

# UK waste policy: a mixed bag

24 October 2018 | Author: Elizabeth Beall

## Summary

Plastics and what to do about them has shot to the front of the global policy agenda, dragging waste policy - an area most often relegated to the shadows - into the limelight. The issue matters for all voters - not just green leaning advocates - as it has implications for local taxes and reaches right into the household bin. There has been no new direction on waste policy since 2011 and no significant regulations since well before that. This combined with a public increasingly supportive of change in how waste is managed means growing anticipation for the forthcoming UK Waste and Resource Strategy due to be released before the end of the year. The Treasury's recent inquiry into how to address waste resulted in 162,000 responses - the highest of any in history. The question is whether the strategy can satisfy the calls for ambitious transformative change while aiming to keep all corners happy as Brexit tensions rise. This note explores some of the background of why it is a pivotal moment for waste policy and unpacks a few of the key areas of policy debate with a forecast on what's likely to come through in the strategy.

UK waste policy has been driven by EU waste policy, with the UK consistently one of the lower performers - rated as the [5th most wasteful nation](#) in Europe. It's important to note that in referring to UK policy on this issue, waste is a devolved policy area, and it is England which has lagged behind. Whereas Scotland and Wales have some of the most progressive policies, and subsequently positive recycling statistics globally.

The last significant piece of waste legislation was the EU Waste Framework Directive, passed in 2008, which established a waste hierarchy and set the current targets of 50% recycling by 2020. Since then, while Scotland and Wales have implemented a range of policies with dedicated funding, England reduced support to local authorities and took 'a step back' from policymaking on this area up until earlier this year. Overall, the government has illustrated a preference for voluntary initiatives and has not translated national recycling targets into mandatory targets for local authorities.

In the early stages of the negotiation of the EU Circular Economy Package, the government's resistance to mandatory targets seemed to be continuing, with the government indicating that it was unclear on whether it would support the package, particularly post-Brexit. However, in the last twelve months it appears that the government

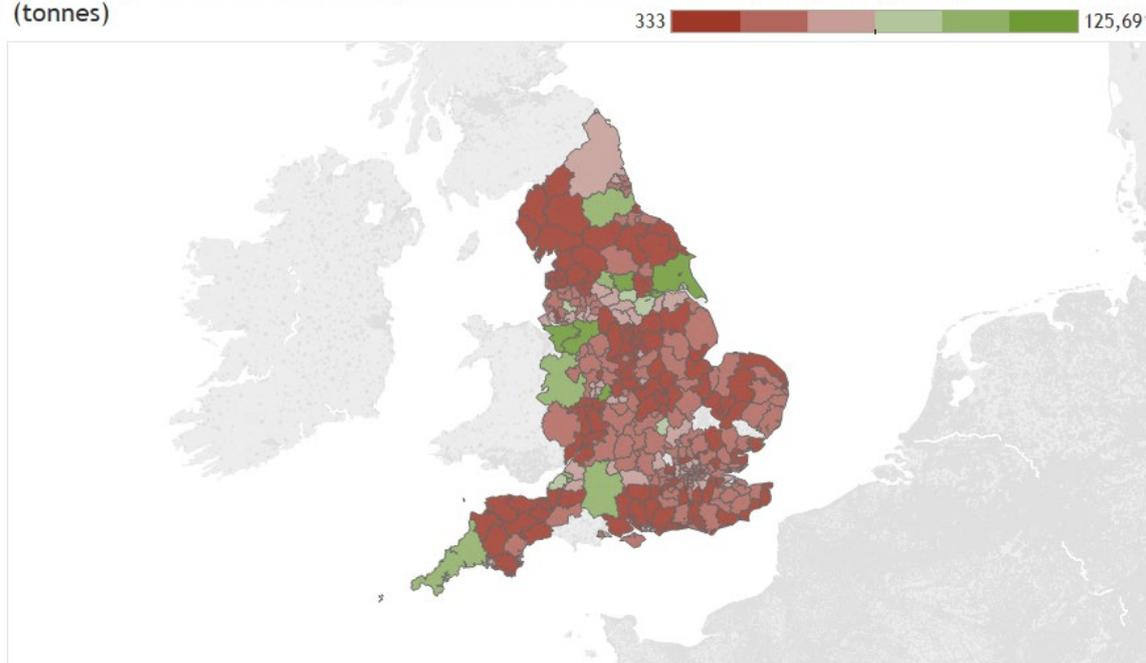
has made an about face - supporting higher recycling rates in the Circular Economy Package, highlighting an interest in 'going beyond' the EU, and touting waste as a key area in achieving a 'green Brexit'. Whether this change in attitude will translate into concrete policy and legislative changes, remains to be seen.

