

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Third Delegated Legislation Committee

DRAFT PRODUCER RESPONSIBILITY OBLIGATIONS (PACKAGING WASTE) (MISCELLANEOUS AMENDMENTS) REGULATIONS 2016

Tuesday 26 January 2016

No proofs can be supplied. Corrigenda slips may be published with Bound Volume editions. Corrigenda that Members suggest should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor's Room, House of Commons,

not later than

Saturday 30 January 2016

STRICT ADHERENCE TO THIS ARRANGEMENT WILL GREATLY
FACILITATE THE PROMPT PUBLICATION OF
THE BOUND VOLUMES OF PROCEEDINGS
IN GENERAL COMMITTEES

© Parliamentary Copyright House of Commons 2016

*This publication may be reproduced under the terms of the Open Parliament licence,
which is published at www.parliament.uk/site-information/copyright/.*

The Committee consisted of the following Members:

Chair: MR GARY STREETER

- | | |
|---|---|
| † Adams, Nigel (<i>Selby and Ainsty</i>) (Con) | Paisley, Ian (<i>North Antrim</i>) (DUP) |
| Coffey, Ann (<i>Stockport</i>) (Lab) | † Pursglove, Tom (<i>Corby</i>) (Con) |
| † Costa, Alberto (<i>South Leicestershire</i>) (Con) | † Robinson, Mr Geoffrey (<i>Coventry North West</i>) (Lab) |
| † Cunningham, Alex (<i>Stockton North</i>) (Lab) | † Shuker, Mr Gavin (<i>Luton South</i>) (Lab/Co-op) |
| † Djanogly, Mr Jonathan (<i>Huntingdon</i>) (Con) | † Spencer, Mark (<i>Sherwood</i>) (Con) |
| † Ferrier, Margaret (<i>Rutherglen and Hamilton West</i>) (SNP) | † Stevenson, John (<i>Carlisle</i>) (Con) |
| † Graham, Richard (<i>Gloucester</i>) (Con) | † Stewart, Rory (<i>Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs</i>) |
| † Jayawardena, Mr Ranil (<i>North East Hampshire</i>) (Con) | John Paul Flaherty, <i>Committee Clerk</i> |
| † McDonagh, Siobhain (<i>Mitcham and Morden</i>) (Lab) | † attended the Committee |
| † Morris, Grahame M. (<i>Easington</i>) (Lab) | |
| † Newton, Sarah (<i>Truro and Falmouth</i>) (Con) | |

Third Delegated Legislation Committee

Tuesday 26 January 2016

[MR GARY STREETER *in the Chair*]

Draft Producer Responsibility Obligations (Packaging Waste) (Miscellaneous Amendments) Regulations 2016

2.30 pm

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Rory Stewart): I beg to move,

That the Committee has considered the draft Producer Responsibility Obligations (Packaging Waste) (Miscellaneous Amendments) Regulations 2016.

It is a great honour to serve under your chairmanship, Mr Streeter. I will provide a quick overview of the regulations. Packaging really matters. We produce nearly 10 million tonnes of packaging every year, and Britain is now doing quite well at recycling packaging. We were down at about the 20% level, but we drove that up to 64.6% in 2013, which is good. To put that in context, household recycling rates are still hovering around the low 40% range.

While recycling is important, it is also important to understand that packaging does some good. For example, it extends the life of a cucumber by about 11 days and doubles the life of meat. Resealable packages prevent stuff from drying out. I saw the importance of packaging directly in Afghanistan, which has amazing apricot production, but is completely unable to access international markets because it has no packaging industry that is able to develop safe packages so that apricots are not damaged during transport.

Although packaging is intrinsically important—it is good for preserving food and for preventing waste—the recycling of packaging also has incredible potential for the British economy. Recycled plastic, paper, glass and metal from packaging can be used for everything from chairs to car parts and construction materials. Glass, above all, is an amazing and almost infinitely recyclable material. It is difficult to get exact costs for the financial damage of packaging waste, but it is worth bearing in mind that councils spend nearly £798 million a year cleaning up litter, about 30% of which is packaging in some form or another.

The regulations will do four things. First, they will remove the requirement to produce operational plans. Secondly, they will change the approving body for packaging waste. Thirdly, they will change sign-off arrangements and, finally, they will create a one-stop shop. I will go through those changes briefly.

