

Seeking Cabinet approval to consult on a proposed container return scheme for Aotearoa New Zealand

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Security Level:	Policy and Privacy In-Confidence	MfE Priority:	Not Urgent

	Action sought:	Response by:
Hon David PARKER, Minister for the Environment	Provide feedback to officials on the draft Cabinet paper: <i>Public consultation on the option of a container return scheme for Aotearoa New Zealand</i> and draft discussion document: <i>Transforming recycling at home and on the go</i>	25 January 2021

Actions for Minister's Office Staff	Return the signed report to MfE.
Number of appendices and attachments #2	<ol style="list-style-type: none"> Draft Cabinet paper - <i>Public consultation on the option of a container return scheme for Aotearoa New Zealand</i> Table of container return scheme proposals included in the draft discussion document

Key contacts

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Key Messages

1. This briefing provides you with a draft Cabinet paper titled *Public consultation on the option of a container return scheme for Aotearoa New Zealand* and draft discussion document on the option of a container return scheme for Aotearoa New Zealand (NZ CRS) titled *Transforming recycling at home and on the go*.
2. In August Cabinet agreed in principle to progress the development of a NZ CRS and invited you to prepare further advice on the design considerations for a scheme [CAB-21-MIN-0300].
3. In September you presented two papers to the Cabinet Environment, Energy and Climate Committee (ENV) seeking direction on key design considerations within a CRS to help drive recovery of beverage containers. On 4 October Cabinet provided direction on key design considerations and invited you to prepare a draft discussion document on the option of a NZ CRS [CAB-21-MIN-0402].
4. In line with Cabinet direction, the draft discussion document (Appendix 1 of the draft Cabinet paper) proposes the following key design considerations for a NZ CRS:
 - a. a broad scope of eligible beverage containers be included in a scheme, including all single-use metal, plastic, glass and liquid paperboard (LPB) containers, but exempting fresh milk in all packaging types
 - b. a refundable deposit level of NZD 20 cents per container
 - c. a 'mixed model' return network proposing mandatory return-to-retail requirements (to some degree) to ensure convenience and accessibility while allowing for some voluntary participation of businesses, hapū/iwi, charities, community groups etc, and seeks feedback on the scope and size of retail outlets that would be required to take back containers
 - d. a 'deposit financial model' that requires beverage producers to pay the deposit and scheme fees on all beverages sold to market (regardless of whether the beverage container is returned)
 - e. a not-for-profit industry-led scheme, given the strong proposed regulatory framework outlined in points a – d above.
5. In addition, a 'scheme fee' would be used to cover the costs of managing a scheme (modelled at a net cost of NZD 2-4 cents per container). A full list of proposed design considerations for a NZ CRS can be found at Appendix 2.
6. We have undertaken further financial modelling (through PricewaterhouseCoopers (PWC)) in line with Cabinet's direction. This has included working with GS1 to update data on beverage sales and recovery for the years 2019/2020 and 2020/2021.
7. Data from GS1 shows that there has been significant growth in beverage container sales in the last two years, and recycling data from local councils and materials recovery facilities (MRFs) show a net reduction in the recovery of key materials that include beverage containers. This provides an even greater opportunity for a NZ CRS to recover a large proportion of beverage containers that are not currently being recovered.


8. We are working with Sapere Research Group to finalise an updated cost-benefit analysis (CBA), which will consider the changes in beverage sales and recovery data, and Cabinet's direction on the design.
9. Outputs from the CBA will be included in a Regulatory Impact Statement (RIS) to support the draft Cabinet paper and discussion document. We intend to provide the RIS to you in early February 2022 (along with an updated Cabinet paper and discussion document) ahead of cross-ministerial consultation, and before lodging the papers for Cabinet consideration.
10. The draft Cabinet paper also includes advice regarding the implementation and financing of a NZ CRS. Subject to Cabinet approval, given the time necessary to develop legislation and the lead in for industry once a scheme commencement date is set, it is likely a NZ CRS would not be implemented until late 2024/2025.
11. Subject to your approval we intend to lodge the Cabinet paper in mid-late February for consideration at ENV, with public consultation likely to begin in early-mid March.

