In Confidence

Office of the Minister for the Environment

Cabinet Environment, Energy and Climate Committee

Proposed scope of containers within a New Zealand Container Return Scheme

Proposal

1 This paper is the third in a series of four papers on the option of a proposed beverage container return scheme (CRS) for Aotearoa New Zealand.

2 This paper builds on a previous Cabinet paper which provided an overview of the problem of away-from-home recovery and litter and the role of a CRS to address these problems [CAB-21-MIN-0300]. Cabinet agreed in principle to progress the development of a New Zealand CRS (NZ CRS), subject to further advice to Cabinet on key design considerations [CAB-21-MIN-0300].

3 This paper seeks Cabinet direction on the scope of containers to be included in a proposed consultation document on a New Zealand Container Return Scheme (NZ CRS).

4 In addition to this paper (Cabinet paper 2b), you will receive separate advice on key design options for ensuring that a scheme is effective and successful in driving recovery rates of beverage containers and reducing litter (Cabinet paper 2a).

Relation to government priorities

5 The Labour Party's 2020 Election Manifesto noted a commitment to investigate a NZ CRS. Implementing a NZ CRS is also a recommendation of the Prime Minister's Chief Science Advisor's 2019 *Rethinking Plastics* report. In addition, work on a CRS aligns with the 2020 Cooperation Agreement between the Labour Party and Green Party.

Executive Summary

6 In Aotearoa New Zealand, beverage container recovery rates remain relatively low and litter rates high compared to many countries with schemes currently in place.

7 A CRS is a recycling scheme and form of product stewardship that incentivises people to return beverage containers for recycling or refilling, in exchange for a refundable deposit. It shifts the costs of recycling away from councils and ratepayers to the responsible supply chain (i.e. manufacturers, retailers and consumers).

8 The aim of a CRS is to increase recovery and recycling of single-use beverage containers and to reduce litter. A CRS also helps to reduce emissions by reducing the use of virgin materials in container manufacture. The scope of containers included in a scheme is fundamental to the proposed design of a NZ CRS.

9 Most schemes (approximately 90 per cent) include a broad scope of beverage containers including those made from plastic, glass and metal. Some schemes also

include liquid paperboard (LPB)[1], but exclude certain product types irrespective of packaging material (e.g. fresh milk). Including a broad scope of containers increases overall recovery and reduces litter, increases operational efficiencies, ensures a level-playing field for beverage producers, and simplifies the scheme for consumers and businesses.

10 Each major beverage material stream (e.g. metal, plastic, glass, and LPB) needs to be considered for inclusion within a NZ CRS consultation document. Factors for consideration include recovery rates, market demand, opportunities within a NZ CRS to support growth of markets and better outcomes for beverage materials, as well as overall convenience and efficiencies of a scheme. These factors are addressed in the analysis section of this paper.

11 I propose that the NZ CRS consultation document includes a comprehensive scheme with a broad scope of containers, including all high-volume single-use beverage containers sold in New Zealand made from metal, plastic, glass, and LPB. These proposals reflect the aim of a NZ CRS to increase recovery and recycling of single-use beverage containers and reduce litter.

12 Fresh milk is considered a staple product and is excluded from approximately 58 per cent of schemes overseas.[2] I propose consulting on the options to exclude fresh milk from a NZ CRS and/or including fresh milk within a scheme, but without a refundable deposit. In either scenario, the focus would instead be on increasing recovery from the commercial and hospitality sectors without increasing fresh milk costs for households, noting both will require further engagement with key stakeholders. Cabinet may also wish to consult on the option for fresh milk to be included with a refundable deposit.

13 The inclusion of glass within a CRS has generated some opposition from the alcohol/glass sector. Primary opposition is through the Glass Packaging Forum (GPF) who operate a voluntary product stewardship scheme under the Waste Minimisation Act 2008 (WMA) [CAB-21-MIN-0300 refers].[3] However, excluding glass from a NZ CRS would reduce the scheme's net benefits significantly. Glass bottles are the most sold and littered beverage container in New Zealand, and our glass recovery and recycling rates remain relatively low compared to overseas schemes that include glass. Other large beverage producers have also strongly advocated for including glass in a NZ CRS, in order to ensure a level-playing field for all beverage producers.