When packaging recovery notes were set up in the early 2000s, a requirement to produce elaborate operational plans was imposed on every company. Over time, we discovered that there were some good things about those operational plans and some things that were perhaps less good. We aim to keep the good things by retaining some conditions, but we are getting rid of those things that, frankly, turned out to be largely bureaucracy and paperwork.

Vast operational plans have been produced, and the first problem with them, of course, was that as the PRN system is a market-based system in which people trade their packaging waste, the operational plan system was more of a central planning system in which companies were expected to predict how much plastic and aluminium they would produce by the end of the year. That was a bit foolish, because they were trading waste throughout the year, so the actual amount of waste was determined by market mechanisms, not the plan produced at the beginning of the year.

We also discovered through extensive surveys conducted over nearly 15 years that, unfortunately, people were not really reading the operational plans and the relevant agencies were not making full use of them—they were very thick documents—so we have gone for a simplified system. The conditions on which we are going to insist are those that really matter to most plans. The first condition is making sure that information is gathered accurately. The second is making sure that, when PRNs are traded, that happens in a way that does not hinder the operation of the market. It is possible at the moment for a company, if it is feeling nervous, to buy a huge number of PRNs and effectively to distort the market, so we are trying to ensure that the compliance conditions do not allow that. The final condition is making sure that companies have the financial resources to have staff on their team with the relevant expertise to work out how to deal with packaging. Those are the three key conditions.

Secondly, we are changing the approving body. At the moment, the approving body tends to be the Department for Environment, Food and Rural Affairs, or the equivalent in the devolved Administrations. We are passing that responsibility down to the agencies. In England, the responsibility will transfer from DEFRA to the Environment Agency; in Scotland, it will transfer to the Scottish Environment Protection Agency; and in Wales, it will transfer to Natural Resources Wales. A similar process will occur within the Northern Ireland Administration.

Thirdly, we are changing the sign-off arrangements. At the moment, we are in the slightly absurd position that the chief executive of Tesco him or herself must sign off on the PRNs every year. Such businesses have immense packaging teams involving experts on packaging and recycling, so we will allow them to delegate the authority to sign off away from the chief executive's desk and down to the part of the team that actually deals with packaging from day to day.

Finally, we are setting up a one-stop shop so that businesses operating in Wales, Scotland or Northern Ireland will not have to jump through two hoops to get their PRNs signed off, for example by Natural Resources Wales, and then by the Environment Agency. A sign-off by Natural Resources Wales will be sufficient to qualify for trading across the rest of the United Kingdom.

The Government consider that the changes will reduce costs on businesses—not by an enormous amount, but significantly. Over a 10-year period, we think that they will save about £20 million. Above all, this is not just about financial savings; it is pragmatic and common sense. The measure brings a greater focus, and makes the whole process less burdensome and more efficient to ensure that we achieve what I think all of us on both sides of the House want: an increase in the quality and quantity of our recycling of packaging. I commend the statutory instrument to the Committee.

2.36 pm

Alex Cunningham (Stockton North) (Lab): It is a pleasure to serve under your chairmanship for the very first time, Mr Streeter, and to have the opportunity to share my thoughts on the regulations, which appear to lack any element of controversy, although that, of course, does not minimise their significance. The Minister spoke of packaging as important for both its planned use and its recycling value, but the management and disposal of packaging waste and batteries can result, among other things, in the production of greenhouse gases and, if not handled correctly and effectively, further environmental consequences through the impact of landfill.

I agree that those greater considerations are often not at the forefront of the minds of consumers or indeed producers—or at least not as often as they should be, especially if we are to meet legally binding reuse and recycling targets of 65% by 2025 and 75% by 2030. EU analysis of recent trends suggests that further progress on resource efficiency is possible and that that might bring major economic, environmental and social benefits, which the Minister talked about. Stronger measures to close the loop and create a circular economy by transforming waste into a resource are an essential part of the necessary increases in resource efficiency.

As the Government's impact assessment notes, without intervention, recycling levels would be insufficient. Placing some—only some—of the cost burden in the hands of packaging handlers and producers, as well as battery producers, helps to focus their minds on cost, and that is mitigating some of the environmental impacts to bring about a more efficient outcome. That all builds into the broader picture of employing economic incentives to entice producers into putting greener products on the market while supporting recovery and recycling schemes for their packaging, batteries and so on.