Recommendations

We recommend that you:

- a. **Note** that in October 2021 Cabinet invited you to prepare a draft discussion document on the option of a container return scheme for New Zealand (NZ CRS), in line with its direction on key scheme design considerations
 - b. **Note** that in line with Cabinet direction, the draft discussion document proposes that a NZ CRS includes the following key design considerations:
 - i. broad scope of eligible containers including all single-use metal, plastic, glass and liquid paperboard (LPB) containers, but exempting fresh milk in all packaging types
 - ii. refundable deposit level of NZD 20 cents
 - iii. 'mixed-model' return network using both mandatory return-to-retail requirements for retailers (to some degree) as well as voluntary participation (eg, for the establishment of return depots)
 - iv. 'deposit financial model' that requires beverage producers to pay the deposit and scheme fees on all beverages sold to market (regardless of whether the beverage containers are returned)
 - v. a not-for-profit, industry-led scheme, given the strong proposed regulatory framework outlined in points i – iv above
 - c. **Provide** feedback on the draft Cabinet paper and discussion document by 25 January 2022
- Yes/No
- d. **Note** the draft discussion document will be edited and formatted in the new year once you have provided feedback, before being circulated for ministerial consultation
 - e. **Note** the Ministry is currently updating the NZ CRS cost-benefit analysis to inform a Regulatory Impact Statement which we will provide to you in early-February 2022.

Signature

Shaun Lewis Director - Systems Change and Investment	
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Hon David PARKER, Minister for the Environment	
Date	

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Purpose

1. This briefing provides you with a draft Cabinet paper and draft discussion document on the option of a container return scheme for New Zealand (NZ CRS):
 - a. Draft Cabinet paper – Public consultation on the option of a container return scheme for Aotearoa New Zealand (Appendix 1)
 - b. Draft discussion document - Transforming recycling at home and on the go (Appendix 1 of the draft Cabinet paper).
2. We are seeking your feedback on the draft documents, ahead of finalising them in the new year for ministerial consultation, and lodging for consideration at a Cabinet Environment, Energy and Climate Committee (ENV) meeting in late February/early March 2022 (date to be confirmed).
3. Note that the draft discussion document will also include proposals to improve kerbside recycling and separate commercial food waste for recycling. You have received a separate briefing on these proposals [BRF-963 refers], however the three proposals will be combined into a single discussion document ahead of ministerial consultation in early 2022.

Context

4. In August Cabinet agreed in principle to progress the development of a NZ CRS, subject to further advice to Cabinet on key design considerations [CAB-21-MIN-0300].
5. In September you presented two papers to ENV seeking Cabinet direction on key design considerations within a NZ CRS to help drive the recovery of beverage containers. On 4 October Cabinet provided direction on key design considerations and invited you to prepare a draft discussion on the option of a NZ CRS [CAB-21-MIN-0402].
6. In line with Cabinet direction, the draft discussion document (Appendix 1 of the draft Cabinet paper) proposes the key design considerations for a NZ CRS outlined in Table 1 below. A full list of proposed design considerations for a NZ CRS can be found at Appendix 2.

Table 1: Overview of proposed NZ CRS design

Design element	Proposal
<p><i>Scope of containers</i></p> <p>Fundamental to the design of a CRS, it determines which beverage containers will be required to carry a refundable deposit and can be returned through the scheme for recycling.</p>	<ul style="list-style-type: none"> • Broad scope of beverage containers including all single-use metal, glass, plastic, liquid paper board beverage containers • Exempt fresh milk in all packaging formats and target commercial recovery through other means¹

¹ For example, declaring fresh milk beverages in all packaging formats as a priority product, or through the review of the Waste Minimisation Act 2008 to strengthen recycling obligations for commercial entities.

