

6 April, 2023

FAO Convener and Members of the Net Zero, Energy and Transport Committee  
Scottish Parliament  
64B Canongate  
Edinburgh  
EH99 3SP

Dear Convener and Committee Members,

Thank you once again for the invitation to speak to you at the committee session on 28 March, 2023 and to answer your questions about the Deposit Return Scheme.

Following our appearance, you sent us a number of supplementary questions to which we have provided answers below.

However, before answering these, we would also welcome the opportunity to remind committee members of Circularity Scotland's role and responsibilities, and those of other organisations with regard to the Deposit Return Scheme (DRS). This is because it became evident during the committee session that there was some confusion about our role, and the roles of other bodies involved in the implementation of the Deposit Return Scheme for Scotland Regulations 2020.

Circularity Scotland was established in 2021 to administer and deliver on the new producer DRS responsibilities in support of a key government Net Zero commitment. We were set up by drinks producers, trade associations and retailers representing businesses large and small. We work with companies throughout the supply chain, from producers through to the hospitality industry, wholesalers and retailers.

Circularity Scotland was approved as a Scheme Administrator by the Scottish Government in 2021 and our Operating Plan was approved by SEPA last year. As scheme administrator we take legal responsibility for part of 2 of the 32 schedules within the DRS regulations, with our core objective being to collect more than 90% of Scotland's single-use drinks containers on behalf of the producers who appoint us. The other 30 schedules are the legal responsibility of retailers, hospitality providers, producers, Scottish Ministers and SEPA. Partially because of that diverse range of stakeholders with responsibility for delivery, the overall implementation of the regulations has been set up as a Scottish Government programme, with the Senior Responsible Officer and Sponsor roles held by senior civil servants, and a growing team of policy leads, programme managers and delivery leads established.

We are a not for profit company and all money raised through the scheme goes back into the operation of the DRS, meaning there is no burden on the taxpayer. No public funds have been used in our delivery and we are not a public sector entity.

As well as handling the financial and logistical aspects of the DRS, Circularity Scotland supports drinks producers, importers, wholesalers and retailers in their preparedness for the scheme's launch on 16 August, 2023. We will also play a part in educating the public about how the scheme will work for them and how it benefits Scotland's economy and the environment.

Circularity Scotland is working closely with public bodies including the Scottish Government (responsible for policy), SEPA (interpretation of the regulations and overall scheme regulator) and Zero Waste Scotland (responsible for exemptions), as well as our members and businesses across Scotland to make DRS a reality.

The Ink Building,  
24 Douglas Street,  
Glasgow, G2 7NQ

Within Circularity Scotland we have established a formal governance system and a professional programme delivery team to ensure all workstreams are managed and delivered to schedule, budget and quality, and that we are ready to deliver our DRS services and obligations at launch. That governance and management extends into our 2 major partners (RLG for IT and Biffa for collections and processing).

The wider programme governance established by Scottish Government has 3 main groups:

- Executive Oversight Group – chaired by the SRO and comprising senior Scottish Government, SEPA, Zero Waste Scotland and Circularity Scotland representatives, it acts as the senior group responsible for programme strategy, major escalations and overall delivery
- System Wide Assurance Group – chaired by a Scottish Government programme manager, it comprises delivery leads from Circularity Scotland, SEPA and Zero Waste Scotland. It also has representatives from the major Trade Associations of the retailers, producers and hospitality providers who have DRS obligations. This group manages the programme risk register and plan, and gathers assurance data from across the DRS landscape
- Joint Communications Group – originally chaired by Zero Waste Scotland but now by Circularity Scotland, this group has the responsibility of coordinating all communications from Scottish Government, Zero Waste Scotland, SEPA and Circularity Scotland to ensure sequencing and messaging are consistent and planned

It should therefore be clear, I hope, that we play one role of many in ensuring that the scheme is delivered on time by all responsible for the new regulations. We welcome the scrutiny provided by the committee and the Gateway Review because as we enter the final 4 months before go-live, there is merit in reviewing overall DRS programme governance to ensure that all affected parties have the support needed to ensure successful delivery.

As mentioned earlier, we have provided answers to your specific supplementary questions below and are also responding to a number of enquiries from individual committee members. If you require any further information from us, please do not hesitate to get in touch.

## Committee questions and answers:

What percentage of glass Circularity Scotland anticipates will be recycled as part of the Scheme and how much will be made into aggregate

- In Phase 1, prior to plant investment, glass will be recycled at 90% of collected weight, with 5% going to aggregate
- Phase 2 within 6 months will see glass recycled at 95% with 3% going to aggregate. This will have the capability to move to 97% recycled/ 1% aggregate but will be dependent on the furnace processes as particle size could be reduced to 2mm

What action Circularity Scotland is taking to address concerns from small producers about the costs associated with differential labelling

- The regulations were set up by the Scottish Government to allow different ways for producers to comply. Producers can either introduce Scottish-specific versions of their products (incurring some costs associated with changing labels and storage arrangements) or retain the use of existing UK-wide products. Since that latter option opens up the risk of undeclared containers coming into Scotland and being exchanged for a deposit, producers pay a small additional producer fee to cover those costs and ensure other producers don't bear that burden. Producers can therefore assess their own specific circumstances and make the business decision appropriate for their operation.
- We have already provided a cashflow package to support smaller producers in particular with the producer fee and other costs, by eliminating the first 3 million containers per year from Day 1 and Month 1 fees and increasing payment terms to 60 days. We also introduced the use of barcode stickers which will reduce significantly the costs to smaller producers whose products don't currently have a barcode.
- We continue to look at all costs and fees with the aim of reducing them further, whilst maintaining a fair and sustainable pricing model for producers and for Circularity Scotland.

Clarify who has liability for any fraudulent activity shared between different actors

- Circularity Scotland are a not for profit company, established by industry to support it in fulfilling its obligations under the Regulations. Within the parameters of Circularity Scotland's remit, the cost of operating the scheme, including any cost of fraud, is met by the producer fee – which is the payment made by producers to ensure Circularity Scotland has sufficient revenue to cover its operating costs and maintain a small operating contingency. Circularity Scotland has undertaken a detailed fraud risk assessment and has a mitigation plan in train to respond to any risk of fraud across the DRS
- Some elements of fraud are enabled by the choices producers make (e.g., in maintaining distribution of a UK-wide product without putting in place controls for how their products are distributed). In those circumstances that producer will pay for the cost of fraud associated with its products – rather than all other producers contributing
- We will work closely with the scheme regulator (SEPA) to identify cases of fraud and put in place mechanisms to stop potential future occurrences

With kind regards

David Harris  
Chief Executive Officer  
Circularity Scotland

Cc:  
Ms Mairi McAllan MSP, Cabinet Secretary for Net Zero and Just Transition  
Ms Lorna Slater MSP, Minister for Green Skills, Circular Economy and Biodiversity  
Mr Kevin Quinlan, Director for Environment and Forestry, and Scottish Government DRS Programme SRO