It is worth noting, however, that the stated aim of the regulations is to reduce the burden of producer responsibility obligations on businesses. The Government's impact assessment notes that the current regime imposes costs on businesses that could be reduced without affecting its overall impact. I am clear that any reduction in burden for businesses must be achieved by improving the effectiveness of the schemes and must not come at the expense of the success of the new regulations. With that in mind, I welcome the Minister's outlining of what steps the Government are taking to ensure that the removal of the requirement for operational plans to be submitted—a standard indication of best practice in many sectors—neither weakens the regulator's role in ensuring that producers meet their obligations, nor undermines its role in monitoring performance.

Operational plans have traditionally been employed as a mechanism to ensure that schemes consider how they will meet a set of identified obligations and ultimately provide a framework within which regulators can monitor performance. Will the Minister therefore explain in a little more detail how regulators will be expected to monitor performance in the absence of operational plans? Will he also provide further details on future reporting standards in the absence of operational plans, such as the need for accurate data reporting and transparency? I know that he alluded to that briefly in his speech.

We are aware of the huge budget cuts suffered by the Department and the additional strain that the recent

disastrous floods have placed on resources, but there is a cost associated with the changes made by the regulations. Will the Minister explain what additional funding the Environment Agency, the Scottish Environment Protection Agency and National Resources Wales will receive when they become the appropriate authorities responsible for granting approval for such schemes, rather than the Secretary of State? Let us not forget that budgets are already stretched across the Department and its various agencies, and that there are now hundreds of people fewer to do the work than before, which requires more from those people who remain in post.

None the less, the streamlining of the approval process across Great Britain and Northern Ireland is to be welcomed, especially because companies now will not have to apply for approval in both territories. However, easing the regulatory burden in this manner still causes potential headaches. With the creation of several appropriate authorities, the need for cross-border consistency is paramount if the regulations are to be successful in balancing the cutting of red tape against achieving improved outcomes. Will the Minister give us further particulars of the steps that are being taken to ensure that we achieve that consistency?

To refer back to the Government's impact assessment again, doing away with the requirement for operational plans in the packaging sector is estimated to produce a saving of some £5 million over 10 years. The saving in the batteries industry alone, once requirements for operational plans and annual approval are removed, is put at around £300,000 over the same period. These are not insignificant savings and they are to be welcomed if they can drive higher rates of recycling and lower levels of waste while encouraging more companies to take a socially responsible approach. However, we must ensure that the consequences of any such actions, intended or otherwise, are properly considered before a decision is made so that we prevent progress towards meeting targets from being undermined. I look forward to hearing the Minister's response.

2.42 pm

Mr Geoffrey Robinson (Coventry North West) (Lab): It is a pleasure to serve under your chairmanship, Mr Streeter. May I compliment the Minister on an admirably economical exposition of his proposals today and, more specifically, on disregarding whatever official brief had been provided for him, which made his speech more intelligible and enjoyable?

I will not detain the Committee for long, but with all such reorganisations, there is a danger that they become a new form of delay, or a new bureaucracy to replace the old. The hon. Gentleman is a relatively new Minister, but he has already established something of a reputation and he will not want that to be marred in any way.

My hon. Friend the Member for Stockton North talked about the savings to be made and the greater efficiency of the accelerated process, which we are all aiming at. We will be able to use the overall savings as a way by which to monitor the reorganisation, but could we also have some more specific figures—just in very simple terms—about the effectiveness or otherwise of the reorganisation that the Minister is about to carry through? Often we are plunged into reorganisations that are ill thought through and that get us in a bigger mess than what we set out to solve in the first place.

[Mr Geoffrey Robinson]

I thought that the Minister seemed a little complacent about the extent of our success at recycling waste. I think that our recycling levels are still notoriously bad compared with some of our better European neighbours, although I would love the Minister to correct me on that, if he can do so. I do not think that we should be complacent in any way, but if he could tell us how far we are behind the best exemplars in this particular sphere, I am sure that the Committee would be interested.

2.44 pm

Rory Stewart: Let me deal briefly with the two challenges that have been set. First, I take on board the points about examining the effectiveness of the compliance and comparing European rates with the British one. To take that last point first, it is absolutely true that we have a lot to learn from other countries, and not only outside the United Kingdom, but even within the United Kingdom. Wales, for example, is doing interesting stuff on getting a single, unified recycling system across the nation, and that is something that we would like to see, particularly for household waste. It is also true that the United Kingdom's approach to packaging waste is very different from that in Belgium or Germany. We have created a market, effectively by trying to incentivise companies such as Tesco to reduce their packaging waste through attaching a cost to that waste and then allowing them to decide how to act, whereas some continental European countries simply take a much stronger legislative approach that involves compulsion.