<p><i>Deposit level</i></p> <p>Container return schemes use a refundable deposit to encourage consumers to return their empty drink containers for a refund.</p>	<ul style="list-style-type: none"> • NZD 20 cents +GST applied to all in scope containers
<p><i>Network design</i></p> <p>Creates a network of return points where consumers can return their used beverage containers to be recycled or reused.</p>	<ul style="list-style-type: none"> • Mixed return model using mandatory return-to-retail requirements while providing for voluntary participation by retailers and some depot operators as well
<p><i>Recovery targets</i></p> <p>Including targets in legislation can help to drive the recovery of eligible beverage containers and hold the scheme’s managing agency to account.</p>	<ul style="list-style-type: none"> • A target of 85 per cent beverage container recovery by year three of scheme implementation, and a 90 per cent recovery target by year five • If these targets are not met at either year three or five, or maintained after year five, the proposed deposit level of NZD 20 cents is reviewed, with an increase in the deposit level considered
<p><i>Scheme financial model</i></p> <p>Creates a structure for the scheme and how it manages the deposit and fees for the over 2 billion beverage containers that would be eligible to be collected through the scheme each year.</p>	<ul style="list-style-type: none"> • Deposit financial model - beverage producers pay a deposit and scheme fees on all eligible containers sold to market, regardless of whether the containers are returned through the CRS
<p><i>Scheme fee</i></p> <p>The core cost of a CRS (alongside the refundable deposit). Scheme fees flow through the system to fund the CRS including the cost of recycling a container. The scheme fees are variable costs and to some degree depend on the nature and efficiency of a scheme.</p>	<ul style="list-style-type: none"> • Financial modelling for a NZ CRS has modelled the gross scheme fee costs at NZD 8.5 cents per container • However, scheme net costs (ie, those experienced by consumers) are likely to be NZD 2-4 cents per container (+GST) • The lesser net scheme fee (NZD 2-4 cents) borne by all consumers is offset by those who choose not to return their empty beverage containers for the deposit refund. The unclaimed deposits reduce scheme costs for all eg, polluter pays principle

Scheme governance

Schemes are usually managed by an external not-for-profit organisation, appointed by the Government, for the purpose of managing and overseeing the scheme.

- Not-for-profit
- Industry-led
- Central government regulatory oversight

7. The proposed NZ CRS design would provide a strong financial incentive to encourage consumers to return beverage containers to return points that are accessible and convenient for most New Zealanders.
8. Modelling based on international schemes suggests that the design proposed above is likely to achieve return rates of at least 80 per cent (1.9 billion containers) and could target return rates of 90 per cent by year five (2.15 billion containers²).
9. A NZ CRS would complement kerbside recycling by addressing away-from-home consumption of beverages that kerbside is not able to capture. A NZ CRS is estimated to provide local government (and/or recyclers) \$50-60 million in benefits annually by:
 - reducing volumes managed at kerbside (reducing costs)
 - significantly increasing the value of beverage containers that are still recycled at kerbside (unclaimed deposit increases per container revenue)
 - reducing landfill costs (associated with both recycling and waste collections)
 - reducing contamination rates.
10. While beverage containers are currently some of the most valuable materials collected in kerbside bins, where containers are collected at kerbside (rather than returned to a CRS return point), the deposit value would more than offset the loss of beverage materials to a CRS (assuming approximately 10 per cent of containers remain).
11. Councils and recyclers would need to establish contractual arrangements to manage the new unclaimed deposit revenue from kerbside bins. Our expectation is that this revenue sharing negotiation would start with an equal share (50:50) proposition. The reality is a wide range of service models exist for kerbside, from just council to all private services, with many contractual partnership models in between. The latter being the most common scenario.

Analysis and Advice

Updated data and financial modelling

12. The initial financial modelling and cost-benefit analysis (CBA) on the option of a NZ CRS³ were based on beverage sales and container recovery data from 2018/19. While updating the financial model earlier in 2021, we identified that some of the reported

² Assumes 2024 start date, excludes fresh milk and accounting for the impact of scheme implementation on beverage container sales.

³ This modelling and CBA was undertaken by Auckland Council and Marlborough District Council as part of the CRS co-design project.

numbers were incorrect. In particular, there was an overestimation regarding the quantum of fresh milk sold. At that time, the data was recalibrated to address this, and the financial model was updated [BRF-202].

