

**Supplementary Assessment to DRS BRIA – Deposit and Return Scheme for
Scotland (Miscellaneous Amendment) Regulations 2023**

September 2023

Contents

| | |
|--|---|
| 1. About this document..... | 3 |
| 2. Background | 4 |
| 3. Consultation..... | 5 |
| 4. Revised launch date to 1 October 2025..... | 5 |
| 5. Impact of the 2023 Miscellaneous Amendment Regulations – economic assessment (net present value)..... | 6 |

1. About this document

This document is a supplementary assessment setting out the business and regulatory impacts of amendments being made to Scotland’s Deposit and Return Scheme (DRS) established under the Deposit and Return Scheme for Scotland Regulations 2020 (“the 2020 Regulations”).

On 30 June 2023 the draft Deposit and Return for Scotland (Miscellaneous Amendment) Regulations 2023 (“the 2023 Miscellaneous Amendment Regulations” were laid to amend the launch date of Scotland DRS from 1 March 2024 to 1 October 2025 following the UK Government’s offer of an exclusion to the UK Internal Market Act only on a time-limited and conditional basis.

The purpose of this document is to provide updated assessments on the impacts of the change in launch date from 1 March 2024 to 1 October 2025.

2. Background

Scotland's household recycling rate increased markedly between 2011 and 2017. This was driven by substantial investment by central and local government in kerbside collections. But this trend has since slowed, and then reversed. In 2018, recycling rates dropped (by 0.9%) for the first time. It did recover slightly by 0.2% in 2019 but it has since fallen by 2.1% reaching 42.7% in 2021¹ (disruptions due to COVID-19 pandemic will have played a role in this fall).

Alongside litter reduction, the main policy driver for DRS is to promote and secure an increase in recycling of materials by requiring a deposit of 20p to be applied when drinks containers are sold. This forms part of the Scottish Government's response to the global climate emergency by ensuring the targeted materials are collected in larger quantities and separately to other materials, making them easier to recycle.

The 2020 Regulations were previously amended by the Deposit and Return for Scotland Amendment Regulations 2022 to alter the original full implementation date from 1 July 2022 to 16 August 2023. The 2020 Regulations were further amended by the Deposit and Return for Scotland Amendment Regulations 2023 to alter the implementation date from 16 August 2023 to 1 March 2024 (and to make some other changes to Scotland's DRS).

On 27 May 2023, the UK Government issued a Policy Statement² in which it offered a conditional and temporary exclusion from the UK Internal Market Act 2020. The temporary exclusion was to cover the period from the launch of the Scottish DRS until planned schemes were in place in the rest of the UK. The conditions of such an exclusion were stated as:

- A maximum cap on deposit levels will have to be agreed with the rest of the UK before the Scottish scheme launches to ensure maximum interoperability and ease of use for consumers;
- Containers in scope are consistent across all schemes, with materials covering PET plastic, aluminium, and steel cans only;
- Processes are in place for collections and refunds of scheme items sold and returned in any part of the UK, with scheme administrators reconciling to ensure fair distribution of payments;
- Processes are in place to minimise the registration and reporting burden for producers, including only one administration fee required per participating company, and producers not required to join multiple schemes separately; and
- One marking (e.g. barcode) for use throughout all parts of the UK, and a single common UK logo, recognisable across all systems.

¹ <https://informatics.sepa.org.uk/HouseholdWaste/>

² [Policy statement: Scottish Deposit Return Scheme - UK internal market exclusion](#)

Following consultation with key businesses on the impact of these conditions upon the deliverability of Scotland's DRS, on 7 June 2023, the Scottish Government announced³ that certainty on critical elements of the scheme could not be provided until the UK Government published more detail on its DRS and therefore Scotland's Deposit Return Scheme would not go live until October 2025 at the earliest, in line with schemes in other parts of the UK.

On 30 June 2023 the draft 2023 Miscellaneous Amendment Regulations were laid to amend the launch date of Scotland DRS from 1 March 2024 to 1 October 2025 and to effect consequential date changes in the 2020 Regulations.

The impacts of the change in launch date are considered below. A sensitivity analysis that tests the overall impact on the DRS model Net Present Value (NPV) is presented at the end of this document. Zero Waste Scotland (ZWS) also completed a model that identified the costs and benefits of a Scottish DRS. This modelling was outlined in the Full BRIA⁴ and will be referred to hereafter as 'the model'.

