

26th May 2010Robert Rawlings
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Dear Robert,

Consultation on Implementing the Packaging Strategy: recovery and recycling targets, funding transparency and technical changes.

This response to the consultation document is made on behalf of the Confederation of Paper Industries (CPI). CPI has within its membership mill-owned and independent recovered paper merchants and exporters, paper manufacturers, tissue manufacturers and corrugated converters. All CPI Members will be affected by any proposed changes to the UK Packaging Regulations as they represent many obligated companies as well as the majority of UK paper packaging waste reprocessors and exporters.

CPI thanks Defra and the devolved administrations for the opportunity to input into the development of proposed changes to the UK Packaging Regulations.

General response:

The vast majority of paper based packaging is recyclable if presented to the various paper recycling mills in a format that is suitable for efficient reprocessing into new paper products, contains minimal non paper component contamination and exposure to precipitation and organic waste is minimised. This is one of the reasons that paper packaging recycling levels have continued to outstrip previous targets set out in the UK Packaging Regulations. However, a significant quantity of paper packaging is currently lost to the recycling chain either at the design stage (when additives and lamination to non recyclable materials are applied), when it is used with and exposed to products which contaminate the material, when it is lost to paper recycling by waste management through the composting or energy recovery processes or when it is heavily contaminated through poor collection methods by the waste management industry. With regard to the above, the 86.1% recycling rate proposed for 2020 will be extremely stretching for the industry and will not be achieved simply by more of the same. Significant change will be required to the entire paper packaging and recovery chains to allow the paper packaging recycling industry to deliver against these targets.

Another key issue will be to encourage all paper packaging recycling to be captured within the data collection element of the system and this will only be achieved by making the system rewarding to smaller reprocessors and exporters. CPI is aware that some small exporters for instance see the Regulations as bureaucratic and costly to enter with minimal pay back in terms of revenue. They also highlight the inherent risk to their businesses of failure to comply with the strict requirements of the reprocessor and exporter accreditation process and the subsequent possibility of the stigma of prosecution for minor transgressions. The future use of civil sanctions within the Packaging Regulations may also act as a disincentive to accreditation.

Paper – the sustainable choice

Perhaps the biggest risk to the overall UK paper recycling industry will be the impact of the proposed increases to targets for other packaging materials. These will not only have a significant impact on the availability of quality paper packaging waste for recycling but also that of quality non-packaging materials such as old newspapers, magazines, direct mail and textiles. The proposals in the consultation appear exclusively focused on packaging recycling without considering the implications for non-packaging materials likely to be recovered alongside packaging waste, particularly from the municipal waste stream. CPI is fearful that any environmental and carbon gains associated with increased packaging recycling will be offset by significant losses of benefits from quality deterioration in non-packaging streams, particularly non-packaging paper. It is also important to point out that for the newsprint industry any further degradation of used newspapers and magazines quality is likely to damage their significant achievements within their voluntary agreement with Defra on newspaper recycled content and also the magazine and Direct Marketing industries voluntary agreements on recycling levels.

In order for the paper recycling industry (not just the paper packaging recycling industry) to maintain the very high levels of recycling achieved to date there must be an emphasis on quality management and control through the collection and recovery phase for all materials. Work in this area is currently being carried out by the Waste and Resource Action Programme (WRAP) looking particularly at higher risk areas to quality such as materials recovery facilities (MRF's) and we would encourage Defra to continue to fund work in this area to ensure all paper recycling in the UK remains a success. It will be critically important to measure the effectiveness of this work in 2015 to determine if this work is delivering quality recyclate to the markets and if it is not then some form of regulatory intervention may be necessary to ensure that the 2020 targets are in fact achievable.

