

Written evidence submitted by the Digital DRS Industry Working Group

Introduction

1. The Digital DRS Industry Working Group (IWG) welcomes this timely inquiry from the Environmental Audit Committee and is pleased to be able to submit evidence.
2. Digital DRS (DDRS) is an emerging technology solution that has the potential to make Deposit Return Systems (DRS) even more attractive and convenient for consumers of drinks both at home and 'on the go'. The technology is centred on the use of blockchain and coding on packaging, linked to scanning of containers via a smartphone app to redeem deposits paid. Potential advantages to this approach include: flexible return points; integration into kerbside within the home deposit return, using existing infrastructure; reduced volume of beverage containers needing collection via a retailer; better fraud prevention; possible low implementation and running costs. Technology is developing rapidly in response to interest from across the drinks industry value chain, including the retail sector and the packaging producers and your inquiry provides us with an opportunity to brief you on our activities and timeline for research and pilot schemes which we hope will inform the next stage of policy implementation on DRS.

About the Digital DRS Industry Working Group

3. The Industry Working Group was formed in autumn 2020 in response to rapid developments in digital technology being applied to the challenge of efficient and convenient collection of drinks containers through DRS. On the initiative of Bryson Recycling in Northern Ireland (a leading social enterprise delivering recycling collection and sorting services in NI, Wales and the Republic of Ireland) a group of industry interests agreed to form an informal 'task and finish' initiative to explore the potential of a Digital Deposit Return Scheme (DDRS) as possible alternative to the 'default position' of using reverse vending machines (RVMs) in planned Deposit Return Scheme (DRS) systems for the UK and Ireland.
4. The IWG is working together to better understand how a DDRS approach can be applied and improved; help understand the cost implications and liaise with industry technology providers. The objective of the IWG is to assist a process of understanding and exploration and place any research commissioned into the public domain for scrutiny. Our view on DDRS is agnostic – we believe it merits full evaluation and could be an important development in the delivery of DRS, recognising though that technology is still evolving and trialling the approach will be an important aspect to the full evaluation of its potential.
5. We have established relationships with Defra, Daera, the Scottish and Welsh Governments as well as the potential Scheme Administrator for Scotland (Circularity Scotland) and Zero Waste Scotland and will be responding to the forthcoming consultations for DRS implementation in England, Wales and Northern Ireland.
6. Since forming in October 2020, we have commissioned research from Resource Futures who will be undertaking an economic appraisal and impact assessment of Digital DRS, based on one model DDRS which has been agreed as a reference point in a multi-stakeholder workshop held in February 2021. The research has been designed to

provide a useful evaluation of the potential costs and benefits of a DDRS approach, matched to the revised Impact Assessment we expect to be published alongside the forthcoming consultation. This work will be completed in time to be submitted to that consultation in May 2021.

7. The IWG has also entered into a research partnership with the Welsh Government and WRAP Cymru, which commits us to a collaborative approach to commissioning research and potentially trial DDRS schemes in the coming year. The first output of this project will be a study evaluating the impact of DDRS on the quality of materials collected for recycling, this will report in May 2021.
8. The IWG is administered by Bryson Recycling, who have engaged Ray Georgeson Resources Ltd to provide co-ordination support to the Group. Members of the Industry Working Group are from across the value chain:

Alupro
 British Glass
 British Plastics Federation
 British Retail Consortium (represented by ALDI, Co-operative Group and Lidl GB Ltd)
 Danone Waters
 Diageo
 Ocado
 RECOUP

The potential for DDRS and forthcoming consultations

9. The focused nature of the brief for the IWG requires us to maintain impartiality with respect to the potential or otherwise of DDRS as an implementation option, the Group may reach more conclusive views about the role of DDRS after further research and pilot schemes have been completed.
10. However, given the potential importance and impact of DDRS, we wish to stress that we hope that all Governments across the UK will ensure that full consideration is given to DDRS as an implementation option, in the consultations that are coming in England, Wales and Northern Ireland and in the future development of the Scottish scheme, which is already further advanced and subject to a looming legislative deadline in July 2021.

Responses to questions asked by the Environmental Audit Committee

11. We have not sought to answer every question posed by the Committee and have focused our response on elements of the inquiry directly pertinent to our immediate work programme and the need for deeper research into the potential for DDRS. Our responses are as follows:

The types of waste to be collected under the scheme
The materials to be included in the scheme's scope
Scheme design ('all-in', 'on-the-go' or other models

12. DDRS relies on the use of printed coding on packaging, linked to use of smartphones and apps, to establish the redemption of a deposit when packaging is placed in an 'on the go' bin or a kerbside recycling system. Different technology providers have different approaches in development right now which need to be fully tested, but it is clear that the

potential to print codes on the full range of drinks packaging is strong. This technology also has the potential to extend to other types of packaging not presently covered by the proposed DRS, such as aseptic cartons and potentially to products beyond which may be subject to future producer responsibility measures.

13. A DDRS approach will lend itself to application in either an 'all-in' or 'on-the-go' model of DRS and potentially to any variant model that includes a proportion of drinks containers collected by the current standard model of 'reverse vending machine at retail' upon which current policy is based.