13. The Ministry has since undertaken further work in order to provide updated data for financial years 2019/20 and 2020/21 and updated the scheme financial modelling to include the new data and incorporate Cabinet's direction on key design considerations.
14. The Ministry is still finalising assumptions, which may cause numbers to shift, as a result final numbers will be presented to you and Cabinet in early 2022 as the basis for a decision to consult on the proposed scheme. However, it is important to note that strong growth in container volumes has been confirmed by some parts of the beverage industry (non-alcohol), independently of the updated data sales analysis commissioned by the Ministry.
15. The provisional beverage container sales in 2019 were approximately 2.19 billion, following adjustment for the previous fresh milk accounting error. This has risen to an estimated 2.57 billion beverages in 2020/2021 (see Table 2).
16. The latest available sales data has indicated that there has been significant growth in non-alcoholic drinks sold in aluminium cans in particular. In contrast, there has been relatively flat growth in glass beverage container sales (predominantly alcohol). Growth in non-alcohol aluminium can products in part comes from a market shift towards sales of multipacks of smaller cans. Cans have shifted from 355ml, to 330ml and multipacks of "mini" 250ml cans for non-alcoholic beverages. One likely driver for the format change is the broader market demand for reduced sugar products, another is COVID and increased consumption of beverages at home (while overall kerbside recovery is down, Aluminium and PET are up which correlates to the supply side increase).

Table 2: Beverage sales in New Zealand

Packaging type (beverage containers)	Plastic	Liquid Paperboard	Metal	Glass	Total
2018/19 Total estimated containers	514,796,074	147,352,478	547,494,360	982,100,402	2,191,743,314
2019/20 Total estimated containers	571,566,550	163,668,731	677,146,786	985,622,645	2,398,004,712
2020/21 Total estimated containers	587,488,807	167,917,125	820,138,665	994,927,186	2,570,471,784
Estimated Growth in container volume 2018/19 - 2019/20	11%	11%	24%	0%	9%
Estimated Growth in container volume 2019/20 - 2020/21	3%	3%	21%	1%	7%

17. The trend across the last three years supports commentary from the sector about significant growth and aligns with trends across the Tasman, with South Australia reporting 10.8 per cent growth from 2019/2020 to 2020/2021.
18. The latest GS1 sales data analysis which informs Table 2 above (PWC model) has used improved methods and provided more granular analysis. While improved and based on actual sales data, there are industry informed assumptions that also support the analysis and we continue to refine these assumptions. Growth patterns and market trends in container sales may shift again, but the industry is not expecting a contraction as New Zealand moves into the traffic light system. Coca-Cola, for example, has installed a new canning line at its Auckland plant due to the increase in demand for canned beverage products.
19. We have also contacted a wide range of local authorities and obtained updated data for kerbside. This includes the major centres and material recovery facilities (MRFs) and covers the 2018/2019, 2019/2020 and 2020/2021 years. Updated data shows that, on average, kerbside recovery for recycling has decreased since 2018/2019⁴. In 2018/2019 kerbside beverage materials recovery for recycling was estimated to be 40.7 per cent by weight, now they are 38 per cent by weight.

Table 3: Provisional estimated recycling rates for beverage container packaging (2020/21)⁵

Beverage container materials (2020/2021)	Weight of beverage containers sold (tonnes)	Kerbside recycling (tonnes)	Kerbside recycling (% by weight)	Estimated commercial recycling 2018/2019 (tonnes)	Estimated total recycling 2020/2021 (tonnes)	Estimated total recycling 2020/2021 (% by weight)
Glass	253,610	107,748	42%	21,577	129,325	51%
Metal (>99% aluminium)	15,611	3,712	24%	768	4,480	29%
Plastic (PET and HDPE)	34,489	6,762	20%	337	7,099	21%
LPB	8,027	-	-	-	-	0%
Total	311,736	118,222	38%	22,682	140,904	45%

⁴ This may be in part due to COVID-19.

⁵ Some commercial data was available 2018/2019. If available, updated commercial data will be provided to inform final estimates. The Glass Packaging Forum has previously confirmed commercial recovery is estimated to 15-20 per cent of total recovery for glass. Applying a +20 per cent assumption to all material types only impacts plastics, with negligible overall impact, increasing total recovery 141,919T (46 per cent).