Perhaps less of a risk, but something that needs to be considered, is the reliance the UK will have on overseas recycling of packaging waste to meet the proposed targets. The UK now relies on export markets, particularly China, for over 60% of its paper packaging recycling and the increase in recycling levels to 2020 as proposed in the consultation is likely to push this even higher. The PRN system associated with the Packaging Regulations will not inspire anyone to set up domestic paper reprocessing capacity in the UK over other geographical options as the potential income is a fragment of the costs associated with a paper reprocessing plant investment; even when it has been demonstrated by WRAP that UK paper reprocessing delivers higher carbon benefits than Far East recycling. The fact that the exporter can in any case generate a PERN of the same value against any exported tonnage will ensure that this element of the transaction is covered in a supply transaction anyway. It is noticeable that Defra do not appear to have taken the carbon differential between UK reprocessing and Far East reprocessing into consideration in the RIA's associated with the consultation?

Finally as an overview point, it will be critical that the regulations associated with export of packaging waste are enforced and the system retains confidence that exports are being appropriately accounted for within the declarations to the data gathering system. Unlike UK based reprocessors, where inspections of material can be undertaken and reconciled against productivity at any time, once a container for export has left the collectors yard there is little opportunity to ensure that what is declared within the Packaging Regulatory data system is in fact bona fide packaging waste. There must be clear systems for the regulators of the Packaging Regulatory system to look at any illegal movements of waste onto the export market with regards the generation of packaging waste recycling evidence to ensure any submitted tonnages are then removed from the system so the exporter does not achieve financial gain from illegal shipments. Only with a fair but robust regulatory

framework for all UK reprocessors and exporters can the system generate an equitable share of financial resources for all to drive forward packaging recycling in the UK.

LIST OF QUESTIONS IN THE CONSULTATION PAPER

Chapter 1

Q1. In your view, are our projections for waste arisings reasonably accurate?

CPI Response: The projected waste arisings for paper packaging appear reasonably accurate given the limited reliable data available for imports of paper packaging around goods imported into the UK for consumption. This is the main area where CPI has limited scope for effective and accurate data. CPI also feels that only fibre based packaging materials that can be recycled within the paper making process should be included in the paper packaging waste arisings. Starch and bio-based packaging should not be classified as paper packaging within the Packaging Regulations as they are not fibre based and cannot be recycled by the paper industry. This will have an impact on paper packaging waste arisings, particularly if there is significant growth in this type of non fibrous material.

Are you aware of any other factors which may affect the levels of packaging entering the waste stream? Please provide us with as much evidence as possible to support your answer, so we can adjust our figures as necessary.

CPI Response: CPI believes that there is limited scope for determining the overall impact of future light-weighting of packaging materials, government policies on waste prevention and voluntary agreements such as the “Courtauld Commitment”. These will all have an impact on waste packaging arisings. In this respect CPI feels that the levels of obligation should be formally analysed on at least a 3 yearly basis to determine if the projections are in line with actual data.

Q2. In your view, are the predictions for obligated tonnage reasonably accurate?

CPI Response: Given the historical trends for obligated paper packaging levels the predictions appear reasonable. However, CPI feels that levels of obligation should be formally analysed on at least a 3 yearly basis to determine if the projections are in line with actual data. CPI also feels that only fibre based packaging materials that can be recycled within the paper making process should be included in the paper packaging waste arisings. Starch and bio-based packaging should not be classified as paper and board packaging within the Packaging Regulations as they are not fibre based and cannot be recycled by the paper industry. This will have an impact on obligated paper packaging tonnages, particularly if there is significant growth in this type of non fibrous material.

Are you aware of any other factors which may affect the levels of obligated tonnage reported? Please provide evidence to support your answer, so we are in a position to adjust our figures as necessary.

CPI Response: If there are significant economic changes then this may impact obligations levels and CPI would also highlight the points raised in answer to question 1 to be taken into consideration.

Q3. Do you agree with our proposed targets for paper/board, and our analysis of what they are likely to require? Please provide evidence to support your answer, so we are in a position to adjust our figures as necessary.