14 Pending Cabinet direction on key CRS design elements in these two papers (2a and 2b), I intend to seek Cabinet agreement to consult on the proposed option of a NZ CRS in December 2021.

Background

Beverage container recovery in New Zealand

15 In Aotearoa New Zealand, beverage container recovery rates remain relatively low and litter rates high. Beverage containers made up 66 per cent of recognisable branded

[1] LPB packaging is made from a combination of fibre, plastic and aluminium, and often used for fresh milk, plant-based milks (such as oat milk, almond milk and soy milk) and juices.
[2] For the purposes of this Cabinet paper, fresh milk is considered to be fresh white milk. The GS1 data included cream in the fresh milk category.
[3] This advocacy is driven by the larger companies and does not necessarily reflect the whole alcohol industry. Some smaller craft beer producers are of the view that glass should be included in a scheme, and approximately 65 New Zealand organisations recently signed a collective letter calling for a CRS that includes glass.

litter in 2019. Overall, it is estimated that total recovery (kerbside and commercial) is 55 per cent by weight and 47 per cent by count.

16 New Zealand's kerbside system targets recovery of packaging materials consumed at home. Scheme modelling[4] estimates kerbside recycling recovers about 47 per cent (by weight) of the over two billion beverage containers sold in 2019 (Table 2).

Table 1: Estimated recovery for post-consumer beverage container packaging (2019)

Material (beverages)	Market share (tonnes)	Kerbside recovery (tonnes)	Kerbside recovery (by weight)	Estimated commercial recovery (tonnes)[5]	Estimated total recovery (by weight)	Estimated total recovery (by count)
Glass	250,113	129,582	52%	21,577	60%	60%
Metal (>99% (aluminium)	8,474	3,045	36%	768	45%	45%
Plastic (PET and HDPE)	31,156	9,988	32%	337	33%	33%
LPB	12,628	328	3%	None	3%	3%
Total	**304,003**	**142,943**	**47%**	**22,682**	**55%**	**47%[6]**

17 A CRS is a recycling scheme and form of product stewardship that incentivises people to return beverage containers for recycling or refilling in exchange for a refundable deposit. It shifts the costs of recycling away from councils and ratepayers to the responsible supply chain (i.e. manufacturers, retailers, and consumers).

18 The aim of a CRS is to increase recovery and recycling of single-use beverage containers and reduce litter. Overseas evidence suggests that once implemented, container return schemes can reduce beverage container litter by 60 per cent or

[4] Initial beverage container data was sourced from international scheme representatives, retail sales (GS1 and IRI worldwide), Statistics NZ, and recycling data from industry experts, councils, and commercial recyclers. Current figures represent our current understanding.

[5] Commercial recovery estimates come from various sources and are incomplete. Glass is the only figure that is publicly reported. While there is data uncertainty for commercial recovery of plastic in particular, estimates are consistent with commercial in confidence reporting from large recyclers that 'away from home' commercial volumes recovered are relatively small.

[6] Beverage container count is calculated from tonnage and necessarily assumes equal container weights. As glass is heavy as a proportion, it biases the total beverage container tonnage recovered upwards. The overall beverage container count and proportion is therefore lower when considering the relatively high number of lightweight containers not recovered in the other product type categories e.g. aluminium, plastic and LPB.

more. A CRS also helps to reduce emissions by reducing the use of virgin materials in container manufacture.

19 A fundamental consideration for the proposed design of a NZ CRS is the type of containers and beverages to be included in the scheme (i.e. to be assigned the refundable deposit that can be returned through the scheme).

A broad scope of containers is proposed including metal, plastic, glass, and LPB

20 Approximately 90 per cent of overseas schemes (including all Australian schemes) include single-use beverage containers made of metal, plastic, and glass. Some schemes do exempt one or more of these main packaging material types or specific product types. For example, all Australian schemes exclude wine in glass (currently under review),[7] American and European schemes typically exclude LPB, and over half of schemes globally (approximately 58 per cent) exclude fresh milk.

21 A NZ CRS would ideally include recyclable beverage materials that have strong markets and existing recycling pathways in place, while also providing opportunities to support the growth of markets and better recycling outcomes for other materials, notably LPB.