20. Total recovery for recycling also requires an estimate of commercial recovery. In 2018/2019 commercial recovery estimates added another 22,682 tonnes to the total weight-based recovery estimate. Assuming the same tonnage for 2020/2021, and against a background of increased container sales, recovery for recycling has now dropped to an estimated 45 per cent by weight.
21. The trends for an increase in beverage sales and decrease in overall recovery mean that the gap between the number of containers in the market and the amount that is recovered has grown since initial data and modelling in 2019/2020. This presents a growing opportunity for a NZ CRS to recover a larger number of beverage containers for recycling.
22. Once finalised, the beverage sales and recovery rates will be included in the updated financial modelling (Phase 4) along with a range of updated assumptions which, in turn, flow into the CBA update.
23. The Phase 4 PWC financial modelling and CBA will be used as key inputs into the RIS which we will provide to you in January 2022.

Consultation and Collaboration

24. The Department of Conservation, Treasury, Inland Revenue, 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 the draft Cabinet paper and discussion document. The Department of Prime Minister and Cabinet has been informed.
25. The Ministry has received largely positive, albeit limited, feedback on the papers to date. We will re-circulate the updated papers to agencies after you have provided feedback, and the RIS in mid-January to ensure that agencies have had sufficient time to consider the full package ahead of Cabinet's decision in 2022 on whether to consult on the option of a NZ CRS.
26. Inland Revenue provided feedback noting its support for the proposed design, in particular the NZD 20 cent deposit level and the mixed-model return network. Inland Revenue considers that these design choices give the best results in terms of container recovery and thus make the implementation of such a large scheme worthwhile.

Risks and mitigations

27. While there is wide public and industry support for a NZ CRS, we expect opposition by some industry stakeholders in response to the proposed design for a NZ CRS (as outlined in the discussion document). This is particularly so given that the proposed design is more robust with a strengthened regulatory approach compared to the recommended design following the CRS co-design process [2021-B-07615].⁶
28. Key design considerations that some stakeholders may disagree with include the proposed deposit level (NZD 20 cents), a mixed-model for the return network that

⁶ The project team's recommendations were developed by taking into account a range of industry perspectives on the design of a CRS. The project team's proposed design was more in line with Australian schemes, which have fewer regulatory incentives to increase recovery (eg, low deposit level, voluntary return-to-retail) compared to high-performing European schemes.

includes mandatory return-to-retail requirements (to some degree) for retailers and the scheme deposit financial model.

- 29. The majority of stakeholder representatives in the CRS co-design process such as local government, consumers, NGO's, charities, youth, etc. were supportive of a strong design for a NZ CRS, so it is expected that those stakeholders who disagree with the proposals will largely be industry (beverage producers, recyclers and retailers in particular).
- 30. We will aim to help mitigate this throughout the consultation period using webinars and workshops to outline and discuss the proposals and hold one-on-one meetings with stakeholders where necessary. If Cabinet gives its approval to consult on a NZ CRS, it may also be appropriate to let some key stakeholders know the general direction of the proposals (in-confidence) shortly before the consultation is officially launched.

Legal issues

- 31. We have been working with the Ministry's legal team on the option of a NZ CRS. s 9(2)(h)

- 32. s 9(2)(h)

- 33. s 9(2)(h)

Financial, regulatory and legislative implications

Costs to implement a NZ CRS

- 34. While a CRS 'scheme fee' would be used to cover the costs of a NZ CRS, there would be initial costs to establish the scheme's managing agency and implement a scheme (including the network infrastructure required to manage the return of eligible containers).
- 35. The costs to establish the managing agency are normally funded by an industry loan. The loan is provided by the industry, often by those who desire to operate the scheme and have representation on the scheme's board. Alternatively, if the Government wished to be more prescriptive (eg, through legislating board composition requirements) and include a governing board that could not provide for the loan (small producers, recyclers, NGOs, small retailers etc) then a Crown loan could be provided for some or all of the start-up costs. The managing agency loan covers start-up costs such as staffing, legal fees, office space etc. Indicative costs of establishing the managing agency are estimated at NZD \$20 million, however the reality may see less than half of a loan drawn down.