CPI Response: The proposed targets for paper packaging recycling are extremely stretching given there are elements of paper packaging that are not recyclable, see

general response and our answer to question 1 above. The imposition of significantly higher recycling targets for other packaging materials is also likely to mean the management of quality within the collection and recovery chains will be absolutely paramount. Significant improvements in the quality management of recyclate through the collection and recovery chains will be required to ensure all materials have a good chance of reaching the proposed recycling levels set out within the consultation document and avoid "recyclate wars" between materials looking at their own requirements in isolation. In this respect we would encourage Defra to continue to fund WRAP work in this area to ensure paper recycling in the UK remains a success. It will be critically important to measure the effectiveness of this work in 2015 to determine if this work is delivering quality recyclate to the markets and if it is not then some form of regulatory intervention may be necessary to ensure that the 2020 targets are in fact achievable. Much of the recyclable materials required from the municipal waste stream will be under the control of Local Authorities who may well look at the financial side of the system rather than the environmental side; meaning they put more effort into extracting higher value PRNable material than lower value material thus rendering some materials unrecyclable. Starch and bio-based packaging should not be classified as paper and board packaging within the Packaging Regulations as this will mean targets are harder to achieve and producers and users of these types of product are not dealing with their own products and negating their actual producer responsibility. It is also likely that to meet these stretching targets there will be a greater need to export more paper packaging materials for recycling. Although this is not seen as an issue by WRAP in their global recovered paper market reports it remains a risk to the UK if any issues occur with trade between the UK and these destinations.

Q4. Do you agree with our proposed targets for glass and our analysis of what they are likely to require? Please provide evidence to support your answer, so we are in a position to adjust our figures as necessary.

CPI Response: We have no specific comment on the glass industries ability to reach the targets proposed but we would encourage the use of re-melt applications only as a way of driving glass out of mixed dry recyclate collections which has a significant impact to recovered paper quality and paper recycling efficiency.

Q5. Do you agree with our proposed targets for aluminium and our analysis of what they are likely to require? We would also welcome your views on how aluminium in composite applications should be accounted for. Please provide evidence to support your answer, so we are in a position to adjust our figures as necessary.

CPI Response: No comment.

Q6. Do you agree with our proposed targets for steel, and our analysis of what they are likely to require? Please provide evidence to support your answer, so we are in a position to adjust our figures as necessary.

CPI Response: No comment.

Q7. Do you agree with our proposed targets for plastic and our analysis of what they are likely to require? Please provide evidence to support your answer, so we are in a position to adjust our figures as necessary.

CPI Response: We have no specific comment on the plastic industries ability to reach the targets proposed but we do feel that setting separate targets for plastic films may have a detrimental impact on recovered paper quality if these are collected in a mixed recyclate stream. Current MRF technology and configurations can mean plastic film follows the recovery route of used newspapers and magazines and ends up in these streams. This can lead to less efficiency in newsprint recycling

and subsequent carbon benefit leakage. This could offset some of the carbon gains identified in the consultation RIA.

Q8. Do you agree with our proposed targets for wood and our analysis of what they are likely to require? Please provide evidence to support your answer, so we are in a position to adjust our figures as necessary.

CPI Response: No comment.

Q.9 Do you support government's preferred option of increasing targets between 2010 and 2020?

CPI Response: We support the government's preferred option of increased targets between 2010 and 2020 but must stress that the proposed targets for paper packaging are extremely stretching and may mean that obligation costs rise significantly for paper packaging beyond 2015. We would only support the target for paper packaging rising to the levels proposed if other materials are given similarly stretching targets.

If you are a packaging producer, or a compliance scheme we would much appreciate your views on the cost assumptions that we have used in the Impact Assessment.

CPI Response: No comment.

If you are a local authority, a waste management company or a member of the public, we would welcome your views on our analysis of what the proposed targets would mean for you.

CPI Response: No comment.

If you are an accredited exporter or reprocessor, please give us your views on the likely benefits of higher targets for your business.

CPI Response: No comment.

Q.10 What do you think are the reasons for the "obligated tonnage gap" in glass and plastics? What can be done to reduce that gap (and who should do it)?

CPI Response: No comment.