What is clear is that the waste and resource sector is a sector where the government could achieve multiple political wins. The sector employs 105,000 people with a combined turnover of £18bn, contributing more than £7bn to the UK economy each year. Estimates on the impact of adopting circular economy measures indicate that the sector could employ an additional 667,000 people at different skill levels by 2030, with most of these jobs and benefits accruing in areas of high unemployment.

It is likely that the Waste and Resources Strategy will end up as a bit of a mixed bag - combining a few areas of ambition with a number of areas left to be dealt with through further consultation.

The key overarching objective of the strategy is to decrease waste and increase reuse and recycling. While seemingly straightforward, actually achieving this objective means choosing among various options to address challenges within the current system,

Percentage of waste collected by local authorities sent for recycling/composting/reuse 2016-17 (tonnes)



Source: DEFRA

each with their own political ramifications. Some of the key areas of debate centre around consistency, covering costs, and improving both the quality and quantity of recyclate collected.

### Consistency

While there is significant disagreement in other areas, one area where there has been growing support is on the need for nationally consistent recycling services. This would then allow for nationally consistent labelling and education and could finally put to bed the confusing and laborious ‘check locally’ problem in the UK. Both Scotland and Wales have adopted national standards for local authority waste and recycling collections. Though not mandatory, they are accompanied by incentives and financial support for local authorities who adopt the standard.

In England alone, there are thought to be more than 150 variations among 300+ local authorities in what materials are collected and how the materials are collected - how often, type of bin, etc. This means in practice that, in many places, what you can recycle on one side of a street can differ from what is allowed and collected on the other side. This inconsistency has developed thanks to the preference for allowing local authorities free rein in deciding how to best serve local residents, but has resulted in a considerable amount of confusion among households and, many say, contributes to the flatlining of household recycling rates.

Local authorities have stressed that while in principle they can agree on the fact that the same type of materials should be able to be collected

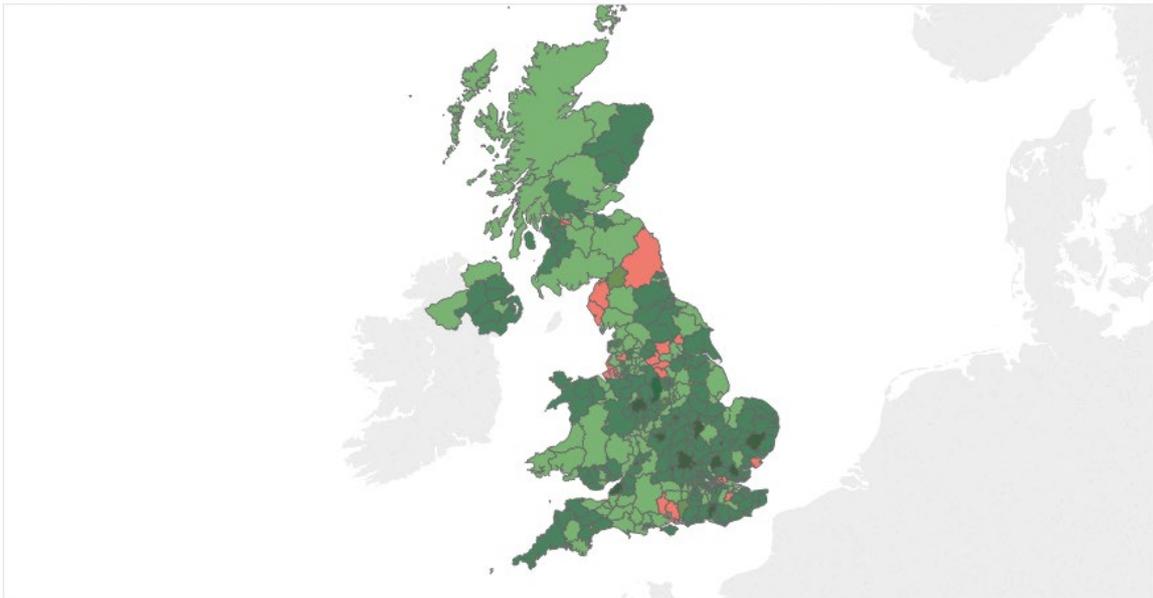
nationwide, there is a need for local discretion on how those materials are collected. The government has already signalled that this will be an area addressed in the Waste and Resource Strategy. This will probably take the form of establishing national standards for recycling which would stipulate what materials must be collected, but still allow local authorities to determine the best method for collection depending on the type of environment urban/rural, house/flat, etc. Though likely to feature in the strategy, it is doubtful that the government - a party that has backed austerity cuts and consistently supported voluntary measures - will commit any sort of financial resources to assist with local authority adoption. By mandating the type of materials that must be collected, but allowing flexibility for types of collection systems, it may be possible to [avoid considerable costs](#) which could arise from needing to overhaul existing contracts, and bring local authorities on board.

