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Aside from the usual goodies of another freeze on alcohol duty, a little bit more for the NHS, and an adjustment of the lowest threshold of income tax, Philip Hammond's 2018 Budget has received an interesting focus on its green credentials. Whilst we await the publication of the government's Resource and Waste Strategy, due before the end of the year, this Budget has given us clues as to the government's intended plans for tackling plastics and packaging waste in particular.

As ex-leader of the Green Party, Caroline Lucas, rightly pointed out,¹ the announcement swerved mention of action on climate change in spite of the Intergovernmental Panel on Climate Change (IPCC) effectively giving us just twelve years to avoid climate catastrophe.² Whilst the first-year allowance for electric charge points has been extended,³ the government has frozen fuel duty and committed to boosting spending on road infrastructures. With this mixed messaging in mind, critics say that we simply aren't doing enough to tackle climate change.⁴

Where the Budget did offer concerted focus on environmental considerations was through the use of taxation in relation to the hot topic of plastics and packaging waste.

The Chancellor directly addressed this in five key areas: -

- A tax on plastic packaging, namely virgin plastic
- Reform of the Packaging Producer Responsibility System
- Incineration and landfill
- Disposable cups
- Plastics and waste innovation funding

But what do each of these separate features mean for business? And what is the next twelve months going to look like? It's been said that a no-deal Brexit stands to see a new, reassessed Budget next year, but based on the Chancellor's announcement this week, there are some new things for businesses to consider around plastics and packaging waste.

A tax on plastic packaging, namely virgin plastic

One of the headline announcements of the entire Budget is of a 'world-leading' tax on plastics, subject to consultation. A tax will be applied to any packaging put onto the market that has less than 30 per cent recycled content, that is either manufactured or imported, in a move largely welcomed by industry.⁵ The government has committed to implementing this from April 2022. The size of the levy is yet to be determined, and the consultation is likely to shape much of the fine print.

As always with these kinds of announcements, there are as many new questions as there are answers. *How can UK infrastructure manage with this increased demand for recycled content? What about food grade plastics? Is there to be a kind of certification scheme on recycled material?*

What's clear is that businesses must now integrate recycled content into their operations as a material consideration and begin mapping out how they can make changes to their products and associated supply chains. The intention of the tax is to incentivise sustainable packaging usage and to encourage companies to avoid hard to recycle or non-recyclable materials, including infamous black plastics.

The proliferation of bans on imported plastic waste across Asia has received significant media attention.⁶ In particular, the Guardian's exposé earlier this month on abuse and fraud in the export industry has given way to scrutiny over domestic infrastructures. Simply put, the UK lacks a strong domestic recycling economy, and this must change.

The time has come for business to take a holistic view of resource usage and subsequent re-usage, particularly in regard to packaging. What materials are being used, and what does the end-of-life look like for said materials?

Reform of the Packaging Producer Responsibility System

In a win for much of the industry, the Chancellor announced that the above tax on plastic will be consulted on alongside reform of producer responsibility. It is expected that the government will seek to reassess Extended Producer Responsibility (EPR), the notion that a company that places packaging onto the market is expected to pay for the subsequent cost of collection and, as far as possible, recycling. The UK has committed to at least matching the EU on environmental legislation, and the EU

has separately indicated that it will expect companies to cover 80% of the cost of the end-of-life for a product.⁷ Given the government's likely intention to surpass EU commitments, companies in the UK should prepare to cover 100% of the costs of recovery/recycling, and should thus think carefully about their compliance obligations.

Furthermore, this is likely to see wholesale change to the Packaging Recovery Note (PRN) System, the market-based system of compliance that drives recycling targets as part of the UK's Producer Responsibility Obligations (Packaging Waste) Regulations 2007. The system has been criticised for being outdated, but its market-based mechanism of price fluctuation has been praised for both consistent target-hitting, and low administrative costs.

The system must become more transparent, boost more sustainable material decisions, and encourage better infrastructure investment. Again, consultation will shape the detail, but businesses should be expecting to pay more for their compliance, begin to identify difficult to recycle or non-recyclable materials, and start phasing them out. The decision stands to be a financial one in the long term - expect certain materials to become more expensive to procure.

