, steel and wood markets appears lower, although there remains interest in measures to reduce the risk of fraud. The proposals in this consultation paper reflect this feedback.

#### 1.4.2 Measures that we intend to progress:

- i. **Create a Fraud Detection Initiative** involving regulators, industry, and digital experts to identify and implement measures to minimise fraud in the PRN system. The initiative would aim to boost investor confidence in the affected industries.
- ii. Work with the sector to review the **collation and sharing of more aggregated system level data**. This aims to improve the functioning of the market to reduce volatility and also seek to evidence to all PRN market participants that the system is running efficiently and effectively.
- iii. **Improve compliance and fraud co-operation across the four regulators** to prevent fraudulent operators seeking accreditation in other jurisdictions from their main point of businesses to obstruct oversight. This will run in parallel with the Fraud Detection Initiative and will seek to identify legislative, digital and procedural improvements that can help mitigate this risk.

#### 1.4.3 Measures that we propose to progress as soon as possible, subject to consultation:

These measures focus on tackling fraud and error within the sector. They also enhance the system's resilience to external shocks (such as economic conditions affecting demand for materials), and help meet higher recycling targets for a greater range of materials (such as plastic films, foils and fibre-based packaging). If adopted after consultation, we would seek to implement these urgently.

- i. **Provide further guidance on the application of the Regulations to ensure that all accredited operators are issuing evidence based on the recyclable packaging content after sorting and cleaning has taken place**. This will enable consistent application of terms such as 'recyclable proportion', 'received for recycling' and 'exported for recycling', and in turn help address a key criticism that exporters are given an unfair advantage.
- ii. **Place a time limit on the use of national protocols and Agency Agreed Industry Grades (AAIGs)**. National protocols and AAIGs determine the amount of packaging as a percentage that can be claimed using a PRN/PERN. Imposing a time limit on the national protocols and AAIGs used will ensure that the evidence that underpins them remains up to date given changing producer design and consumer consumption patterns.

- iii. **Cancel illegitimately issued PRNs and PERNs** to incentivise compliance schemes and direct registrants to conduct more due diligence on the evidence they acquire.
- iv. **Introduce an Exceptional Mechanism for Compliance** to provide a legal means for compliance schemes and producers to comply where there is a genuine shortage of evidence in the system.
- v. **Enhance data transparency** to help enable compliance schemes and direct registrants to conduct more due diligence.

1.4.4 We also plan to run a further consultation (see section 4) regarding potential future changes to the Regulations around the recycling obligation and the wider system, including seeking views on wider changes to the PRN system. This will inform future policy, inviting views on potential more straightforward ways to achieve our objectives.

1.4.5 These also include the introduction of minimum sort standards for the generation of evidence and material specific targets for UK based recycling.

## 2. Introduction

### 2.1 Purpose of the Consultation

2.1.1 Following consultations in 2021 and 2022, reforms were introduced from 1 January 2026, including:

- i. **A new fit and proper person test** to ensure that regulators are able to take into account the wider track record, including previous conduct and convictions, of any R/E when assessing their application for accreditation.
- ii. **Increased regulatory charges** to ensure regulators are adequately resourced to meet their increased duties, and the inclusion of an inflationary clause to ensure resource can be maintained.
- iii. **More frequent and detailed reporting requirements on R/Es** concerning PRN/PERN supply, price, and revenue spend. This should help reduce price volatility by increasing transparency in the supply of evidence. This supplements changes to producer reporting requirements which should give R/Es greater clarity in the demand for PRNs/PERNs, helping them better plan and invest.
- iv. **New provisions relating to the ‘recyclable proportion’ of waste.** We have become aware that there are differing interpretations of the new requirements. Section 3.1 sets out how we intend to resolve this.

2.1.2 In responding to this consultation, you should be aware of the wider package of reforms that the four nations are progressing that help address the concerns of the sector. When combined with PRN reform, these wider measures represent a holistic strategy to strengthen domestic recycling, reduce fraud, and support the UK’s transition to a circular economy. They aim not only to stabilise the sector but also to unlock investment, create

jobs, and ensure that packaging waste is managed responsibly. These key measures include:

- i. **Extended Producer Responsibility for Packaging (pEPR)**, which shifts the cost of managing packaging waste onto producers, incentivising them to reduce packaging and adopt more sustainable packaging design. pEPR also funds public awareness campaigns and encourages local authorities to improve collection and sorting systems, reducing contamination and operational costs for domestic reprocessors. Overall, this increases the quantity and quality of material available for domestic recycling.
- ii. **The Plastic Packaging Tax (PPT)** was introduced in 2022 to boost demand for recycled plastic and reduce reliance on virgin materials. HMRC and HMT announced reforms to the tax at Budget 2025 to further support circular economy ambitions and will consult on further measures in early 2026. The rate of the tax has also been confirmed to increase in line with CPI inflation.
- iii. **Packaging collection and recycling reforms** in each of the four nations. To help enable the joint UK implementation of the packaging EPR scheme, the four nations have a shared policy and delivery intent to support local authorities and waste management companies to collect and recycle a core set of packaging materials. This will make it easier for households and businesses to recycle packaging, thereby capturing higher quality materials and generating greater quantities of recyclable materials available for reprocessors. This shared ambition is supported by existing and evolving domestic recycling policy frameworks in each nation.
- iv. **Digital Waste Tracking (DWT)** which will support regulators' ability to detect and prosecute waste crime and fraud, including issues related to packaging waste exports and PRN/PERNs.
- v. **Deposit Return Schemes (DRSs)** for drinks containers, which are being introduced in each of the four nations in October 2027. DRS will provide a financial incentive for consumers to return in-scope drinks containers to designated collection points. This will significantly increase both the quantity and quality of material for recycling, providing a guaranteed domestic feedstock for reprocessors. The material collected through DRS will not be subject to PRNs.
- vi. Through the **Climate Change Agreement (CCAs)** scheme, plastics reprocessing operators are eligible to receive a discount of up to 92% on the Climate Change Levy (CCL), a tax added to electricity and fuel bills, thereby helping to reduce their operational costs. Subject to passage of the necessary legislation the eligible processes will expand to include mechanical recycling of plastics from 1st January 2027. The discount is available to industry on a voluntary basis if they commit to reducing their energy use and carbon dioxide (CO<sub>2</sub>) emissions.

## 2.2 Geographical Extent

2.2.1 Waste policy is a devolved matter. The four governments have agreed to continue with a UK-wide approach to Packaging Extended Producer Responsibility, which includes the PRN/PERN system. Accordingly, as with the previous consultations, this consultation is being undertaken jointly by the UK government, the Scottish government, the Welsh government and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland. Unless otherwise stated, references to ‘government’ are references to the UK government, the Scottish government, the Welsh government and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland.

2.2.2 This document and descriptions of existing law relate to England, Scotland, Wales and Northern Ireland.

2.2.3 References to Ministers are references to Ministers from each government. Reference to ‘the regulator’ or ‘regulators’ are references to the Environment Agency (EA), the Northern Ireland Environment Agency (NIEA), Natural Resources Wales (NRW) and the Scottish Environment Protection Agency (SEPA) unless stated otherwise.

2.2.4. Reference to “local authorities” includes district councils in Northern Ireland.

## 2.3 Audience

2.3.1 Responses to this consultation are welcomed from:

- i. Businesses involved in the design, production and specification of packaging
- ii. Businesses who manufacture products and put these products into packaging, or who have products put into packaging on their behalf, and who place these products on the UK market
- iii. Retailers, online marketplaces and importers of packaged products
- iv. Packaging compliance schemes
- v. Organisations involved in the management and recycling of packaging waste including local authorities, waste management companies, brokers, exporters, and reprocessors
- vi. Other organisations such as professional and membership organisations, NGOs, consultants and charitable organisations who have an interest in packaging and how packaging waste is managed in the UK
- vii. Members of the public

## 2.4 Responding to the Consultation

2.4.1 Using and sharing your information

How we use your personal data is set out in the consultation and call for evidence exercise privacy notice which can be found here: [Defra's consultations and call for evidence exercises: privacy notice - GOV.UK](#)

Your responses may be processed by artificial intelligence to analyse the responses to this consultation and call for evidence more efficiently. These tools assist in identifying and mapping themes and summarising responses, but do not make decisions and all outputs are reviewed by staff for accuracy and reliability.

2.4.2 Please respond to this consultation in one of the following ways:

Online using the citizen space consultation hub at Defra <https://consult.defra.gov.uk/>

2.4.3 For ease of analysis, responses via the Citizen Space platform would be preferred, but alternative options are provided below if required:

- i. By email to: [packaging@defra.gov.uk](mailto:packaging@defra.gov.uk)
- ii. In writing to:

Plastic & Packaging Team

Circular Economy Directorate

Department for Environment, Food and Rural Affairs,

Ground Floor, Seacole Block,

2 Marsham Street,

London, SW1P 4DF

2.4.4 Defra is managing the consultation process on behalf of the UK, Scottish and Welsh governments and the Department for Agriculture, Environment and Rural Affairs in Northern Ireland.