### Covering costs

Covering costs and financing the changes being called for - not only related to nationally consistent recycling but across the full value chain - in the overhaul of waste and resource management is, not surprisingly, the most contentious area to be addressed in the forthcoming policy. While estimates indicate that the UK could stand to save up to £300mn by adopting better waste management policies by 2025, this entails a reallocation of costs - a clear threat to those that will incur higher costs as a result. So, while there is wide recognition that the current system is not operating effectively, in terms of covering costs and incentivising behavioural change, there is considerable debate around the

Dry materials recycled by local authorities (of a total 12 recyclable items: glass, cans, aerosols, foil, card, plastic bottles, mixed plastic, paper, household batteries, textiles, other, composite materials)

0  12



Source: WRAP

most effective and equitable way to reform the system.

The area receiving the greatest amount of attention is how to better manage packaging waste - which makes up 20% of all household waste. The current [policy](#) on Producer Responsibility Obligations charges producers only 10% of the estimated cost they impose on the system. [According to the LGA \(Local Government Association\)](#), this scheme generated £111m in 2013, of which only £37m went towards collection. In contrast, it costs local authorities £550m to collect and sort packaging material with full costs to deal with packaging ranging as high as £1bn. This has left local authorities pinched in the middle, amid cuts of 40% in central government funding, with insufficient waste and recycling infrastructure available. Perhaps surprising to some, even industry has come out in support of paying more to address packaging waste but has been clear that will entail greater oversight into ensuring that those funds go into ensuring packaging waste is reduced.

The term being floated is 'full cost recovery', outlined in the EU's Circular Economy Package with a requirement to reach a minimum of 80% of cost recovery from producers by 2023. How to calculate the 'full costs' remains unclear and could entail activities ranging from collection, transport, treatment, public education and clean-up of litter.

With a later deadline, this is likely an area that may feature in the strategy but with the detail of how to tally up the costs left to further consultation.

Other options under consideration which could

both increase funding and elicit the sought-after behavioural change include deposit return schemes (DRS) and 'pay-as-you-throw' (PAYT) levies. Both of these options have been the subject of wide debate, with parties firmly encamped.

There are two major issues influencing the debate around various cost recovery mechanisms - first, who owns the waste and second, who manages the waste. Waste - particularly highly sorted, valuable plastic waste - will be sought-after as recycled content becomes far more in demand with companies jockeying to make claims of highest recycled content. In deposit return schemes, it is retailers that would largely be managing the highly sorted/higher value waste.

Proposed retail-run deposit return schemes have local authorities worried about losing a source of increasingly valuable income, while still being required to provide household collection. With indications from government that a DRS will be part of the forthcoming strategy, the challenge will be designing the system so that it targets on-the-go recycling of items most littered, rather than replacing home collection of valuable bottles and cans.

Local authorities, alternatively, are advocating for direct charging of households, where fees could be differentiated based on the level of waste produced (through size of bin or weighing), often referred to as 'pay-as-you-throw' systems. Though widely supported by the waste industry - and proven to work throughout Europe - pay-as-you-throw systems remain controversial for households who view them as unfair or easily gamed by cheating neighbours.

Regardless of the policy mechanism decided to cover the costs of dealing with waste, the cost will largely be borne by the consumer - either in higher taxes, cuts to other programs, or higher cost of products. The results of [recent polling](#) of consumers indicate that while the majority would be more likely to purchase products that are labelled as sustainable and more easily recyclable, more than two-thirds said they would only do so if the cost was cheaper or the same as an 'unsustainable' product.