The effect on scheme design of recent changes in patterns of retail activity

14. We expect that DDRS will again transcend any shift in the pattern of retail activity as it is primarily based on the interaction of the recycler (the consumer) with the product, into an 'on the go' bin or kerbside recycling container.
15. We envisage interest in DDRS being generated with the retail sector, as it has the potential to reduce the burden upon the consumer (their customer) to have to queue up at a reverse vending station. Changing retail activity, a mixture of increased use of home deliveries combined with queuing fatigue as a result of COVID-19 restrictions may make the DDRS option increasingly attractive, but we stress this needs to be tested with research and pilot schemes.

***The impact of any scheme on existing reuse and recycling and reuse systems
The impact of any scheme on local authority kerbside collections and on local authority revenue streams dependent on the value chain of recyclables***

16. DRS in the form currently proposed, based on return-to-retail via reverse vending machines is certainly well tested in several other developed countries with less developed and mature kerbside recycling schemes. In the UK, successive Governments and the Devolved Governments have worked hard over more than two decades to develop a comprehensive kerbside recycling service, one which barely existed twenty years ago. No developed country has backfilled a return-to-retail, reverse vending DRS model onto an existing strong kerbside recycling infrastructure and so any estimates about the likely impact are just that – estimates.
17. The potential diversion of materials from kerbside recycling schemes from a successful return-to-retail based DRS will be significant. We estimate a reduction in recyclables collected at the kerbside of between 35 – 40%. The extent to which this affects the cost base for kerbside recycling operations will depend on the future role of EPR in supporting collection costs. We will address this issue in the research currently commissioned, and will make it available to the Committee as soon as practically available.

The potential relationship between deposit return schemes and other packaging waste initiatives promoted under the Resources and Waste Strategy, such as the packaging producer responsibility system and consistency in kerbside collections of dry recyclables.

18. The complexity of the relationships between DRS, Extended Producer Responsibility (EPR) and Consistency still requires further consideration by policy makers. EPR should really be the driving force that determines the onus on producers to take responsibility

and pay for the sustainable collection of all materials that fall into scope of EPR, DRS and Council collections, litter avoidance and recycling of their products, with DRS and Consistency as tools that follow on and support that primary objective.

19. Given the significant impact of COVID-19 on the UK and wider global economy and the pressure that business face across the board, it would be reasonable and opportune to take a 'pause for breath' on the implementation of DRS, ensure that a full exploration of the potential for DDRS to reduce costs and protect kerbside recycling is made during the next twelve months, and then evaluate the possible impact of a DDRS model as part of achieving Consistency that delivers quality recycling and environmental benefits, with the umbrella of EPR then able to secure the correct levels of funding needed for efficient collection, support for councils where needed, and protection of existing kerbside recycling investments.

How the use of deposit return schemes is likely to affect the UK's progress towards meeting the targets set in the Resources and Waste Strategy

20. Our commissioned research will endeavour to address this question, as part of our assessment of the potential for a DDRS model that potentially reduces costs in the DRS system while preserving the benefits and advantages of DRS as a means to tackle litter and connect consumers with the value of the products they are disposing of. There is concern that return-to-retail dominated DRS could have the net effect of damaging current kerbside recycling schemes to the extent that they become financially unviable, which in turn could lead even to reductions in overall tonnage collected if kerbside schemes are withdrawn. We must stress though that this needs further research and assessment, but we will be urging Governments in England, Wales and Northern Ireland to pay strong attention to this.

The scope for interoperability between any schemes in England, Wales and Northern Ireland to be established under Schedule 8 to the Environment Bill and the scheme to be established in Scotland under the Deposit and Return Scheme for Scotland Regulations 2020

21. Packaging producers, brands and retailers would understandably generally wish for uniformity of approach across the DRS schemes to be implemented in the UK, but we recognise that right now, the only legislation in force is the Scottish legislation.
22. In terms of the possible addition of Digital DRS as a means of implementing deposit return, we would wish to see all legislation coming forward on DRS written to enable DDRS if it proves viable and attractive rather than restrict its implementation. We will be making representations on this in the forthcoming consultations.
23. In terms of the existing Scottish regulations¹, they are designed to focus on a return-to-retail model and they place legal responsibilities on retailers to provide return points for packaging. It has been suggested that the Scottish regulations do not enable the implementation of a Digital DRS based on deposits being redeemed by householders by placing items in kerbside (after scanning the code with their smartphone) that then integrates DRS with the kerbside recycling. We believe this is a matter of interpretation and may need to be tested.

¹ Deposit and Return Scheme for Scotland Regulations 2020 <https://www.legislation.gov.uk/ssi/2020/154/made/data.pdf>

24. At this stage, our key concern about interoperability between Scotland and the rest of the UK would be to ensure that the same coding systems are used for packaging that will enable a better range of collection options to be introduced in Scotland over time, including potentially the use of Digital DRS should it prove viable and attractive. Consistency on coding will also help prevent incompatibility between nations that would lead to significant cost burdens for producers, retailers and the distribution of products. It will also assist in reducing the opportunity for cross border fraud.

Conclusion

25. The Digital DRS Industry Working Group thanks the Committee for the opportunity to submit this evidence to your inquiry. We appreciate that our detailed evidence is limited, as research is ongoing, but we will be happy to provide the Committee with the findings of our research project as soon as practically available and remain at your disposal should you require further information.

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