

In Confidence

Office of the Associate Minister for the Environment

Chair, Cabinet Economic Development Committee

Update on the proposed Container Refund Scheme for New Zealand

Purpose

1. This paper provides additional background and informs Cabinet Committee members of plans to investigate a comprehensive Container Refund Scheme (CRS) in New Zealand.

2. section 9(2)(f)(iv) [redacted]

Executive summary

section 9(2)(f)(iv) [redacted]

[redacted] It also serves to update Cabinet Committee members on my plans to investigate a CRS.

5. New Zealanders are increasingly concerned about the environmental impacts of waste. This Government has a comprehensive agenda to tackle waste and improve resource efficiency. Recent initiatives include the phase out of single-use plastic shopping bags and the launch of the public consultation on proposed priority products and design guidelines for regulated product stewardship schemes. Shortly, I intend to submit to Cabinet a discussion document setting out the proposed expansion of the waste disposal levy.

6. A comprehensive CRS is a form of product stewardship. A well-designed scheme has the potential to significantly strengthen our efforts to tackle waste in partnership with key stakeholders.

7. A CRS is a recycling scheme that incentivises return of beverage containers to a collection point for a refundable deposit (eg, 10-20 cents, or more). The scope of schemes vary and may incorporate a wide range of beverage and container types, for instance plastic, glass, aluminium (see Appendix 1 for examples).

8. Significant opportunities associated with a CRS include waste minimisation, increased recycling and litter reduction. Additional benefits include job creation and opportunities for community fund raising.

9. Internationally, CRS are becoming increasingly prominent with some schemes achieving over 90 percent recovery rates.¹ In New Zealand, there is now significant stakeholder support for a CRS, although some industry stakeholders are concerned about the potential costs of a CRS.
10. In May 2019 the Ministry for the Environment (the Ministry) received a joint Waste Minimisation Fund (WMF) application for the development of a national CRS from Auckland Council and Marlborough District Council.
11. Ministry officials have been engaging with the applicants to ensure the project aligns with the Government's policy objectives and includes essential input from key technical experts, stakeholder groups and government agencies.

section 9(2)(f)(iv)

14. Ultimately, a comprehensive national CRS will require Cabinet's support to proceed to implementation as the framework for a mandatory scheme would be established by making regulations under the WMA.
15. I anticipate it will take approximately 12 months to complete the scheme design process (phase 1). section 9(2)(f)(iv)
16. Subsequent implementation (phases 2-4) including public consultation, developing regulations, establishing institutional arrangements, contracting and procurement may take a further 18-24 months.

Container refund scheme context

What is a CRS?

17. A CRS is a recycling scheme that incentivises consumers, businesses, and organisations (eg, community groups and sports clubs) to return beverage containers to a collection point for a refundable deposit (eg, 10-20 cents, or more, incentives vary scheme to scheme). It is a form of product stewardship.
18. Typically the scope of these schemes incorporate a range of beverages and container types. For instance, in New South Wales and Queensland the scope includes plastic and glass bottles, aluminium cans and liquid paper board containers (see Appendix 1 for examples).
19. There are a range of different institutional frameworks for coordinating and managing CRS around the world. There are also a variety of potential collection systems, including automated reverse vending machines, collection depots, and donation points. Typically kerbside collection systems operate alongside a CRS, although the relationship between the two systems needs to be considered.

1 <https://www.cmconsultinginc.com/wp-content/uploads/2017/05/BOOK-Deposit-Global-24May2017-for-Website.pdf>

20. Specific details around how a New Zealand scheme could operate would need to be considered as part of the investigation and design process, and before any regulations were put in place to govern a scheme. .

International trends

21. Internationally, CRS are playing a greater role in efforts to reduce waste and increase recycling. There are now more than 40 different schemes operating across Europe, Canada, the United States of America, and Australia. In Australia, all states with the exception of Victoria have now implemented, or are committed to, a CRS.