2.4.5 The Scottish and Welsh governments will have access to the consultation responses provided via the Citizen Space consultation hub. If you would like to send a copy of your consultation response to the Scottish and/or Welsh governments, then please send by email to:

- i. Scotland: [producerresponsibility@gov.scot](mailto:producerresponsibility@gov.scot)
- ii. Wales: [WelshGovernmentEPRProgramme@gov.wales](mailto:WelshGovernmentEPRProgramme@gov.wales)
- iii. If you are responding from Northern Ireland please ensure a copy of your response is also sent to [EPRTeam@daera-ni.gov.uk](mailto:EPRTeam@daera-ni.gov.uk)

## 2.5 Consultation Period

2.5.1 This consultation will run for 6 weeks. The consultation opened on 24.03.26 and closes on 05.05.26

## 2.6 After the Consultation

2.6.1 A summary of the responses to this consultation and the four nations response will be published and placed on government websites at [www.gov.uk/defra](http://www.gov.uk/defra), [www.daera-ni.gov.uk](http://www.daera-ni.gov.uk), [www.gov.scot](http://www.gov.scot) and [www.gov.wales](http://www.gov.wales).

2.6.2 The summary will include a list of respondents and organisations that responded but not personal names, addresses or other contact details. However, information provided in response to this consultation document, including personal information, may be subject to publication or release to other parties or to disclosure in accordance with the access to information regimes such as the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 2018.

2.6.3 If you want information, including personal data that you provide to be treated as confidential, please say so clearly in writing when you submit your response to the consultation and explain why you need these details to be kept confidential.

2.6.4 If we receive a request for disclosure under the FOIA, we will take full account of your explanation, but in accordance with legislative requirements we cannot provide an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as a confidentiality request.

2.6.5 Defra is the data controller in respect of any personal data that you provide, and Defra's Personal Information Charter, which gives details of your rights in respect of the handling of your personal data, can be found at:

<https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/about/personal-information-charter>

## 2.7 Compliance with the Consultation Principles

2.7.1 This consultation is being conducted in line with the Cabinet Office "Consultation Principles" and be found at: [Consultation Principles](#).

2.7.2 If you have any comments or complaints about the consultation process, please address them by email to: [consultation.coordinator@defra.gov.uk](mailto:consultation.coordinator@defra.gov.uk)

## 2.8 About You

2.8.1 A wide range of businesses, organisations and individuals are involved with or take an interest in packaging. The questions below are intended to grasp this diversity and put your responses in perspective with those of other respondents.

### Q1. Would you like your response to be confidential?

- a. Yes
- b. No

**If you answered 'Yes' to this question, please give your reason(s).**

### Q2. Your name

### Q3. Your email address

*This is optional, but if you enter your email address, you will be able to return to edit your consultation response in Citizen Space at any time until you submit it. You will also receive an acknowledgement email when you submit a completed response.*

### Q4. Which best describes you?

*(Please tick one option. If multiple categories apply, please choose the one which best describes the organisation you are representing in your response.)*

- Reprocessor
- Exporter
- Packaging Compliance Scheme
- Trade body / representative body
- Packaging Producer
- Waste management company
- Local government
- Community group
- Non-governmental organisation
- Charity or social enterprise
- Consultancy
- Academic or research
- Individual
- Other

**If you answered 'Reprocessor', 'Exporter' or 'Trade body/ representative body', please state which material(s):**

**If you answered 'Other', please provide details:**

**Q5. Please provide the name of the organisation/ business you represent:**

**Q6. Please provide an approximate size/number of staff (where applicable):**

**Q7. Government will need to understand the needs of users to build digital services for Extended Producer Responsibility. Would you like your contact details to be added to a user panel for Extended Producer Responsibility so that we can invite you to participate in user research (for example surveys, workshops and interviews) or to test digital services as they are designed and built?**

*You can read a Privacy Notice that explains how your information is safeguarded in relation to user research, what we will and won't do with it, how long it will be kept and how to opt out of user research if you change your mind.*

- a. Yes
- b. No

### **3. Proposed Amendments**

This section provides details of the proposals set out in 2.1, regarding how the key principles are intended to operate and setting out the key questions for stakeholders.