22 A broad scope of containers within the proposed design of a NZ CRS for public consultation has several key benefits:

22.1 increasing recovery (which is currently estimated at 47 per cent (by count) for all material types (over two billion containers sold annually) to 80 to 85 per cent or more;

22.2 significantly reducing litter across all key beverage container material types;

22.3 avoiding potential perverse outcomes and/or free riders undermining recycling outcomes and ensuring a level-playing field for all beverage producers;

22.4 creating an accessible, convenient and easy to use system easily understood by consumers and businesses alike.

23 While a broad scope of containers is common across international schemes, New Zealand's beverage material streams need to be assessed individually. Material-specific analysis of individual beverage streams is covered in the next section, including current recovery, opportunities to increase recovery, demand for the material stream, and proposed recommendations for a NZ CRS.

[7] In 2019, South Australia (SA) released a scoping document to seek initial feedback on reforming the SA scheme. Initial consultation feedback reported strong community support for increasing the scope of containers to include wine bottles. If progressed, this is likely to influence all Australian state schemes. The Ministry understands that SA are intending to release a consultation document later this year with further proposals.

Analysis

Metal beverage containers

24 Metal beverages are included in most schemes overseas (approximately 94 per cent). This is mostly aluminium, however some schemes also include lower value ferrous metals (e.g. steel, tinplate and bi-metals).

25 There is an opportunity to include metal beverages in a NZ CRS to increase recovery for recycling. In New Zealand, recycling recovers less than half (45 per cent) of metal beverage containers sold.

26 Aluminium has high demand and is a valuable commodity. Approximately 515 million metal (aluminium)[8] beverages are sold annually in New Zealand, the highest proportion being beer (207.5 million sold). If a NZ CRS were to include aluminium, at an 85 per cent recovery rate the annual recovered material revenue would nearly double to NZD $8.6 to NZD $12.2 million per year (at NZD $1,200-$1,700/tonne).

27 I propose to include all single-use metal beverage containers within the proposed design of a NZ CRS for public consultation. This proposal considers opportunities to increase recovery of metal beverages, high demand, and the material value.

Plastic beverage containers

28 Plastic beverage containers are included in nearly all overseas container return schemes (approximately 96 per cent).

29 In New Zealand, recycling recovers an estimated 33 per cent of plastic beverage containers. Kerbside audits from 2019 show that households are already recycling 81 per cent of their PET and 86 per cent of their HDPE beverage containers. Therefore, even a kerbside system with 100 per cent recovery has limited maximum potential for recovering plastic beverage containers.

30 Most plastic beverage containers are high-value and highly recyclable, have good onshore and offshore recycling markets, and are compatible to a NZ CRS.[9] A CRS is an opportunity to recover cleaner, separated plastic beverage container material. This would deliver higher quality, recyclable products to market with a higher commodity value. Quality separated plastic materials can fetch NZD $200-$300 per tonne for PET and up to NZD $850 per tonne for natural coloured HDPE.

31 Pursuing a NZ CRS that includes plastic would see plastic beverage litter reduce significantly. While other beverage container types are also prevalent in the litter stream, New Zealanders are particularly concerned about plastic pollution.[10]

32 I propose that all recyclable single-use plastic beverages (including HDPE and PET, PP, and bio-based HDPE and PET) would be included within the proposed design of a NZ CRS for public consultation. This considers the current low recovery rates, high market demand, opportunities to recover better quality plastic material and

[8] Most metal beverages are aluminium. A fraction (less than 1%) is estimated to be steel.
[9] Most plastic beverages will likely be made from Polyethylene Terephthalate (PET, #1) or High-Density Polyethylene (HDPE, #2). Some beverages, including lids, may be made from Polypropylene (PP, #5).
[10] Colmar Brunton's annual Better Futures Survey has consistently reported the build of plastic in the environment as a top concern for New Zealanders.

s 9(2)(b)(ii), s 9(2)(j) . In addition, this proposal is consistent with recent decisions to phase out certain hard-to-recycle plastics.

Options for fresh milk

33 Fresh milk made up a significant proportion (40 per cent) of the total plastic beverages sold in New Zealand in 2019. New Zealand only recovered an estimated 33 per cent of plastic containers, with households recovering 86 per cent of their HDPE containers, which are almost entirely fresh milk containers.