3. Consultation

An extensive public consultation was carried out in 2018 to inform the design of DRS.

Stakeholder engagement as part of scheme assurance processes during March and April 2023 included producers, retailers, the scheme administrator and hospitality sector representatives and raised concerns about scheme readiness. (See Appendix 1 for details). Amendments to delay and simplify the scheme directly respond to that engagement, seeking to reduce regulatory burden on business, while upholding the intended scheme benefits.

Further consultation with affected businesses was completed in May and June 2023 following the UK Government's decision to offer only a partial and time-limited exclusion to the UK Internal Market Act 2020, that would have required the exclusion from glass from Scotland's DRS, in addition to other significant conditions.

4. Revised launch date to 1 October 2025

Views from Stakeholders on adjusting launch date to 1 October 2025

Stakeholder feedback from the majority of business organisations favoured a delay to DRS launch in Scotland given the significant conditions and last-minute changes to scheme design required for a UK Internal Market Act (IMA) exclusion. While some

³ [Deposit Return: Scottish scheme delayed until October 2025 at the earliest](#)

⁴ [Supporting documents - A Deposit Return Scheme for Scotland: Final Business Regulatory Impact Assessment - gov.scot \(www.gov.scot\)](#)

stakeholders welcomed the condition to exclude glass and requirement of maximum interoperability across UK schemes, there was consensus that this could not be achieved in time for a March 2024 launch given the late notice from UK Government of these requirements, especially where requirements were conditional upon UK Government policies that had not yet been agreed or set in legislation in other parts of the UK.

Most producers agreed with the decision to delay Scotland's DRS to align across the rest of the UK given this change in context with conditions being imposed on an IMA exclusion. There were varying stances on the potential removal of glass from the scheme. Many producers welcomed the lower costs, lower complication, and potential for greater alignment across the UK. One large producer highlighted that removing glass from the scheme would put jobs and investment in Scotland at risk. Other drinks businesses raised concerns that including glass could create barriers to existing sustainability targets. However, most producers were of the view that it would not be possible to adjust to the removal of glass from the scheme to go live in March 2024.

There were varied responses from retailers in response to the longer delay. Some large retailers noted disappointment in the decision, citing serious implications for the investment already made to date. However, retailers also noted that the significance of changes, including potentially to the level of the deposit, labelling requirements, and the removal of glass, meant that a March 2024 launch date was undeliverable.

There was opposition to a substantial delay from those involved in the DRS supply and delivery chain, including from RVM manufacturers and the scheme logistics provider.

There was opposition to a substantial delay from the scheme administrator in Scotland (Circularity Scotland Limited) given the high risk it would pose to its business viability. This risk was highlighted to the UK Government through correspondence ahead of its decision in relation to conditions which it would have imposed on a UK Internal Market Act exclusion.

5. Impact of the 2023 Miscellaneous Amendment Regulations – economic assessment (net present value)

The following scenarios were tested using the DRS Economic model. The impact on the overall scheme net present value (NPV) is presented in **Error! Reference source not found.** 5. Year 1 is the first **full** year of DRS implementation in the model, when the recycling improvements begin to be counted, and Year 0 is the year of the modelled 'go live' date.

- Scenario 1: scheme implementation date set to March 2024 (Year 0 = 2024)
- Scenario 2: scheme implementation date set to October 2025 (Year 0 = 2025)

Table 5: Impact of exclusions on scheme NPV

| Scenario | Time period modelled | Revised NPV (£) |
|--------------------|----------------------|-----------------|
| 1 (2024 launch) | 2024-2049 | £570,321,693 |
| 2 (2025 launch) | 2025-2049 | £552,365,825 |

The modelling of the revised scheme resulted in an NPV of approximately £570 million over a 25 year period starting in 2024. When accounting for the delay to the start date to 2025, the scheme NPV is reduced to approximately £552 million, over the 24 year period from 2025 to 2049. It should be noted that both scenarios do not adjust the scheme for interoperability requirements set out in the UK Government IMA letter and are based on the Scottish Scheme as currently set out in regs, including the fact that the scheme continues to include glass.

Modelling assumptions and limitations

Large parts of the model, including the tonnages of waste managed and the carbon benefits of the scheme are based on waste tonnages rather than the number of in-scope containers placed on the market, and are therefore insensitive to changes in modelled container numbers.

To ensure the reduction in in-scope containers was reflected in the assumed recycling tonnage within the model, the same percentage reduction was applied to the tonnage of DRS recycling for each of the in-scope materials.