#### **3.1 Levelling the Playing Field**

3.1.1 Industry stakeholders have highlighted the importance of levelling the playing field between domestic reprocessors and exporters to provide parity on the packaging waste on which PRNs and PERNs are claimed. Three measures have been proposed:

1. The clarification of the interpretation of the Regulations that came into force on 1 January 2026
2. Updating and strengthening requirements to ensure PERNs are not issued on packaging waste that is not recycled to the same standard as domestic reprocessors
3. The application of minimum sort standards for exports to be eligible for PERNs or the adoption of domestic reprocessing targets

This section addresses the first two areas. The third area is addressed in section 4 and will be the subject of a separate consultation.

#### **Interpretation of the Regulations that came into force on 1 January 2026**

3.1.2 Through the Regulations we intended to ensure that PRNs/PERNs are only issued on the tonnage of eligible packaging waste that is ready to enter the final recycling process (such as glass cullet or plastic flake), whether the waste is being reprocessed domestically or exported (the “recyclable proportion”). This is following all sorting, cleaning and

processing to remove non-target material and contaminants. This can be accounted for via application of a protocol or approved methodology, provided the protocol or methodology reflect the processing and are adequately evidenced. This is intended to ensure that evidence is issued on what actually enters the final recycling process.

3.1.3 This does not prevent R/Es issuing evidence of reprocessing when the waste packaging arrives at the reprocessing site or following confirmation of receipt at an overseas facility.

3.1.4 We are aware that there have been different interpretations of this part of the Regulations, and that businesses have developed plans in good faith for the 2026 compliance year. Regulators will work together with these businesses to enable them to adapt their processes as required for the start of the 2027 compliance year.

3.1.5 Whilst R/Es will still be able to use Sampling and Inspection Plans (SIPs) and national protocols to provide evidence, from 1 January 2027 these will need to take account of relevant losses prior to the material entering the final stage of recycling. This will need to be robustly evidenced, which may be more challenging for exported packaging waste. Where R/Es are unable to sufficiently evidence compliance through SIPs, nationally agreed protocols and AAIGs may need to be updated or developed by industry.

### **Review and update of Nationally Agreed Protocols and AAIGs**

3.1.6 In addition to measuring actual tonnages recycled and SIPs, under the Regulations, R/Es are able to use nationally agreed protocols and AAIGs to establish the recyclable proportion of packaging waste received for recycling (Schedule 8 (22) 1(b) of the Regulations). These are developed by industry, submitted to regulators for scrutiny, and if determined sufficiently robust and accurate, approved for use.

3.1.7 There are currently a number of nationally agreed protocols and AAIGs for the issuing of PRN/PERNs which have been agreed by the Regulators and can be found here: [Packaging waste: apply to be an accredited reprocessor or exporter - GOV.UK](#). The majority of these have been in place for many years and the waste sector question whether they now accurately represent the amount of packaging waste in the waste stream (for example, the proportion of packaging in mixed paper/card may have increased due to a decline in the consumption of physical newspapers and magazines).

3.1.8 The government would like to see R/Es move towards using the most accurate information available to them when establishing the recyclable proportion of their packaging. This will help ensure recycling rates are accurate and R/Es are fairly supported through the PRN/PERN system.

3.1.9 It is important that nationally agreed protocols and AAIGs do not reward R/Es by enabling higher tonnages to be claimed than would otherwise be eligible. To address this,

the recyclable proportion should be set at the lower range of what is reported by R/Es who do use actual data and SIPs, for example the lower quartile average.

3.1.10 Finally, to ensure protocols and AAIGs remain up to date, we propose that they are time limited and reviewed at least every 3 years. Regulators should be given the discretion to notify their intent to withdraw a protocol unless it is updated, giving industry a minimum of 12 months' notice. If withdrawn. R/Es would need to rely on actual data or sufficiently evidenced SIPs to calculate the recyclable proportion.

**Q8. Do you agree or disagree nationally agreed protocols and AAIGs should be set at the lower range of what is reported by reprocessors and exporters who have used actual data and sampling and inspection plans?**

- a. Agree
- b. Disagree
- c. Neither agree nor disagree

**Please provide the reason for your response:**

**Q9. Do you agree or disagree with the proposal to make national protocols and AAIGs time limited?**

- a. Agree
- b. Disagree
- c. Neither agree nor disagree

**Please provide the reason for your response:**

**Q10. Do you agree or disagree that protocols and AAIGs should be reviewed and updated as necessary at least every 3 years?**

- a. Agree
- b. Disagree
- c. Neither agree nor disagree

**Please provide the reason for your response:**

**Q11. Do you think that regulators should have discretion to shorten this period where necessary?**

- a. Agree
- b. Disagree
- c. Neither agree nor disagree

**Please provide the reason for your response:**

## 3.2 Cancellation of PRNs - Increasing Sector Led Due Diligence

3.2.1 At present, the Regulations are silent on whether the regulators have the power to cancel PRNs/PERNs where they have been improperly issued by an accredited R/E (for example issued against non-packaging waste). Regulators can request that the R/E adjust their waste records voluntarily where they have these concerns, but the power to act where the R/E refuses to make adjustments or has ceased trading is not explicit. This becomes problematic if PRNs/PERNs have already been sold to producers or schemes.