34 Fresh milk packaging is predominantly HDPE plastic, one of the most readily recyclable and valuable beverage plastic packaging types.[11]There is strong market demand for quality HDPE s 9(2)(b)(ii), s 9(2)(j)

35 The application of a refundable deposit on fresh milk would incentivise greater recovery of HDPE, however, it would also carry risks. There are several reasons to consider an alternative approach (noting that the majority of international schemes, 58 per cent, including those in Australia, exclude fresh milk).

36 Firstly, fresh milk is considered a staple food product by many New Zealanders, whereas many other beverages in scope may be considered non-essential (e.g. soft drinks and alcohol).[13]

37 Secondly, we already recover most fresh milk bottles consumed at home (via kerbside systems). Therefore, a deposit included in the purchase price of fresh milk could have unwarranted impacts on households who already recycle through kerbside.

38 Thirdly, unlike many other beverage containers, milk bottles are not frequently consumed in the public domain and then littered. As opposed to targeting 'away from home recovery' for beverage products more broadly, the main gap in the recovery of fresh milk containers relates to recovery from the commercial and hospitality sectors (e.g. commercial offices, apartment buildings, hotels, cafés, restaurants, etc).

39 Consequently, I propose that we consult on options that exclude milk bottles from an NZ CRS but focus directly on increasing recovery from the commercial / hospitality sector along with options that include milk bottles within a CRS, but without a refundable deposit.

40 In addition, Cabinet may also want to consult on an option to include milk bottles within a CRS, and with a refundable deposit applied similar to or less than other beverage containers.

[11] Natural coloured HDPE plastic is worth between NZD $600 to NZD $850 per tonne and coloured HDPE is around $300 to $350 per tonne with prices varying according to local markets and the quality of materials recovered.

[12] s 9(2)(b)(ii), s 9(2)(j)

[13] Noting that what may be considered an 'essential' grocery item is unique to different cultures.

41 The options for fresh milk include:

41.1 Option 1 – **exclude fresh milk from an NZ CRS in all packaging types and target commercial recovery through other means** such as investigate declaring plastic milk bottles as a priority product[14] and/or, following review of the WMA, strengthening obligations on commercial entities to separate all recyclable packaging material including milk bottles;

41.2 Option 2 – **include fresh milk within an NZ CRS in all packaging types with no refundable deposit on fresh milk plastic containers.** This option could provide an avenue for commercial recovery to operate within a NZ CRS (via a take back requirement for depots only), and without increasing the face-value purchase price of milk in plastic containers or increasing the costs of the scheme[15];

41.3 Option 3 – **include fresh milk in all packaging types with an equal refundable deposit** (for example, NZD 10 - 20 cents in line with other containers) **or at a lower deposit level** (for example 10 cents, if all other containers were 20 cents).

42 Given the estimated 213 million fresh milk beverages sold in 2019 represents about 9.5 per cent of all beverages sold, all options that impact their recovery rate will impact on the scheme efficiency, costs and benefits. On the other hand, excluding milk from the scheme (Option 1) is estimated to reduce scheme costs for households from NZD $60 - $82 per household per year to NZD $56 - $77 per year.[16] Similarly, including fresh milk with no refundable deposit for return at depots only (Option 2), would also reduce scheme costs for households.

43 Taking into account fresh milk is both often considered an essential household item and not a commonly littered item, increasing commercial recovery through other targeted options as with Option 1 and/or Option 2 is preferable.

44 For these reasons, I would prefer to consult on options that do not increase costs for households for fresh milk (Option 1 and/or Option 2), however Cabinet may wish to consult on options where fresh milk is included with a refundable deposit (Option 3).

Glass beverage containers

45 Glass beverage containers are included in most overseas container return schemes (approximately 87 per cent), including all Australian schemes. Scheme glass recovery is typically over 80 per cent in Europe and in Canada.

46 In New Zealand, glass was the most sold (928 million beverages) and beer bottles represented the largest contribution to the national litter weights in 2019[17]. Glass was the most littered beverage material item in 2019, representing half (51 per cent) of beverage litter items by count.