Incineration and landfill

Recent media attention on how some plastic isn't being recycled, despite going through the correct waste streams, has frustrated the public.⁸ It's also clear that there's an imbalance in the waste hierarchy. Reduce, reuse, recycle are the three preferable options, yet, as the Budget wording makes clear, 'the government recognises the important role incineration currently plays in waste management in the UK, and expects this to continue.'

Landfill tax already exists as a mechanism to discourage this kind of waste management, and the Chancellor commented that there remains potential for an incineration tax in the future, depending on local authority impact.

This should be a warning sign for businesses reliant on incineration or landfill. There is public expectation that businesses will try, as far as possible, to stick to reduce, reuse, recycle. Where incineration and landfill are being used without thought for alternatives, not only will the public begin

to call this out, incineration in particular has the potential to become a more expensive means of waste management.

Disposable cups

Arguably the one measure most prevalent in the public eye is the colloquially-titled 'latte levy' – the specific levy on single use cups. The campaign for a cup charge received the greatest traction at the start of 2018, with the Environmental Audit Committee's touted 25p charge.⁹ Indications were that the government would not pursue this, but Hammond has now ruled this out, citing increased business action and commitment.

This move should show business that concerted efforts and collaboration on topics can indeed influence government policy. Whilst the Resource and Waste strategy is likely to address this issue in a different way, for instance by encouraging innovation or recycling infrastructures, industry has been given a chance to take the initiative.

A levy had the potentiality to be damaging right across the industry, including on jobs throughout the value chain, so businesses working in the food and drink/hospitality sectors should see this as a win – but it is clear that more does need to be done on cups specifically.

Plastics and waste innovation funding

Towards the end of the Budget, the Chancellor announced a small bit of cash for innovation in this space. Although the figures are relatively small; £10m for plastics R&D and £10m for infrastructure/behavioural innovation; it's clear that the government wants business to lead through innovation.

Citing the example of smart bins, the UK is in dire need of better infrastructures. But for a more joined up domestic waste system, more money is required. That being said, businesses with innovative new technologies or strong R&D credentials should expect the government to back them and continue to put the good work in in these areas.

It's an exciting space for innovation, and so long as government continues to back business rather than implement blunt tax mechanisms across the board, there could be more exciting developments that will boost UK recycling rates and encourage the right kind of public behaviours.

Conclusion

In summary, the Budget can undoubtedly be viewed as a taster for the upcoming Resource and Waste Strategy, but there's some important business considerations in here. The 'plastic tax' is the headline, and businesses must now begin to recognise recycled content as a material concern to their operations or face financial disadvantages. Costs of reformed producer responsibility also stand to be significant.

But there's hope for business, and this Budget suggests that the government intends to be on the side of industry working to fix the issue. The rejection of the latte levy, in the face of waves of media and public support, shows that business and industry are being called on to solve problems, and the small funding boost of innovation funding shows that the onus is on business to find innovative solutions.

Ahead of the Resources and Waste Strategy, businesses should take this Budget as a warning – that inaction, or inadequate action, can be punished by a government under immense pressure from media and the public. In and amongst growing legislation, opportunities exist for companies who are brave and can integrate sensible decision making on materials into their operations. The state of play will be clearer by the end of the year with the Resource and Waste Strategy, and we wait to see in greater detail just how ambitious the government intends to be.

[1] <https://twitter.com/CarolineLucas/status/1056951745841188864>

[2] <http://www.ipcc.ch/report/sr15/>

[3] <https://www.accountancydaily.co/budget-2018-first-year-allowance-electric-charge-points-extended>

[4] <https://www.independent.co.uk/news/uk/home-news/budget-2018-chancellor-philip-hammond-roads-potholes-repairs-greenhouse-gas-ipcc-greenpeace-a8604886.html>

[5] <https://www.ft.com/content/ce4b8cfc-dba0-11e8-9f04-38d397e6661c>

[6] <https://news.nationalgeographic.com/2018/06/china-plastic-recycling-ban-solutions-science-environment/>

[7] https://ec.europa.eu/info/news/new-waste-rules-will-make-eu-global-front-runner-waste-management-and-recycling-2018-apr-18_en

[8] <https://www.theguardian.com/environment/2018/jul/23/uks-plastic-waste-may-be-dumped-overseas-instead-of-recycled>

[9] <https://www.parliament.uk/business/committees/committees-a-z/commons-select/environmental-audit-committee/news-parliament-2017/coffee-cups-report-publication-17-19/>