It is still assumed that the 90% container return rate target is met by the second full year of operation (Year 2), and interim 80% target met in the first full year (Year 1) in line with the amended collection targets. The modelled NPV changes below assume that there is no overlap between the two excluded categories of low volume drink products and containers under 100ml volume. Hence, the container number reductions are

considered a “Worst Case Scenario”, with the total number of containers removed from the scheme (and the corresponding reduction in scheme NPV) likely to be exaggerated.

Appendix 1.

Table 6. Businesses Consulted for Views on Amending Regulations

| Business | Type |
|---|----------------------|
| AB InBev | Producer |
| Aldi | Retailer |
| Asda | Retailer |
| Association of Convenience Stores | Trade Body |
| British Beer and Pub Association | Trade Body |
| British Soft Drinks Association | Trade Body |
| C&C Group | Producer |
| Circularity Scotland Ltd | Scheme Administrator |
| Coca-Cola | Producer |
| Co-Op | Retailer |
| Food & Drink Federation Scotland | Trade Body |
| G101 Stores | Retailer |
| John Lewis | Retailer |
| Lidl | Retailer |
| Marks & Spencer | Retailer |
| Morrisons | Retailer |
| Sainsburys | Retailer |
| Scotmid | Retailer |
| Scottish Environmental Services Association | Trade Body |
| Scottish Food and Drink | Trade Body |
| Scottish Grocers' Federation | Trade Body |
| Scottish Retail Consortium | Trade Body |
| Scottish Wholesale Association | Trade Body |
| Society of Independent Brewers | Trade Body |
| Suez | Waste Management |
| Tesco | Retailer |
| Uber Eats | Retailer |
| Viridor | Waste Management |

A Deposit Return Scheme for Scotland

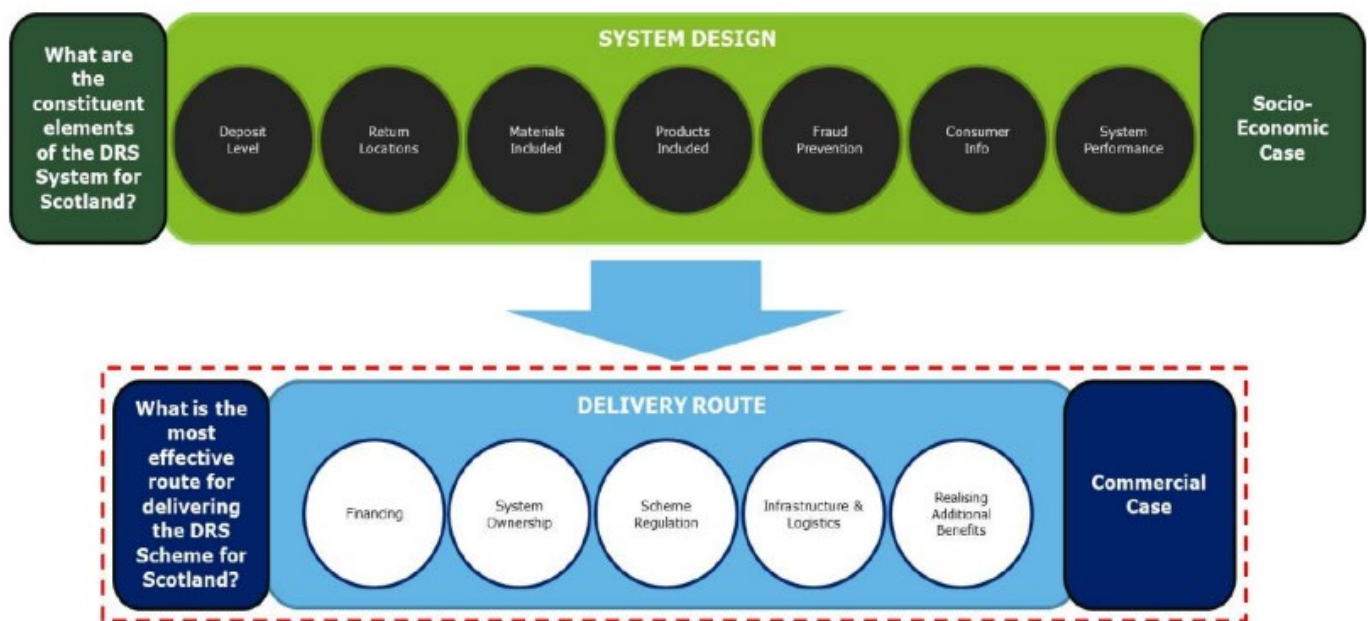
Strategic Environmental Assessment Addendum

September 2023

Background

In the Environmental Report¹, developed as part of the Strategic Environmental Assessment for Scotland's Deposit Return Scheme (DRS), four 'example deposit return systems' were presented.