47 Our current recovery and recycling rates for glass remain relatively low compared to most schemes which include glass. In 2019, New Zealand's recovery rate for glass

[14] Beverage containers are explicitly excluded from the priority product declarations (Gazette Notice Number 2020-go3343) due to consideration of a NZ CRS, and this process would need to be worked through.
[15] As HDPE plastic has a higher value, it would be beneficial for the scheme's depots to recover commercial volumes of containers through the depot network, while avoiding the "free rider" risk with including fresh milk in the scheme with no deposit.
[16] Average household costs assume households represent all consumers and purchase 100% of beverages sold.
[17] Keep New Zealand Beautiful National Litter Audit (2019) found glass beer bottles (less than 750 ml, all colours) represented the largest contribution to the national litter weights, recording 0.12 kg oper 1,000 m2.

(beverage and non-beverage) was 60 per cent (upper figure), and the bottle-to-bottle recycling rate was 48 per cent. The current costs of recycling of glass bottles is largely borne by rate payers and councils.

48 The main opposition to glass being included in a NZ CRS is from the alcohol/glass industry (beer, wine, spirits), represented collectively by the Glass Packaging Forum (GPF). The GPF has proposed that instead of a glass-in CRS, their existing voluntary product stewardship scheme for glass, which currently leverages the council funded kerbside scheme, be made mandatory under the Waste Minimisation Act (WMA) and include all glass containers (e.g. beverage and non-beverage).

49 The GPF's proposal would see beverage producers paying significantly more[18] towards the recovery costs of glass and in addition to shifting costs, there would likely be an increase in glass recovery to some extent. However, the scheme would be less effective than a CRS due to the fact that there would be no refundable deposit to incentivise individuals to recycle and reduce litter.

50 Furthermore, the wider beverage industry, including some craft brewers have strongly advocated in favour of a glass-in CRS. The New Zealand Beverage Council (NZBC) including Coca-Cola and Frucor Suntory (large market players who use a wider range of packaging material types) strongly support a scheme that covers all beverage containers and all material types, including plastic, aluminium, glass and liquid paperboard. The NZBC and its members have raised concerns that the exclusion of certain material types from a scheme would create and unequal playing field for beverage producers, increasing the overall cost for scheme participants while also decreasing the schemes convenience for consumers.[19]

51 Excluding glass containers from a NZ CRS would also significantly lower the scheme benefit cost ratio (BCR) due to the size of the glass market. An initial Cost Benefit Analysis specifically looked at the option of excluding glass from a NZ CRS. In the NZD 20 cent deposit scenario and over a 30-year time horizon, the BCR dropped from 1.49 for a glass-in scheme to 1.06 for a glass-out scheme. Net benefits dropped from $1.1 billion (glass-in) to $68 million with glass-out.

52 Currently, New Zealand has good market demand for glass to the point where our onshore processing and manufacturing capacity is exceeded. At current onshore capacity, approximately half of the glass product sold into the market every year can be recovered and processed into new bottles. Much of the subsequent oversupply which comes from imported empty bottles, largely made from higher carbon virgin materials, is estimated to be stockpiled, landfilled or littered.

53 The Ministry is considering possible solution options for both the status quo and in the scenario a NZ CRS with glass-in increase glass recovery further in the coming years. The options include demand side measures such as recycled content requirements, development of alternative end markets, investment in increased domestic capacity (noting that the South Australian market could potentially take

[18] The GPF's provisional proposal was for a non-refundable scheme fee of ~8c per glass container which equates to approximately $74 million per year for glass beverage containers, based on 2019 data.
[19] In addition to Local Government and the wider beverage industry advocacy for a glass-in scheme, approximately 65 New Zealand organisations recently signed a collective letter calling for a CRS that includes glass, including the Kiwi Bottle Drive, Zero Waste Network, Sustainability Trust, Para Kore, Product Stewardship Council, Greenpeace, Reloop, and Environmental Hubs Aotearoa.

much of New Zealand's surplus glass), the application of an eco-modulation fee[20] through a CRS, and a shift to refillable (lower carbon) glass containers.

54 Noting the GPF's opposition and alternative proposal; and given there is broader support for a scheme which is easy to use and maintains balance withing the beverage industry by including all beverage container packaging types, I propose that all single-use glass beverage containers be included within the design of a NZ CRS for public consultation. This proposal considers factors including the benefits of including glass over excluding glass, current relatively low recovery rates, high litter rates, the oversupply situation which a NZ CRS can help address, and the need to create a convenient and simple scheme for consumers and businesses to use.