36. Schemes based on the refund financial model also require a government loan to float the scheme's deposit refund mechanism, as beverage producers pay in arrears under this model (ie, producers pay into the scheme for containers that have been returned/after they have been redeemed by customers for the deposit). Under this model, the required loan facility could be in the order of NZD \$50-100 million to cover the first quarter of a scheme with a NZD 20 cent deposit.
37. Schemes based on the deposit financial model (proposed for a NZ CRS) do not require a government loan as beverage producers pay the deposit and scheme fees on all beverages placed on the market (ie, before they are sold). Producers are allowed to sell eligible containers in advance of the scheme's 'go-live' date (approximately three months), which ensures that producers are able to pass on costs to consumers and be in a position to recover the deposit value before they are required to pay into the scheme's managing agency when the redemption part of the scheme commences for customers.
38. The discussion document proposes that a NZ CRS uses the deposit financial model. If this model is implemented, the Government is unlikely to require a loan facility to float the scheme. This is in line with many of the best performing schemes globally (eg, European schemes).
39. Regardless of the approach to funding initial CRS costs (eg, the managing agency start-up costs or the deposit float), all costs are fully recoverable from the scheme itself. Where government loans are provided, the scheme's managing agency will usually look to (or be required to) pay the loan back quickly, within 2-3 years or less. It is proposed that the Government would also recover scheme compliance, monitoring and enforcement costs from the scheme itself.
40. As further decisions on the implementation of a NZ CRS are made, the Ministry will work with Treasury as needed.

Legislative implications

41. Depending on the design of a NZ CRS, new legislation would likely be required to implement a scheme. This is particularly the case for the design as currently proposed in the draft discussion document. Drafting of new legislation and regulations could be done in line with the current review and amendments to the Waste Minimisation Act 2008 (WMA).
42. New waste legislation could include both general and bespoke deposit return scheme provisions that set out the framework for deposit return schemes and enable schemes for specific materials to be established through regulations. Regulations could then be prepared for the specific design of the NZ CRS.
43. Subject to Cabinet approval to proceed with public consultation on the option of a NZ CRS, we intend to provide you with advice on final policy proposals in the second half of 2022 and seek final policy approval from Cabinet with a view to begin drafting legislation in late-2022. Legislation could be introduced to the House in 2023.⁷
44. Given the technical nature of a CRS design, and the importance of legislation and regulations to ensure that a NZ CRS is robust and effective, we consider it would be

⁷ This may be subject to timeframes for the review of the WMA.

important to undertake targeted consultation on an exposure draft of regulations with key stakeholders at that stage of the process. We will provide you with further advice on this after consultation, when advising on the final policy proposals (mid-late 2022). Any changes to primary legislation (eg, amendments to the WMA) would include an opportunity for stakeholder engagement during the Select Committee process.

Next Steps

45. Once you have provided feedback on the attached draft Cabinet paper and discussion document we will finalise the documents, along with a RIS, for your consideration in early February 2022.
46. Note that subject to your decisions on proposals for improving kerbside recycling and managing commercial food waste [BRF-963 refers], the draft discussion document will be updated to include proposals on a NZ CRS as well as these additional proposals.
47. We intend to lodge the Cabinet paper, the accompanying RIS and draft discussion document for consideration at ENV in late February 2022.
48. Subject to Cabinet approval to proceed with consultation, public consultation is likely to begin in mid-March and run for approximately eight weeks.
49. As the kerbside and CRS proposals are anticipated and would affect most households and consumers if implemented, we anticipate there would be strong interest in these proposals.
50. Subject to Cabinet's decision to consult on the option of a NZ CRS, we will provide you with a draft Cabinet paper on final policy proposals by mid 2022. This will take into consideration feedback from public consultation and any further analysis and modelling that may be required to support the proposed design.

Appendix 1: Draft Cabinet paper – Public consultation on the option of a container return scheme for Aotearoa New Zealand

Proactively released under the provisions of the Official Information Act 1982

Appendix 2: Table of container return scheme proposals included in the draft discussion document