3.2.2 In these cases, the invalid PRNs/PERNs often remain in the system and are used as evidence of recycling when it is known that they are fraudulent. This is inconsistent with the policy intention to increase and support legitimate recycling. Illegitimate PRNs/PERNs result in an oversupply of evidence, lowering prices, and as a result reduce support available for legitimate businesses. Cancellation of such evidence would correct this by increasing demand for evidence from legitimate operators.

3.2.3 We propose to amend the Regulations to allow regulators, where they conclude on the balance of probabilities that a PRN/PERN has been issued improperly, to cancel those PRN/PERNs. This would primarily be used for deliberate, serious material breaches, likely resulting in the cancellation of an accreditation. This would increase due diligence as to the validity of the PRNs/PERNs purchased, and in doing so reduce the risk that improperly issued evidence of recycling is used by producers and compliance schemes to show they have met their statutory recycling obligations.

3.2.4 There are two ways in which this could be achieved, and the merits and drawbacks of each are outlined below.

### **Duty on regulators to cancel PRNs/PERNs**

3.2.5 This duty would require that the regulator must, after completing any relevant investigation, cancel any PRN/PERNs that they assess to have been improperly issued and which have not been voluntarily withdrawn by the R/E.

3.2.6 This would incentivise compliance schemes and producers to ensure sufficient due diligence of R/Es and only acquire PRNs/ PERNs where they have high levels of confidence in either the quality of the processes and/or the capacity to make good on any errors that may occur. This would support R/Es that adhere to high standards and incentivise others to do the same.

3.2.7 If cancellation of PRN/PERNs was to occur late in a compliance year, it may leave schemes and producers unable to demonstrate compliance with legal obligations. We are therefore consulting on proposals (outlined below in section 3.3) that may mitigate this risk.

## **Discretionary power for regulators to cancel PRNs/PERNs**

3.2.8 This would provide regulators with the power to decide whether or not to cancel PRNs/PERNs in circumstances where the regulator has assessed that the PRN/PERNs have been improperly issued to a producer or scheme.

3.2.9 This would enable regulators to consider both the nature of the breach of conditions of accreditation and also any due diligence undertaken by the compliance scheme or producer. As a result, the regulator could decide not to cancel the PRNs/PERNs in question, or only those where they consider insufficient due diligence was undertaken.

**Q12. Do you agree or disagree with the proposal to place a duty on regulators to cancel PRN/PERNs that they determine have been improperly issued?**

- a. Agree
- b. Disagree
- c. Neither agree nor disagree

**Please provide the reason for your response:**

**Q13. If so, would you still be supportive of introducing this duty if it required the introduction of a compliance mechanism?**

- a. Yes
- b. No
- c. Don't know

**Please provide the reason for your response:**

**Q14. Do you agree or disagree with the proposal to give the regulators discretionary powers to cancel PRN/PERNs that they determine have been improperly issued?**

- a. Agree
- b. Disagree
- c. Neither agree nor disagree

**Please provide the reason for your response:**

**Q15. If so, would you still be supportive of introducing these powers if it required the introduction of a compliance mechanism?**

- a. Yes
- b. No
- c. Don't know

**Please provide the reason for your response:**

**Q16. Do you foresee any unintended consequences or impacts if improperly issued PRNs/PERNs are cancelled?**

**If so, please specify and include suggestions for mitigation:**

**Q17. If the duty on regulators to cancel improperly issued PRNs/PERNs was implemented, what costs or additional requirements would your organisation expect to face? Please tick all relevant options below and provide further detail explaining your response.**

- a. Staffing
- b. Training
- c. Familiarisation
- d. Other (please give further detail)

**Please provide further detail explaining your response:**

### **3.3 Compliance Mechanisms**

3.3.1 These proposals are mechanisms that are intended to help producers and compliance schemes manage compliance with their recycling obligations in exceptional circumstances.