Liquid paperboard beverage cartons

55 LPB beverages are included in approximately 38 per cent of schemes globally, including Australian and Canadian schemes. LPB has an important role in the delivery of aseptic, long-life, shelf-stable fresh milk and plant-based milks (e.g, oat milk, almond milk and soy milk) and juice beverages to consumers.

56 LPB accounts for a very small proportion of New Zealand's domestic beverage container market (less than five per cent). Kerbside recycling recovers just three per cent of the total LPB beverage volume sold to market, which leaves approximately 12,300 tonnes unaccounted for and/or landfilled annually.

57 As LPB is a composite multilayer material, it has limited recyclability and end-markets. For example, recovered LPB containers currently end up as contamination (waste) in Auckland Council's recovered fibre stream.

58 A barrier to the expansion of LPB carton recycling in New Zealand is the lack of collection and sorting infrastructure, which a CRS could help to address. Tetrapak, a large multinational producer of LPB containers, strongly support the inclusion of LPB in a NZ CRS and are developing a LPB waste-to-building materials recycling plant with scalable capacity. The plant equipment is scheduled to arrive in New Zealand in October 2021.[21] Tetrapak have noted there is a need for increased recovery of post-consumer LPB in order to feed the new plant.

59 I propose that all single-use LPB beverages are included within the proposed design of a NZ CRS for public consultation for several reasons including:

59.1 providing the means to collect greater quantities and cleaner streams[22] of LPB which are otherwise being landfilled and contaminating the kerbside recycling stream;

59.2 enabling improved recycling outcomes for LPB, through the application of an eco-modulation fee[23] on producers to reflect the cost of recycling;

[20] An eco-modulation fee could enable a number of improvements from packaging design and format shift through to covering transportation costs to ensure all glass (or any other material) is fully recycled (i.e. onshore or offshore if needed).

[21] Commissioning date is to be confirmed, pending confirmation of MIQ availability.

[22] LPB Cartons collected through a CRS are baled into their own stream and are considered cleaner and more valuable.

[23] An eco-modulation fee is in line with the 'polluter pays' principle. An additional fee is applied to targeted producers to reflect the costs of recycling a given product, even when hard to recycle.

59.3 key players support the inclusion of LPB in a NZ CRS, including producers of LPB such as Tetrapak (a large multinational producer of LPB containers);

59.4 Tetrapak is developing an onshore waste-to-building materials plant with scalable capacity, and has noted the need for increased recovery of post-consumer LPB in order to feed the new plant;

59.5 excluding LPB could have a free-rider effect and incentivise producers to switch to LPB as a cheaper packaging option.

Refillable beverage containers

60 In the context of a CRS, refillable beverage containers can also be returned for refill. However, refillable beverages are not included in approximately 66 per cent of schemes globally.

61 Reported environmental benefits of refillable beverage containers compared to single-use (and recyclable) containers include energy, emissions, water and waste savings and benefits. Refill/reuse would also be in line with the draft New Zealand Waste Strategy. However, data and analysis for refillable beverage containers in New Zealand is limited. Therefore, I propose a NZ CRS for public consultation would:

61.1 not include refillable beverage containers at this stage;

61.2 include provisions to enable refillables/reusables to be incorporated in the future.

62 Future incentives and/or reuse targets would be complementary to a NZ CRS (e.g. differential fees and/or targets for refillable bottles could be required as a percentage of beverage (or any other) container volume sold to market).

Niche beverage containers

63 Some niche beverage products may require consideration within a NZ CRS on a case-by-case basis if they contain a liquid beverage, such as wine bladders, sachets, pouches, lids and bio-based recyclable plastics.[24]

64 Pending evidence of recyclability, producers of niche products could effectively be subject to a phase out from the scheme's launch date (should a regulated scheme progress). Public consultation would draw out niche products for further consideration. Further opportunities to define and consult on container scope would exist at the regulation making stage.

Non-beverage containers

65 Non-beverage containers are proposed to be excluded from the design of a NZ CRS for public consultation. The Government has several key commitments in train to address non-beverage packaging.

Implementation

66 Implementing a NZ CRS would require system-level change. CRS Cabinet paper 3 (including a Regulatory Impact Statement (RIS) will outline project implementation

[24] For example, some Australian schemes include fermented dairy drinks; some American schemes include drinkable yogurt; and some Canadian schemes include plastic and foil pouches.

details, subject to design direction resulting from this paper and CRS Cabinet paper 2a.