Design element	Proposal
Definitions of beverage and beverage container	For the purposes of this discussion document on a NZ CRS, a beverage means a liquid substance that is intended for human consumption by drinking. An eligible beverage container refers to a vessel or casing of a beverage (regardless of whether it is sold alone or as a unit in a multipack) that is sealed in an airtight and watertight state at the point of sale.
Deposit level	We are proposing that the NZ CRS would have a NZD 20 cent refundable deposit level applied to all eligible beverage containers within the scheme.
Scheme fees	Scheme fees would be used to cover the costs of a NZ CRS. Beverage producers pay the scheme fees (including the refundable deposit) to the scheme's managing agency. The scheme fee would be set by the managing agency to take into account the costs of the scheme.
Eco-modulation of the scheme fee	It is proposed that the scheme fee would be eco-modulated to reflect the actual end of life management costs to properly recycling all beverage containers, plus the associated environmental costs. The scheme fees would be modulated based on criteria (to be developed alongside regulations, and likely linked to the waste hierarchy) which would support more sustainable and circular design.
Scope of containers	<p>The NZ CRS would be an 'all-in' scheme which targets beverage container materials that are the most frequently bought, under recovered and littered, rather than specific product types.</p> <p>All single-use beverage containers made from the following frequently bought beverage container materials:</p> <ul style="list-style-type: none"> • glass • plastic (PET, HDPE and PP only) • metal (eg aluminium cans and non-ferrous metals (eg, steel, tinplate and bi-metals)) • liquid paperboard (the only composite product proposed to be included). <p>We are also proposing to include recyclable bio-based PET and HDPE in the NZ CRS given they are compatible with our conventional recycling systems.</p>

	Beverage products that are within the scope of a NZ CRS, outlined above, would be required to be part of the NZ CRS and could be sold in the New Zealand market.
Out of scope containers	<p>Some containers and container materials are out of scope of the NZ CRS, given they do not meet the definition of eligible beverage container. These would still be able to be sold in the New Zealand market, however, they would not be able to be returned through the CRS (ie, to a CRS return point).</p> <ul style="list-style-type: none"> • Non-beverage containers • Coffee cups and single-use cups⁸.
Excluded containers	<p>All beverage containers made from materials or any combination of materials other than those that are within the scope above would be initially excluded from a NZ CRS and pending stakeholder feedback, could not be sold in the New Zealand market [BRF-202 refers]. This includes:</p> <ul style="list-style-type: none"> • Niche beverage containers (proposed to be considered on a case-by-case basis to determine recyclability) • Biodegradable plastics.
Exempt containers or products	<p>Some beverage products that fall within the scope and could be exempt from being part of the scheme. These products could still be sold in the New Zealand market but would not be able to be returned through the NZ CRS. The discussion document proposes the following exempt containers:</p> <ul style="list-style-type: none"> • Fresh milk in all packaging types (eg, in plastic, liquid paperboard, glass). • Refillable or reusable beverage containers.
Container size	The size of eligible beverage containers would be less than or equal to 3 litres in volume.
Beverage container lids	<p>Beverage containers are to be returned with their 'lids-on, for beverages that are able to have their lids attached.</p> <p>The scheme would provide alternative means to capture and recycle lids where they are not able to be returned on the beverage.</p>

⁸ A parallel work programme is underway by the Ministry to coordinate sector experts and inform a plan for single-use cups and coffee cups. This will inform possible options for phasing out cups by 2025.

<p>Return network design</p>	<p>A ‘mixed return’ model using both mandatory return-to-retail requirements (to some degree) with the opportunity for voluntary return-to-retail and depots as needed to service commercial volumes.</p> <p>The majority of return points (proposed to be supermarkets) would be established through regulations. The scheme’s managing agency would procure for and approve additional voluntary return points (eg, retail and depots).</p> <p>Feedback sought on size of retailers required to take-back eligible containers.</p>
<p>Scheme financial model</p>	<p>Deposit financial model.</p> <p>Beverage producers pay a deposit and scheme fees on <i>all eligible containers sold to market</i>, regardless of whether the containers are returned through the CRS.</p>
<p>Governance</p>	<p>An external organisation, appointed by the Government, for the purpose of managing and overseeing the scheme.</p> <p>An industry-led scheme (ie. led by retailers, beverage producers, recyclers or any such combination of industry representatives).</p> <p>Central government would play a key role in the establishment of a scheme, then moving into an oversight role.</p>
<p>Recovery targets</p>	<p>A target of 85 per cent beverage container recovery is achieved by year three of scheme implementation, and a 90 per cent recovery target is achieved by year five</p> <p>If these targets are not met at either year 3 or 5, or maintained beyond year 5, the proposed deposit level of NZD 20 cents and the structure of return points is reviewed by the regulator, with an increase in the deposit level considered.</p>