3.3.2 Prior to the pEPR consultation in 2021, some stakeholders called for the introduction of a mechanism to allow producers and schemes to meet their recycling obligations by paying a 'fee' rather than obtaining PRN/PERNs if there are shortages of evidence. The proposal was included in the consultation on PRN reform in 2022. Whilst there was support, it was not progressed as it required significant further development before being suitable for inclusion in the Regulations.

3.3.3 More recent engagement with stakeholders has indicated continued interest in a form of compliance mechanism, as part of an integrated package of reforms, that would provide some flexibility in achieving compliance with recycling obligations. They consider this may be necessary as a result of increasing recycling targets, volatility in global markets for packaging waste, and the potential impact of other measures being considered as part of this consultation.

3.3.4 It is important that any compliance mechanism is not used to attempt to control prices during periods of market volatility or relied upon where reasonable efforts to obtain PRN/PERNs are not made. A mechanism should only apply in cases of last resort, triggered by exceptional circumstances, and subject to an application and approval process, not as a default option. It should never be easier or cheaper than acquiring PRNs for full compliance.

3.3.5 Two types of compliance mechanism have been identified and are under consideration: a fee option, and a “carry back” mechanism for extending year-end options.

### **Fee Mechanisms**

3.3.6 We propose to amend the regulations to allow Ministers to deploy a fee mechanism that producers and schemes could apply for each year, to provide an alternative means of meeting their recycling obligations, in the event that availability of PRNs/PERNs was insufficient to do so. Producers and schemes would be required to engage with stakeholder groups, set out the rationale for their proposal and submit it to Ministers for consideration. They would be eligible to apply to be the operator of the mechanism if they are likely to need to use the mechanism (i.e. are not able to meet their recycling obligations).

3.3.7 An application and determination timetable would be set out in the Regulations for any proposals. The final decision on whether or not to accept the proposal and implement a mechanism could be taken by Ministers (with agreement across all four nations). Only one application for a mechanism for any given material would be approved in any given year.

3.3.8 The proposer would be required to set out in the application their experience and that of the operator (if different), the proposed timeframe to which the mechanism would apply, all financial flows, and details of the management and purposing of the funds. Any funds derived from the mechanism would be used in line with governance principles set out in the Regulations and guidance, and described in the accepted application.

3.3.9 The mechanism proposal would not be routinely relied upon year on year, but only used by exception. It could cover all or a subset of materials, dependent on the reason (i.e. an event that seriously affects one material sector).

### **Year-end Extension**

3.3.10 Proposals for an extension to the compliance year were also included in the PRN consultation in 2022. Extending the compliance period beyond a year would mean the use of PRNs/PERNs from the following compliance year (year 2) to meet the obligations of the preceding year (year 1). This would aim to balance evidence between two compliance years if there is a shortage of evidence for a specific material type in the relevant year.

3.3.11 The effect would be the extension of the whole compliance year and its requirements to meet obligations. The provision of a Certificate of Compliance for year 1 would also move to later in year 2. Whilst this could reduce pressure at the end of year 1 and increase liquidity, it could also impact the availability of evidence in year 2 and rely on additional collection and reprocessing in year 2 to ensure that the shortage is not repeated.

3.3.12 There would be no limit on the ability of operators to make applications over multiple years if there is a view that the mechanism is required, but each application would be assessed in the context of that particular compliance year. This could be similar to that for the Fee Mechanism, with a requirement to apply to Ministers for agreement for it to be deployed. Reported recycling data could be monitored to ascertain whether the market is on track to enable compliance or if an extension to the compliance period could be required.

3.3.13 This measure could be implemented instead of or alongside a fee mechanism, giving greater flexibility at year-end to propose the most suitable measure for the situation.

**Q18. Which of the proposed compliance mechanisms would you be supportive of?**

- a. Fee mechanism
- b. Year extension mechanism
- c. Neither
- d. Both

**Please provide the reason for your response:**

**Q19. If only one compliance mechanism were implemented, which would you prefer?**

- a. Fee mechanism
- b. Year extension mechanism
- c. No preference

**Please provide the reason for your response:**

**Q20. What specific criteria or conditions should apply for triggering the use of either of the mechanisms? Please provide the reason for your response.**

**Q21. What specific criteria or conditions should apply to the operator of the compliance mechanism? Please provide the reason for your response.**

**Q22. If the compliance fee mechanism was implemented, what costs or additional requirements would your organisation expect to face? Please tick all relevant options below.**

- a. Staffing
- b. Training
- c. Familiarisation
- d. Other (please give further detail)

Please provide the reason for your response:

**Q23. If the compliance fee mechanism is triggered, what estimate of tonnage would you expect the mechanism to cover (the anticipated shortfall in evidence)?**