Q.11 Do you support government's proposal to split the glass target in line with end-use and reduce the allowable recycling through aggregates over time?

CPI Response: In carbon terms this would appear the most appropriate option in meeting the "UK packaging strategy for a low-carbon economy". It may also offer advantages for other materials through mixed material collection systems and avoid the negative impacts of glass contamination in recovered paper streams as highlighted in our answer to question 4.

Have you got any data which would make our estimate of total tonnages of glass going to re-melt, aggregate or other end-uses more accurate? If so please provide it with your response.

CPI Response: No comment.

If you are a local authority, a waste management company or a packaging producer, we would welcome your views on our analysis of what this proposal would mean for you, including the cost assumptions used in our Impact Assessment.

CPI Response: No comment.

If you are an accredited exporter or reprocessor, please give us your views on the likely impact of this proposal on your business.

CPI Response: No comment.

Q.12 Do you support government's proposal in principle to split the plastics target?

CPI Response: In terms of producer responsibility this would appear a logical step however we have highlighted some issues with this proposal in our answer to question 7.

We would welcome views from producers regarding the administrative burden of the proposed change in data collection.

CPI Response: No comment.

If you are a local authority, a waste management company or a member of the public, we would welcome your views on our analysis of what this proposal would mean for you.

CPI Response: No comment.

If you are an accredited exporter or reprocessor, please give us your views on the likely impact of this proposal on your business.

CPI Response: No comment.

Chapter 2

Q.13 Do you agree with these proposals? If not, please set out an alternative which you think would work better but achieve the same results.

CPI Response: We agree with the proposals in principle but would encourage Defra to get the thoughts of small reproducers and exporters who would be most likely to be impacted financially by the proposals and take a decision on becoming accredited. For paper packaging recycling it is absolutely essential to get all reproducers and exporters into the system in order to meet the stretching targets. They must be sure that the benefits of the system outweigh the costs and risks to their businesses.

We would welcome your views on the expected benefits and disadvantages set out in this proposal, especially if your business stands to be directly affected by them.

CPI Response: No comment.

Q.14 Do you agree with the proposed change in reporting categories? If not, please set out an alternative which you think would work better but achieve the same results.

CPI Response: We agree with the proposed changes.

We would welcome your views on the expected benefits and disadvantages set out in this proposal.

CPI Response: Transparency of PRN/PERN spending is a worthy outcome; however, it will only be as transparent as those providing data wish to make it.

If you are an accredited reprocessor/exporter, please give us an estimate, in staff days, of how much longer it would take your business to collate the information in the form requested, compared to what you are having to report now

CPI Response: No comment.

a) The first year this came into force (for new reporting categories? For sub-material?)

CPI Response: No comment.

b) Subsequent years (for new reporting categories? For sub-material?)

CPI Response: No comment.

Q15. Do you agree with the proposal for automatic reconciliation? If not, is there another mechanism which in your view would work better and fulfil same objectives?

CPI Response: We agree with this proposal.

We would also welcome your views on the expected benefits and disadvantages.

CPI Response: Transparency of PRN/PERN spending is a worthy outcome; however, it will only be as transparent as those providing data wish to make it.

Q16. Do you agree with the proposal for percentage reports on the way individual businesses have spent PRN/PERN revenue? If not, is there another mechanism which in your view would work better and fulfil same objectives?

CPI Response: We have no objections to this proposal.

We would also welcome your views on the expected benefits and disadvantages.

CPI Response: Transparency of PRN/PERN spending is a worthy outcome; however, it will only be as transparent as those providing data wish to make it.

Q17. Do you think any of these options should be pursued, and if so, what are the benefits and costs you think would arise?

CPI Response: We do not think that any of these options should be pursued further as the costs may well outweigh the benefits, particularly for small reprocessors and exporters. For paper packaging recycling it is absolutely essential to get all reprocessors and exporters into the system in order to meet the stretching targets. They must be sure that the benefits of the system outweigh the costs and risks to their businesses.