22. In some cases, these schemes have achieved over 90 percent recovery rates for beverage containers.² CRS have also been shown to reduce beverage container coastal litter by up to 40 percent.³

New Zealand context and opportunities

23. The potential opportunities of a CRS in New Zealand relate to reducing waste to landfill, increased materials recovery, improved quality of materials recovered, increased recycling, reducing litter, and more broadly, helping shift to a circular economy. Additional opportunities relate to job creation and community fund raising.

24. New Zealand container recycling rates remain relatively low (estimates range between 45–58 percent).⁴ According to a report commissioned by Auckland Council a CRS could increase the recycling rates of beverage containers to between 79 and 82 percent.⁵

25. New Zealand's largest processing and manufacturing facility for New Zealand recycled PET (R-PET) products recently indicated its support for a CRS. section 9(2)(i)

26. There is capacity to recycle a more significant portion of the over 2 billion beverage containers New Zealanders use every year.⁶ We have onshore capacity for recycling more clear PET and glass bottles (assuming increased quality as well as quantity). Natural coloured HDPE (milk bottles) and metal drink cans (aluminium) also have good market demand which is reflected in relatively high commodity prices.

27. Many of these containers are not being captured for recycling. The Packaging Forum's 2014-2015 National Litter Survey found that drinks packaging (comprising mostly beverage containers, but also disposable cups) made up 19.4 percent of all litter identified.

2 <https://www.cmconsultinginc.com/wp-content/uploads/2017/05/BOOK-Deposit-Global-24May2017-for-Website.pdf>

3 <https://www.sciencedirect.com/science/article/pii/S0308597X17305377> (Marine Policy "Economic incentives reduce plastic inputs to the ocean" Vol 96, Oct 2018).

4 Sapere Research Group, 2017, *Cost-benefit analysis of a Container Deposit Scheme*, p. 17. The range of 45%-58% reflects the estimates of recycling rates made by Covec (2016) and Envision (2015).

5 <http://www.wasteminz.org.nz/wp-content/uploads/2017/12/Container-Deposit-CBA-Report-Final.pdf>

6 Covec, 2016, *Proposed Container Deposit System for New Zealand: Cost-Benefit Analysis*, p.11 (2.1 billion); Envision, 2015, *The InCENTive to Recycle: The Case for a Container Deposit System in New Zealand*, p.34 (2.23 billion).

28. A CRS in New Zealand would likely help reduce litter as it enables and encourages the recycling of containers in public places, which kerbside services and existing public place infrastructure are less effective at capturing.
29. According to Colmar Brunton, the issue of the build-up of plastic in the environment (including beverage containers) became the number one concern for New Zealanders earlier this year.⁷ There is high interest and support for a comprehensive CRS in New Zealand. In 2018 Local Government New Zealand (LGNZ) passed a remit to establish a CRS with 96 percent of mayors in favour.⁸ In the same year a WasteMINZ survey found the New Zealand public to be 83 percent in favour.⁹ The National Resource Recovery task force also recommended an investigation into a CRS. Other groups advocating for a CRS include the NZ Product Stewardship Council, The Kiwi Bottle Drive and Greenpeace.
30. Those groups not in favour of a CRS have historically included the Packaging Forum, including major beverage manufacturers and importers. There has been some recent softening of opposition from some major players. However, beverage manufacturers (using glass in particular) are likely to oppose a New Zealand scheme as it would represent a significant initial cost to their business. Notably the Glass Packaging Forum has been working for many years to improve glass recovery and recycling in New Zealand.

Investigation and design objectives and process

section 9(2)(f)(iv)

32. In May 2019 the Ministry received a joint WMF application for development of a national CRS from Auckland Council and Marlborough District Council.
33. A CRS design process will be of high interest to many stakeholders and of national significance. The Ministry is engaging with the applicants to ensure the proposed project aligns with Government objectives and provides for the involvement of key technical experts and stakeholders.