**Q24. If the year-end extension was implemented, what costs or additional requirements would your organisation expect to face? Please tick all relevant options below.**

- a. Staffing
- b. Training
- c. Familiarisation
- d. Other (please give further detail)

Please provide the reason for your response:

### 3.4 Transparency

3.4.1 Historically, the PRN system has been criticised by some stakeholders for a lack of transparency. The reasons for concern vary across different stakeholder groups. However, common themes include:

- i. **System level transparency** to reassure all participants in the system that it is running efficiently and effectively and delivering against scheme outcomes, in terms of PRN revenue
- ii. **PRN and PERN supply and demand data transparency** to address information asymmetries between buyers and sellers in the PRN market, reducing excessive volatility in PRN prices seen throughout the year
- iii. **Individual reprocessor and exporter transparency** to discourage and detect fraud and error

3.4.2 Government has committed to further work on the first two areas in early 2026 as these measures do not require formal consultation or regulatory amendments. This consultation seeks your views on the third measure only.

3.4.3 In Autumn 2025, an industry working group reviewed potential transparency measures generated by regulators, which could potentially help counter fraud and error.

3.4.4 Since identifying these options, some of the data sought is now routinely published by regulators (for example, Compliance Monitoring Report for EPR: [Compliance monitoring and enforcement activity 2024 - GOV.UK](#)).

3.4.5 There was broad agreement that three of the measures should be considered further in this consultation, with the remainder being considered as part of the Fraud Detection Initiative. These are:

- i. Publication of Cancellations & Suspensions of R/E accreditations
- ii. Registration and data reporting for trading platforms
- iii. Registration and data reporting for brokers

### **Publication of Cancellations & Suspensions of reprocessor and export accreditations**

3.4.6 We propose to publish supplementary information regarding the suspension or cancellation of an accreditation. The Regulators already publish notification of the suspension or cancellation of accreditations they enforce as part of the Public Register (the list of all registered and accredited businesses) requirements. However, these notifications do not currently link to the public register (work is underway to address this within the new digital service) and therefore do not provide additional information on the public register regarding the reason for the action, including the severity of the breach.

3.4.7 Such additional information may be helpful to compliance schemes and producers in undertaking due diligence in terms of acquisition of PRN/PERNs, and allowing buyers to identify patterns in behaviour to inform purchasing decisions.

3.4.8 For legitimate operators, who may have their accreditations temporarily suspended for relatively minor breaches, the release of details by regulators on the severity of the breach may be helpful in reducing reputational damage from speculation.

### **Q25. Do you agree or disagree with the proposal to provide further information on the nature and/or severity of the breach?**

- a. Agree
- b. Disagree
- c. Neither agree nor disagree

**Please provide the reason for your response:**

### **Registration and Data Reporting for Brokers and Trading Platforms**

3.4.9 Brokers and trading platforms are for many direct registrants the primary route to acquire PRNs. For example, up to 20-25% of all PRN/PERNs are currently acquired via the platform t2e. While producers, compliance schemes and R/Es are subject to strict registration and reporting obligations, brokers currently operate without equivalent regulatory oversight. This leaves the system vulnerable to inefficiencies and fraud.

3.4.10 The broker/platform acts as a 'match-maker', as they cannot legally own the PRN/PERN, so there is no 'trading' (like shares). However, the buying and selling is 'blind', meaning the parties do not know who they are buying or selling from or to until the transaction has been agreed and payment is due (though the platform itself records all parties). This has highlighted the following potential vulnerabilities:

- i. Lack of accountability enables unethical practices and misreporting
- ii. Intermediary transactions are not captured, reducing visibility for regulators
- iii. Absence of transparency can lead to artificial price inflation and hoarding of PRNs/PERNs

3.4.11 Compliance schemes have proposed a voluntary approach, whereby brokers and platforms undertake to comply with an agreed code of conduct and provide certain data, instead of a mandatory approach. This could create a final step in a trade, when the seller is revealed just prior to a deal concluding, allowing the buyer to withdraw from the deal, but with some financial penalty (e.g. remaining liable for the commission or fee charged by the platform or broker).

3.4.12 However, others have proposed a legislative approach, whereby all brokers and trading platforms are brought within scope of the Regulations. This would impact a relatively small number of businesses (10-15). This enhanced oversight could also be combined with working more closely with HMRC who have an active interest in PRN brokers as they are open to tax risks (as PRN/PERNs are subject to VAT). Combined, this represents a significant opportunity to safeguard the credibility of the recycling evidence framework, improve fiscal accountability, bolster market confidence and in doing so drive economic growth by encouraging legitimate business.