That said, we are about mid-table at the moment, and our rate of 64.5% is pretty good in European terms. Germany and France have higher rates, but they have much more expensive systems. It is difficult to compare apples and oranges, as their systems are compulsory, rather than market-based, and they are achieving their rates through huge public expenditure that we do not incur. However, we are considering the PRN system carefully, and we will be taking the matter forward through the circular economy discussions in Europe to find out whether there are things that we can learn. Our gut instinct will probably be to encourage other European countries to follow our lead, but I agree that we in Britain should never be too complacent, and we have a lot to learn from other people.

Mr Robinson: Although those countries have more expensive systems, the point is the net effect. Is that paid for by the higher rates that they achieve? How do the Scandinavian countries fare, particularly Denmark and Sweden? There seems to be a little complacency about how the artificial market that we have constructed is working.

Rory Stewart: That is a deep and important question. It goes back all the way to the design of the scheme in the mid-1990s, when the decision was made to create a market-based system rather than a compulsory one. Our view is that we have the right balance at the moment between recycling rates and costs. It would put a huge burden on businesses and the public purse if we were to adopt a compulsory system, but I would be comfortable about sitting down with the hon. Gentleman outside this room and having a more fundamental discussion about the market-based system.

We are, however, here to talk about not the market-based system itself, but issues such as operational plans and how they are implemented. Moving on to the challenges rightly made by the hon. Member for Stockton North, I welcome the fact that he is taking on board three out of four of the changes: having a simple, single port of call; ensuring that the system is delegated down to the appropriate level within the company; and ensuring that the change of approving body goes through.

On the removal of operational plans, the central question is what we are trying to achieve. Obviously, we are trying to drive up our packaging recycling rates. We have moved away from an operational plan system to a compliance system because, unfortunately, although the operational plans sounded good in theory, we discovered that people were not reading or updating them, and they were not a very useful tool for monitoring how people did packaging recycling. Ultimately, 80% of the operational plans did not represent useful information for achieving what we want—to increase the packaging recycling rate.

We believe that moving to a compliance system will allow the Environment Agency to take a more risk-based approach and will, above all, allow it to use more intelligently the market system that I have just been debating with the hon. Member for Coventry North West so that it can examine the data provided and the number of PRNs being traded, and ensure that we are achieving targets as they are set. We have heard a lot about that, for example in relation to aluminium this year. We do not believe that the operational plans are the correct way to achieve that.

That brings me to the challenge from the hon. Member for Coventry North West about how we will check that the system is working. There are two ways to do so. First, through my colleagues at DEFRA, who proposed the regulations and are working closely with the industry. The second point is that, to be honest, those in the industry with which we are working, from the packaging industry through to Tesco, are not quiet lambs who will go gently into a system that they believe to be bureaucratic, wasteful and not effective at achieving targets. One reason why we have introduced the changes is that we have had a lot of active, energised conversations with the industry over 10 or 15 years. I would expect those people to keep pushing hard. If they do not feel that they are achieving the savings that they want and the recycling rates that we need, they will come back to us in a tough way.

Alex Cunningham: Before the Minister concludes, I also asked questions about the how the management of the scheme by the new responsible body will be resourced and the consistency of implementation across the nation.

Rory Stewart: Those are two separate questions. Consistent implementation across the nations will be key, because what we are doing with the one-stop shop is to ensure that if England signs off on something, Scotland is prepared to accept that standard. To achieve that, we must ensure that our agencies work closely together, and we are working closely with the devolved Administrations.

The hon. Gentleman's first point was about ensuring that the agencies are properly resourced when signing off on PRNs. Our current assessment is that they are

properly resourced, and that the agencies are the right body to carry out that role. We have had long conversations with the agencies about taking that forward. However, I absolutely take note of that point, and we need to watch the situation carefully over the next three to five years to ensure that the job is being done properly.

We have had a distinguished turn-out of Committee members from both sides of the House, whom I thank

for coming along. I am grateful for Members' comments and questions, and I commend the regulations to the Committee.

Question put and agreed to.

2.51 pm

Committee rose.