Scheme design policy outcomes

34. A wide range of environmental, economic, and social objectives could be achieved through a CRS. The outcomes achieved by any future CRS will be significantly influenced by the scheme design. My expectation is that the design of a potential CRS would be guided by environmental, economic, and social objectives or principles, including:

- Increased container recovery rates and recycling rates and/or opportunities for refilling;
- Reduced waste to landfill;

7 <https://www.colmarbrunton.co.nz/better-futures-climate-change-concern-rising-but-plastics-top-of-mind-for-kiwis/>

8 <https://www.lgnz.co.nz/news-and-media/2018-media-releases/local-government-debates-key-issues-at-annual-conference/>

9 <https://www.nzpsc.nz/wp-content/uploads/2017/12/Container-Deposit-Scheme-Summary-Report-Final.pdf>

- Reduced container litter;
- Cost effectiveness and efficiency;
- Consideration of the impact on current and future kerbside collection systems;
- The provision of opportunities for innovation and the use of technology;
- Supporting changes in consumer behaviour through a clear and understandable system with good accessibility and convenience; and
- The provision of opportunities for community participation and fund-raising.

35. I also expect a CRS design to consider and incorporate: the potential for the creation of sustainable, high quality jobs; greater investment in remanufacturing; regional development; Māori involvement in the design process; and improved climate change outcomes.

36. The proposed ministerial guidelines for co-design of priority product stewardship schemes, once gazetted, can support this approach.

section 9(2)(f)(iv)

[Redacted text block]

Scheme design process

39. It is my expectation that the project will have governance and structural arrangements to ensure input from key stakeholders and technical experts including Ministry officials, government agencies, industry, and community sector groups.

40. Ultimately, following a design and assessment process through which I will keep you updated, Cabinet would need to approve regulations to enable a CRS under the WMA. This will provide the ability for Cabinet to have the final decision over the design of any future CRS.

Timeframes

41. It is anticipated that a scheme design process (phase 1) involving key representative stakeholders will take 12 months from project commencement. Subsequent implementation (phases 2-4) including: public consultation, making regulations, the establishment of institutional arrangements, contracting, and procurement is expected to take a further 18-24 months. This assumes prioritisation of Ministry resourcing to support the development of regulations and implementation process.

42. Key aspects of the design could be prioritised within the 12 month design process and be delivered within a shorter timeframe, section 9(2)(f)(iv)

[Redacted text block]

Consultation (with other agencies, departments, interest groups)

- 43. The Department of the Prime Minister and Cabinet (DPMC), the Prime Minister's Chief Science Advisor, Treasury, Inland Revenue Department (IRD), Department of Conservation (DOC), Ministry for Primary Industries (MPI), Ministry of Foreign Affairs and Trade (MFAT), Ministry of Business, Innovation and Employment (MBIE), Department of Internal Affairs (DIA), Te Puni Kōkiri (TPK), The Office of Māori Crown Relations - Te Arawhiti, the Commerce Commission, and the Environmental Protection Authority (EPA) have been consulted.
- 44. Comments were received from DPMC, the Prime Minister's Chief Science Advisor, DOC, MFAT, MBIE, IRD and Te Arawhiti.
- 45. The majority of feedback sought clarification or additional information. More detail will be provided in future Cabinet papers if the project proceeds.
- 46. IRD's initial view is that the proposed CRS is unlikely to have any significant income tax or GST implications.
- 47. The New Zealand Labour Party, New Zealand First and the Green Party of Aotearoa/New Zealand have been consulted on this paper.

Financial implications

- 48. There are no budgetary implications associated with this paper.
- 49. The Ministry will provide further details of the potential economic costs, environmental benefits, and any proposed regulations in the next stage when the details of a CRS design are known.

Funding

- 50. The proposed CRS design project would be likely funded by a combination of the Waste Minimisation Fund and the Ministry's baseline funding. Currently, the project is estimated at \$1.2 million. Pending further changes to the proposal, this cost may vary.
- 51. The use of waste levy funds (the source of the Waste Minimisation Fund) for this project must satisfy the requirement that the funding will be used to promote or achieve waste minimisation, as per section 38(1) of the WMA.
- 52. Resourcing requirements would also increase as a CRS moves towards implementation (phases 2-4).