3.4.13 This links to the proposals for the cancellation of PRNs. If producers and schemes are required to undertake more checks when obtaining evidence, they will need to have greater visibility of the source of the evidence before finally committing to any purchase. Introducing a mandatory registration requirement with robust reporting obligations for PRN traders and brokers could help increase the likelihood of regulatory detection, creating a strong deterrent effect against potential bad actors within the system by improving visibility in the trading arrangements and benefiting legitimate operators.

3.4.14 Currently, indicators of fraud - such as the sale of PRNs at well below market value or sourced exclusively from high-risk waste operators - are not systematically monitored in relation to brokers. This approach reduces opportunities for misconduct by increasing transparency and would be in line with other regulated markets, where broker oversight helps prevent systemic abuse.

### **Proposed Provisions**

3.4.15 To deliver this proposal, the Regulations would be amended to require -

1. Mandatory Registration - all brokers of PRNs/PERNs would need to register annually with the relevant regulator. Registration information would require:
  - i. Legal entity details
  - ii. Responsible persons
  - iii. Contact details and audit address

iv. Details of operating standards

2. Payment of a registration fee - the fee structure could be tiered based on tonnages traded, ensuring smaller brokers are not disproportionately burdened while larger entities contribute more to reflect their market impact – similar to the banding applied to accredited R/Es.

3.4.16 To ensure effective oversight and enforcement of the proposed obligations, the annual fee would be used to fund regulatory activities, including data collection, reporting and verification, market surveillance to maintain the integrity of the PRN system, and delivery of the digital functionality. Brokers would have a data reporting obligation, submitting quarterly reports via the regulator data system. The data required could comprise:

- i. Volume and type of PRNs/PERNs traded
- ii. Transaction prices
- iii. Counter party details (producer, compliance scheme, reprocessor or exporter).

3.4.17 Requiring broker reporting would provide transaction-level visibility for all intermediary steps to the regulators, giving them a view of the whole process. This increases traceability, enhanced fraud detection (from analysis of market behaviour) and better oversight and transparency.

3.4.18 The provisions would introduce new duties for the Regulator to monitor and enforce these new requirements. This would mean the introduction of new offences and civil penalties for relevant breaches or non-compliance:

- i. Failure to register
- ii. Non-compliance with reporting obligations
- iii. Provision of false or misleading data
- iv. Non-compliance with broker conditions of registration

3.4.19 All registered brokers would be listed on a publicly accessible register maintained by the regulators. This measure would simplify the process for acquisition of evidence for producers, inclusion on a public register would provide a source of verified broker information, reducing the risk of engaging with unregistered or fraudulent intermediaries. It would increase market confidence by providing reassurance that transactions are conducted with entities subject to regulatory oversight and would support due diligence requirements.

**Q26. Do you agree or disagree with the proposal to require brokers and trading platforms to register?**

- a. Agree

- b. Disagree
- c. Neither agree nor disagree

**Please provide the reason for your response:**

## **4. Future Consultation on Reform**

### **4.1 Possible Options and Proposals for Further Consultation**

4.1.1 We intend to run a second consultation on the recycling obligations/PRN system. This will include the two measures set out below and will also consider more broadly whether there are opportunities for wider reform or simplification of the PRN/PERN system.

4.1.2 The following two measures have been highlighted by the sector as likely key drivers to support increased domestic reprocessing of plastic and glass.

- i. **Minimum material sorting standards** to be achieved for packaging waste for the material to be eligible for PRN/PERNs, to help further level the playing field for domestic reprocessors of materials.
- ii. **Material specific domestic reprocessing targets** which would increase over time providing certainty to businesses to invest in new reprocessing facilities in the UK.

4.1.3 We are therefore seeking information on the likely costs and benefits of introducing either of these measures for plastic and glass, which you believe to be preferable for each, and whether there is a strong case to also implement them for other materials.

## 5. Annex A – Organisations Involved in Sprint Group

The groups represented at the discussions were:

- British Plastics Federation (BPF)
- British Glass (GB)
- Confederation of Paper Industries (CPI)
- Alupro
- Metal Packaging Manufacturer Association (MPMA)
- Recoup
- The Recycling Association (TRA)
- Environmental Services Association (ESA)
- Valpak (PSF member)
- Ecosurety (PSF member)
- WastePack (PSF member)
- Packaging Scheme Forum (PSF)\*
- Wood Recyclers' Association (WRA)<sup>6</sup>

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<sup>6</sup> \* not included in all meetings