These were selected to illustrate different possible configurations of the 12 components which make-up a functioning DRS system:



Extensive modelling was undertaken to determine the likely performance and environmental impacts of these example systems, and the results were presented for public consultation in the Environmental Report.

The scheme design for the Scottish DRS was then developed through public consultation and extensive stakeholder engagement.

The Scottish Parliament passed the Deposit and Return for Scotland Regulations 2020 ("the 2020 Regulations") giving effect to DRS on 13 May 2020. At that time, the Scottish Government committed to closely monitoring the impact of the COVID-19 pandemic on implementation of DRS. In line with that commitment, on 8 March 2021 the Scottish Government announced an independent review into the implementation timetable for the scheme. The final report² from this gateway review was published on 14 December 2022. A second independent gateway review was undertaken in March 2023 and the results were published³ on 7th July 2023.

On 14 December 2021 Lorna Slater, Minister for Green Skills, Circular Economy and Biodiversity announced that the Scottish Government would seek to change the full

¹ [The Scottish Government \(2018\) A Deposit Return Scheme for Scotland - Strategic Environmental Assessment](#)

² [Deposit return scheme - gateway review: final report](#)

³ [Deposit return scheme: gateway review report - March 2023](#)

implementation date for DRS from 1 July 2022 to 16 August 2023 in light of the impact of COVID-19 and EU Exit. A revised final BRIA was published⁴ in December 2021 reflecting this change and also the following key provisions of the Deposit and Return Scheme for Scotland Amendment Regulations 2022:

- Clarification of the definition of a producer in respect of ‘crawlers’ and similar containers.
- Additional flexibility for retailers obligated to provide a distance takeback service.
- Additional safeguard against fraud in the ‘grey market’.
- Other provisions to support enforcement of DRS.

The Deposit and Return for Scotland Amendment Regulations 2023 made further amendments to change the full implementation date for DRS from 16 August 2023 to 1 March 2024, and made a number of changes to the scheme. This was as a result of the uncertainty caused by the UK Government delaying the decision to exclude the scheme from the UK Internal Market Act 2020, and in response to an independent Gateway Review, an internal review of scheme readiness, and wider stakeholder concerns.

The main amendments were:

- Change to implementation date to 1 March 2024
- Amended takeback obligations
- Exclusion of low volume drink products
- Amended minimum size of scheme articles
- Exemption for retailers from acting as a return point where 90% or more of scheme articles are sold for consumption on the premises of sale
- Right to refuse packaging made of a particular type of material in specific circumstances
- Retention of scheme packaging by hospitality retailers

While the 2023 Amendment Regulations were still undergoing scrutiny by the Scottish Parliament, the UK Government, on 27 May 2023, issued a Policy Statement⁵ in which it offered a conditional and temporary exclusion from the UK Internal Market Act 2020. The temporary exclusion was to cover the period from the launch of the Scottish DRS until planned schemes were in place in the rest of the UK. The conditions of such an exclusion were stated as:

- A maximum cap on deposit levels will have to be agreed with the rest of the UK before the Scottish scheme launches to ensure maximum interoperability and ease of use for consumers;

⁴ [A Deposit Return Scheme for Scotland: Final Business Regulatory Impact Assessment](#)

⁵ [Policy statement: Scottish Deposit Return Scheme - UK internal market exclusion](#)

- Containers in scope are consistent across all schemes, with materials covering PET plastic, aluminium, and steel cans only;
- Processes are in place for collections and refunds of scheme items sold and returned in any part of the UK, with scheme administrators reconciling to ensure fair distribution of payments;
- Processes are in place to minimise the registration and reporting burden for producers, including only one administration fee required per participating company, and producers not required to join multiple schemes separately; and
- One marking (e.g. barcode) for use throughout all parts of the UK, and a single common UK logo, recognisable across all systems.

Following consultation with key businesses on the impact of these conditions on the deliverability of Scotland's DRS, on 7 June 2023, the Scottish Government announced⁶ that businesses had made it clear that due to the fact that certainty on critical elements of the scheme could not be provided until the UK Government published more detail on its DRS Scotland's Deposit Return Scheme would not feasibly go live in March 2024 and therefore the decision was taken to delay the scheme until October 2025 at the earliest, in line with schemes in other parts of the UK.