Financial Implications

67 Cabinet paper 3 will outline the overall financial impacts of the proposed CRS design (for consultation purposes) and provide Cost Benefit Analysis details (updated to reflect Cabinet's preferred CRS design). It will also include a RIS.

68 If implemented, additional benefit from material recycled is NZD $97 million with or without glass, over a 30-year period.[25] The value of existing collected materials would also increase through reduced contamination and cleaner food grade 'beverage only' material.

69 A NZ CRS is anticipated to capture 69 per cent of beverage containers from refuse and recycling collections into the scheme in year one. Subsequently, kerbside collection costs alone (under the 20-cent scenario) are estimated to reduce by 20.3 million in the first year and rising to a 27 million reduction in the fifth year of the scheme.

Legislative Implications

70 Introducing a NZ CRS would likely require legislative amendments. The Ministry is progressing a substantive review of the Waste Minimisation Act 2008, with consultation expected later in 2021. This presents a timely opportunity for any legislative changes required to implement a NZ CRS. Subject to scheme design direction, the following Cabinet paper will provide further advice on legislative implications of a NZ CRS.

Impact Analysis

Regulatory Impact Statement

71 This paper seeks Cabinet direction on the proposed scope of eligible beverage containers to be included in a NZ CRS consultation document.

72 Cabinet's impact analysis requirements apply to the proposed design considerations for a CRS, but there is no accompanying RIS and the Treasury has not exempted the proposal from the impact analysis requirements. Therefore, it does not meet Cabinet's requirements for regulatory proposals.

73 The Ministry for the Environment will provide a Regulatory Impact Statement when seeking agreement from Cabinet to publicly consult on a proposed NZ CRS.

Climate Implications of Policy Assessment

74 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that CIPA requirements do not apply as there is no direct emissions impact at the consultation stage. The CIPA team at the Ministry for the Environment will

[25] The initial CBA model assumes 6% discount rate, 2.03% growth in consumption and 30-year time horizon.

work with officials developing proposals to assess the emissions impacts of policy proposals as they are advanced, as appropriate.

Population Implications

75 No Tiriti ō Waitangi implications have been identified at this stage. Noting the system-level change a NZ CRS would bring, further analysis of Treaty implications and plans to consult with relevant iwi/Māori will be included CRS Cabinet paper 3.

76 The option of a NZ CRS is unlikely to adversely impact population groups identified by the Cabinet paper guidelines.

77 A CRS network can be designed to ensure wide-ranging participation and resource recovery at the local level. There are opportunities for iwi/Māori participation within a CRS broadly, and particularly in relation to the network design and operation (refer Cabinet Paper 2a).

Human Rights

78 The option of a NZ CRS as discussed in this paper is consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Consultation

79 The Department of Conservation, Treasury, Inland Revenue Department, the Ministry of Foreign Affairs and Trade, Te Puni Kōkiri, the Ministry for Primary Industries, the Department of Internal Affairs and the Ministry of Business, Innovation and Employment have been consulted on this paper. The Department of Prime Minister and Cabinet has been informed.

80 Most stakeholders and community organisations support a scheme which has a broad scope of beverage containers including glass, and there is broad support for the inclusion of plastic, metal, and LPB in a scheme. The main opposition to a NZ CRS comes from the glass/alcohol industry, which opposes the inclusion of glass.

81 This support reflects the 2019 public consultation on proposals for priority products, which returned 97 per cent in favour of a broad scope of beverage containers including plastic, glass, metal, and LPB. This included 85 per cent support from business/industry submissions.[26] The New Zealand Association of Metal Recyclers (AMR) propose that their established recycling network be embedded within the scheme collection points of a NZ CRS.

Communications

82 Subject to Cabinet approval, following CRS Cabinet paper 3, I intend to announce policy proposals in advance of public consultation on a NZ CRS later this year or early in 2022.

[26] In 2019, the Ministry consulted on a proposal to designate six product groups as 'priority products' and publish Ministerial guidelines for product stewardship schemes. Most submitters (93%) supported the proposal.

Proactive Release

83 Consideration of proactive release of this paper will be delayed to coincide with consideration of subsequent CRS Cabinet papers, and public consultation. Release is subject to redactions under the Official Information Act 1982.