Legislative implications

- 53. There are no legislative implications arising from this paper although regulations may need to be developed and consulted on in the future should Cabinet wish to pursue a CRS in New Zealand.

section 9(2)(f)(iv)
[Redacted text block]

Regulatory impact analysis

55. Regulatory impact analysis requirements do not apply to this paper.

Human rights

56. This paper presents no inconsistencies with the Bill of Rights Act 1990 or the Human Rights Act 1993.

Gender implications

57. There are no gender implications arising from this paper.

Disability perspective

58. A disability perspective will be considered in future when any regulations are being proposed.

Publicity

59. It is my intention to announce an investigation into a comprehensive national CRS within the next few weeks, noting that a wide range of stakeholders are actively pursuing clarity about the Government's intentions.

Proactive Release

60. I intend to proactively release this Cabinet paper, in part, following a public announcement on a process to design a comprehensive CRS in New Zealand.

section 9(2)(f)(iv)
[Redacted]

Recommendations

I recommend that the Committee:

section 9(2)(f)(iv)
[Redacted]

[Redacted] and also to update Cabinet Committee members on my plans to investigate a CRS in New Zealand.

section 9(2)(f)(iv)
[Redacted]

4. **Note** that a comprehensive CRS has the potential to contribute to waste minimisation, increased recycling, increased materials recovery, reduced litter, job creation, and opportunities for community fund-raising if well designed.

5. **Note** the Ministry has received an application to the WMF to design a national CRS, and officials have been engaging with the applicants to ensure that the

project aligns with the Government's policy objectives and includes input from key technical experts, stakeholder groups and government agencies.

section 9(2)(f)(iv)

7. **Note** that any comprehensive CRS will require Cabinet's support to proceed to implementation, as the framework for mandatory participation in a CRS would be established via regulations under the WMA.
8. **Note** that the expected cost of the design project (phase 1) is currently estimated at \$1.2 million, likely to be funded from a combination of the WMF and Ministry's baseline funding.

Authorised for lodgement.

Hon Eugenie Sage

Associate Minister for the Environment

Proactive release

Appendix 1: sample of international schemes (over 40 worldwide)

Scheme jurisdiction	Materials collected*	Deposit/ refund	Scheme commencement	Total recovery rate
South Australia	Glass, aluminium, HDPE, PET, liquid paperboard	AUD \$0.10 (NZ \$0.11)	1977	76.4%
Queensland	Glass, aluminium, metal, cardboard, liquid paperboard, bag-in-box, drink pouch/sachet	AUD \$0.10 (NZ \$0.11)	1 November 2018	n/a
New South Wales	Glass, Plastic, aluminium, steel, liquid paperboard.	AUD \$0.10 (NZ \$0.11)	1 December 2017	70%
Scotland	Glass, aluminium, steel, PET	UK £0.20 (NZ \$0.38)	Legislation to be introduced 2019 followed by 12 month implementation	n/a
Alberta, Canada	Metal, glass, plastic (PET, HDPE, PVC, PS); metal; glass; gable top; Tetra Pak; bag-in-box; drink pouch; all sealed containers	≤1L CAD \$0.10 (NZ \$0.12) > 1L CAD \$0.25 (NZ \$0.29)	1972	82.5%
Denmark	Metal, glass, plastic	Metal: €0.13 (NZ \$0.22) Plastic €0.2 (NZ \$0.35) Glass €0.4 (NZ \$0.69),	2002	89%
Germany	Metal, glass, plastic	€0.25 (NZ \$0.43)	2003	97%
Israel	Metal, glass, plastic (PET)	ILS ₪0.3 (NZ \$0.13)	2001	77%
Iowa, USA	Metal, glass, plastic	USD \$0.05 (NZ \$0.08)	1979	86%
Croatia	Metal, glass, plastic (predominantly PET)	HRK \$0.5 (NZ \$0.12)	2006	90%

*Materials listed above do not account for individual exclusions for each scheme jurisdiction.

Note: while the principles of scheme operation are often similar, the financial flows of every scheme are often complex and vary significantly. Many schemes also include fees for handling, transport and administration.