Are there any other options that would work better and fulfil the same objectives?

CPI Response: No comment.

Chapter 3

Q.18 Do you agree with the above technical change being made?

CPI Response: No comment.

Q.19 Do you agree that packaging sent to offshore oil platforms should form part of the UK's recovery/recycling obligation? If not, please provide details.

CPI Response: No comment.

If you are an obligated packaging company supplying packaging to an offshore platform, we would welcome any cost estimates of this change for your business.

CPI Response: No comment.

Q.20 Do you agree that the requirement for reprocessors and exporters to provide independent audit reports should be removed from the Regulations? If not please give details. If you are an accredited reprocessor or exporter, please tell us what savings this would result in for your business.

CPI Response: We agree with this proposal as a means of reducing the cost to reprocessors and exporters and perhaps encouraging more small reprocessors and exporters to enter the system. However, the system must be effectively regulated to ensure it is fair and equitable between domestic reprocessors and exporters, particularly where there is very little chance to reconcile exports against their overseas reprocessors recycling capacities. We would like the regulators to have a facility to determine the level of material being declared as exported for

reprocessing at each specific overseas site and to reconcile if this is in line with the overseas sites reprocessing capacity. This will go some way to ensuring material is not being subsequently shipped on to non-accredited overseas reprocessors whilst PERN's are still being generated against the material.

Q.21 Do you agree with the proposed fee structure for Part Cs
If not, please give details.

CPI Response: If the system becomes more robust and reduces the cost to the regulator then we agree with these proposals.

Q.22 Do you agree with the above technical change being made?

CPI Response: No comment.

If you are a small subsidiary company with a turnover of less than £2million, please tell us how much time this is likely to save for you per year, and any other savings you may be able to make.

CPI Response: No comment.

| | Yes | No, please give details |
|--|-----|-------------------------|
| Small subsidiary companies and the allocation method | | |
| Registration of class of producers in schemes | | |
| Requirement for small producers who are members of compliance schemes to provide SIC codes | | |
| Obligation to inform the relevant Agency if a company is experiencing financial difficulties | | |
| Approved persons | | |
| Compliance scheme approval | | |
| Reprocessor/export change of status | | |
| Evidence of scheme approval | | |
| Exporter/reprocessor returns | | |
| Fee payment | | |
| Deadline for scheme registration | | |
| Submission of operation plans | | |
| Definition of scheme member | | |
| Updates to public register | | |
| References to PRN books | | |
| Deadlines for reporting of obligated data to Defra | | |
| Q.23 Do you agree with the above technical changes being made? | | |

CPI Response: No comment.


If you are a business affected by the proposed changes, please tell us for each of the proposals what saving or cost (as appropriate) you estimate will result for the change.

CPI Response: No comment.

Regulatory Impact Assessments:

CPI Response: We are very concerned that the consultation RIA's have not considered the impact, particularly the carbon impact, of the proposals on collection, recovery and recycling of non-packaging waste (see our general response above). Non-packaging waste recyclate is likely to be recovered from the same waste streams as used packaging. In terms of non-paper packaging waste, such as used newspapers and magazines, material quality has already diminished as more materials have been extracted from the municipal waste stream; the proposed targets within the consultation are likely to exacerbate the problems. Poor recovered paper quality leads to a significant drop in reprocessing efficiency, higher rejects to waste management options further down the waste hierarchy and greater energy and chemical requirements to ensure the final product meets the end market specifications. No mention of this is included in the RIA and it may lead to a significant reduction in the carbon benefits identified for the recycling of packaging waste. We also have concerns that all new paper packaging recycling identified in the RIA is allocated carbon benefits associated with UK domestic recycling into new paper products when significant amounts of this material will be exported to the Far East for recycling and some of this material is likely to be treated through the composting process where carbon benefits are much smaller. We would appreciate clarity on whether composting of paper packaging waste will still be regarded as recycling within the new targets to 2020.

Kind regards,



Peter Seggie
CPI Recovered Paper Sector Manager