This indicates that raising the cost of unsustainable goods tied to increased producer responsibility could be an effective means of eliciting both behavioural change and covering costs of recycling/disposal. However, this type of scheme will only work if it is applied across all retailers and that thought is given to ensuring that low-cost goods remain low cost.

The government will find it much more palatable to announce increasing producer responsibility and associated deposit return schemes to cover costs than announcing an increase in taxes or pay-as-you-throw schemes. With the EU Circular Economy Package calling for 80% cost recovery for packaging, this is one area where the UK could decide to 'go further' and require that 100% of packaging costs are recovered. However, this would entail a jump from a current charge of around £20 a tonne, to more than £150. It is more likely that the government will adopt a more nuanced approach on the road to full cost recovery with fee modulation which will entail higher levies for more difficult to recycle materials.

### Increasing recycling quantity by addressing quality

Finally, achieving the target of increased recycling and waste reduction means addressing measures to increase the quantity of waste collected but also addressing the quality of recyclate. A large quantity of recycled material in the UK is 'contaminated' - thus not able to be recycled in a cost-effective way - because of increased costs of sorting or materials being degraded through exposure to moisture or other substances. The amount of household rubbish being rejected for recycling in England has increased by 84% over the past four years. This means that while recycling rates might be around 45%, only a very small percentage of that material is actually recycled, with some estimates around 20% depending on the type of material. This has follow-on effects for households who give up on the system and stop participating.

Many opportunities for potential growth in recycling are lost at the design stage, with more complex materials added together making them more difficult to recycle or unclear to the consumer on whether they can be recycled. Requiring simplified packaging is one of the more straightforward policy options which will have little opposition and high

impact in terms of increasing rates. Complementing a requirement for simplified packaging is a requirement for high recycled content - creating a push-pull effect. This issue has become increasingly urgent with the passage of the Chinese National Sword policy, which has closed the potential to export lower quality recyclate abroad.

Improving quality of recyclate is one part of the equation of reducing waste. The other component is considering what is being calculated as 'recycled' and what the end objective is. If the objective is just waste reduction - or reducing the overall quantity of waste - solutions might be feasible that would not necessarily address other environmental objectives like addressing climate change. The latter requires looking at the specifics of what's being recycled to target higher quality outputs. With current weight-based targets for recycling, there is an inherent incentive to recycle heavier objects - glass, rocks, etc. - that may not necessarily deliver quality outputs or contribute to wider objectives.

The EU has long used weight-based targets, whereas Scotland has led the way on developing metrics for measuring the carbon impact of a range of materials. This is an area where the government has already indicated it may attempt to 'go further' than EU legislation post-Brexit with a likely dual reporting system whereby waste is still weighed, but where targets are set based on larger circular economy and climate objectives.

### Forecast for strategy - What to keep? What to toss?

Given the timing of the release of the Waste and Resource Strategy with the current no-deal Brexit scenario looming, there are two possible scenarios. One, where the government uses the strategy as an opportunity to illustrate how the UK will be better off post-Brexit with the ability to chart its own course. Two, where the government, beleaguered after Brexit negotiations, decides on a less ambitious course for the strategy in favour of easy wins and voluntary commitments.

So far, the government has committed to unveil a new plastic tax within the Autumn Budget later this month and has hinted at the fact that single use plastics and hard to recycle plastics will be those with increasing levies. Reform of producer responsibility is likely to be addressed as the first priority in the Waste and Resources Strategy released shortly thereafter.

Both of these represent largely safe areas with recent surveys indicating that more than half the public is specifically supportive of such measures and 94% of the public want to recycle. The majority of the more complicated and controversial kerbside

issues are likely to receive attention - notably standardising recycling systems nationwide - but with the details on 'how' to either be picked up at a later date or deflected to local authorities. Overall, the Waste and Resources Strategy will likely be a mixed bag - illustrating ambition on packaging waste and likely postponing decisions on broader infrastructure and governance reforms.

*This Global Counsel Insight note was written by Elizabeth Beall, Practice Lead at Global Counsel.*

To contact the author, email:  
[e.beall@global-counsel.co.uk](mailto:e.beall@global-counsel.co.uk)

The views expressed in this note can be attributed to the named author only.

**A:** 5 Welbeck Street, London, W1G 9YQ

**T:** +44 (0)203 667 6500

**E:** [info@global-counsel.co.uk](mailto:info@global-counsel.co.uk)

[www.global-counsel.co.uk](http://www.global-counsel.co.uk)

[@global\\_counsel](https://twitter.com/global_counsel)

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