Recommendations

The Minister for the Environment recommends that the Committee:

1 Note that investigating a container return scheme for New Zealand (NZ CRS) is a Labour Party Manifesto commitment, was recommended to be implemented by the Prime Minister's Chief Science Advisor in 2019 and aligns with the New Zealand Labour Party and Green Party of Aotearoa's Cooperation Agreement;

2 Note that in August 2021, Cabinet made an in principle decision to proceed to consultation on a NZ CRS and invited the Minister for the Environment to prepare further advice on the design considerations for a NZ CRS [CAB-21-MIN-0300];

3 Note that the aim of a CRS is to increase the recovery and recycling of eligible beverage containers, reduce litter, and contribute to New Zealand's transition to a climate-resilient, sustainable, circular and low-emissions economy;

4 Note that international schemes typically include a broad scope of beverage containers and materials including plastic, glass, aluminium, and in some cases, liquid paperboard;

5 Note that the following recommendations are in principle, and subject to a Cabinet decision on whether to consult on the option of a NZ CRS. In order to implement a scheme, further public consultation would occur at the regulatory development stage;

Subject to Cabinet's agreement to consult on a CRS for New Zealand:

6 Note that I recommend a broad scope of beverage containers be included in a proposed NZ CRS for public consultation, including:

- 6.1 all single-use metal beverage containers, noting that the majority of these are aluminium;
- 6.2 all single-use plastic beverage containers (including PET, HDPE, PP and bio-based HDPE and PET);
- 6.3 all single-use glass beverage containers, noting the Ministry has identified a range of potential solutions to address the current oversupply;
- 6.4 all single-use LPB containers, noting that the application of an eco-modulation fee could help ensure LPB is successfully recycled whether in New Zealand or abroad;

7 Note that some niche beverage container products may need to be considered for inclusion on a case-by-case basis pending recyclability, and that public consultation will help identify these products;

8 Note that non-beverage containers are proposed to be excluded from the design of a NZ CRS for public consultation;

9 Note that I intend to seek feedback through public consultation on the potential role of refillable beverage containers in a NZ CRS. The proposed design of a NZ CRS for public consultation would:

9.1 not include refillable beverage containers at this stage;

9.2 include provisions to enable refillables/reusables to be incorporated in the future;

10 Note that fresh milk is considered a staple product and is excluded from most schemes overseas;

11 Note that New Zealand has relatively high recovery of fresh milk at home (through kerbside recycling), but low recovery of fresh milk in commercial channels (e.g. restaurants and cafes);

12 Note that I propose consulting on the options to exclude fresh milk from a NZ CRS and/or including fresh milk within a scheme, but without a refundable deposit in order to minimise costs for households for what is considered by many to be an essential grocery item;

13 Invite Cabinet to discuss options for excluding or including fresh milk in a draft consultation document;

14 Invite the Minister for the Environment to prepare a draft consultation document for Cabinet consideration on a proposed NZ CRS that includes any of the following options:

14.1 exclude fresh milk in all packaging types and target commercial recovery through other means;

AND/OR

14.2 include fresh milk in all packaging types with no refundable deposit on fresh milk plastic containers;

AND/OR

14.3 include fresh milk in all packaging types with an equal refundable deposit (for example, NZD 10 or 20 cents, in line with other containers);

AND/OR

14.4 include fresh milk in all packaging types at a lower deposit (for example, 10 cents, assuming all other containers are 20 cents);

15 Note that if Cabinet were to exclude fresh milk or include with no deposit, the Ministry for the Environment would need to engage with key stakeholders such as fresh milk producers and the hospitality sectors to investigate and develop further the alternative options for increasing the commercial recovery of milk bottles;

16 Note that the option of incentives and/or reuse targets would be complementary to a NZ CRS (e.g. differential fees and/or targets for refillable bottles as a percentage of beverage (or any other) container volume sold to market);

17 Note that subject to Cabinet direction, Cabinet Paper 3 will outline the proposed design for a New Zealand beverage container return scheme and seek Cabinet's agreement to consult;

18 Invite the Minister for the Environment to direct Ministry for the Environment officials to prepare a consultation document on the option of a NZ CRS, in line with Cabinet direction on proposed scope of containers outlined in this paper.

Authorised for lodgement

Hon David Parker

Minister for the Environment