On 30 June 2023 the draft Deposit and Return Scheme for Scotland (Miscellaneous Amendment) Regulations 2023 were laid to amend the launch date of Scotland DRS from 01 March 2024 to 01 October 2025 and to effect consequential date changes in the 2020 Regulations.

This document sets out the key elements of the expected environmental performance of the revised Deposit Return Scheme following the amendments described above, and assuming implementation in 2025. Updated projections of the proposed environmental benefits of the same revised scheme, if it had been implemented in 2024, are presented alongside these results for comparison.

⁶ [Deposit Return: Scottish scheme delayed until October 2025 at the earliest](#)

Comparison of environmental impact of scheme launch dates

The Scottish DRS will be a national 'return to retail' model covering collection of drink containers made of PET, steel and aluminium or glass, with a deposit of 20p per container. Cartons, cups and HDPE are excluded from the Scottish DRS – for more information, see Section 5.1 of the Post Adoption Statement⁷.

The Scottish DRS was designed to achieve higher recycling performance outcomes for target materials (PET, steel and aluminium, glass) compared to business as usual kerbside recycling, and the four example deposit return scheme designs set out in the original Strategic Environmental Assessment.

This higher performance is driven by a combination of features:

- National return to retail coverage is designed to maximise accessibility and return convenience across Scotland
- 20p deposit provides a stronger incentive for consumer participation
- Cost recovery requirement⁸ encourages producers to maximise scheme performance and minimise instances of fraud

Either option for the launch of Scotland's DRS is expected to support greater levels of recycling and greater carbon savings compared to the Business as Usual scenario (no DRS) where recycling is covered by existing kerbside schemes (Table 2).

It is estimated that a DRS in Scotland scheduled to launch in March 2024 would save approximately 3,972 ktCO₂eq between 2024 and 2049 (Table 3).

It is estimated that the revised option for a DRS in Scotland scheduled to launch in October 2025 will save approximately 3,806 ktCO₂eq between 2025 and 2049.

The environmental impact of a delay to the implementation of a Scottish DRS from 2024 to 2025 is therefore 166 ktCO₂e.

However, following the UKG's conditional decision on the Internal Market Act and based on extensive stakeholder engagement, the revised option still represents an optimum environmental outcome taking account of legal requirements and technical practicalities in establishing and operating a successful scheme.

This analysis is based on the Scottish scheme as is currently in regulations. While there is work continuing on interoperability with the other nations of the UK, there have not been any agreements as yet on these and therefore the Scottish schemes remains as set out in regulations.

⁷ [The Scottish Government \(2019\) A Deposit Return Scheme for Scotland – Strategic Environmental Assessment: Post Adoption Statement](#)

⁸ The administrative costs of the scheme will be funded by producers – this will incentivise them to maximise performance of the scheme, as the more it costs to run, the more it will cost producers.

Table 2. Expected performance of Scottish DRS vs. BAU⁹

| | Business As Usual | Revised Scottish DRS | | | | |
|---------------------------|-------------------|---------------------------------------|------------------------------------|---|------------------------------------|---|
| | | 2024 launch | | | 2025 launch | |
| Container type | Recycle Rate | DRS Target Capture Rate ¹⁰ | Increased recycling 2024-2049 (kt) | Carbon savings 2024-2049 (ktCO ₂ eq) | Increased recycling 2025-2049 (kt) | Carbon savings 2025-2049 (ktCO ₂ eq) |
| Glass drink container | 63% | 90% | 1,310 | 1,252 | 1,256 | 1,200 |
| Steel drink container | 46% | 90% | 40 | 72 | 39 | 69 |
| Aluminium drink container | 48% | 90% | 187 | 1,876 | 179 | 1,798 |
| PET drink container | 50% | 90% | 360 | 772 | 345 | 739 |
| Total | 57% | 90% | 1,897 | 3,972 | 1,818 | 3,806 |

⁹ Glass carbon factors have been updated as a result of ongoing modelling efforts informed by stakeholder engagement. These changes have been applied to all schemes to maintain comparability.

¹⁰ Target DRS recycling rate from the third year of scheme operation, as established in Scottish DRS Regulations. Internationally comparable schemes have achieved higher recycling rates of at least 95%.