



The option of a beverage container return scheme to increase resource recovery and reduce litter in Aotearoa New Zealand

Date Submitted:	23 June 2021	Tracking #: BRF-162	
Security Level	In-confidence	MfE Priority:	Non-Urgent

	Action sought:	Response by:
To Hon David Parker, Minister for the Environment	Agree to lodge the attached Cabinet paper <i>The option of a beverage container return scheme to increase resource recovery and reduce litter in Aotearoa New Zealand</i> by 29 July for consideration at Cabinet Economic Development Committee on 4 August.	7 July 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"> Appendix 1: Overview of advice provided to date on the problem of resource recovery and litter, the role of a CRS, and alternative options Appendix 2: Draft Cabinet paper - <i>The option of a beverage container return scheme to increase resource recovery and reduce litter in Aotearoa New Zealand</i>

Key contacts

Position	Name	Cell phone	1st contact
Principal Author	Hannah Singer Jojo Woodham		
Responsible Manager	Annabelle Ellis	+64 22 009 7624	
Deputy Secretary	Sam Buckle	+64 22 034 0311	

The option of a beverage container return scheme to increase resource recovery and reduce litter in Aotearoa New Zealand

Key Messages

1. The purpose of this briefing is to provide you with a draft Cabinet paper on a container return scheme for Aotearoa New Zealand (NZ CRS).
2. On 12 May you met with officials to discuss advice to date on a NZ CRS. You directed officials to prepare advice for Cabinet on key design considerations for a NZ CRS, ahead of further advice to Cabinet on the option to implement a scheme and public consultation.
3. The draft Cabinet paper titled *The option of a beverage container return scheme to increase resource recovery and reduce litter in Aotearoa New Zealand* (Appendix 1) is the first in a suite of four papers to support Cabinet's upcoming decisions regarding the option of a NZ CRS (outlined in table 1 below).
4. The draft Cabinet paper:
 - defines the problem of beverage container recovery and litter in New Zealand
 - outlines the role of a CRS in increasing recovery and reducing litter
 - provides a brief overview of additional options that could be used alongside a CRS to address the problem.
5. We have provided you with the advice covered in this Cabinet paper in previous briefings, a high-level overview of key points can be found in Appendix 1.
6. The draft Cabinet paper does not seek decisions on a CRS but invites you as Minister for the Environment to provide further advice to Cabinet on key design considerations for a New Zealand scheme. We recommend that the paper is considered by the Cabinet Economic Development Committee (DEV) on 4 August 2021.
7. Subsequent Cabinet papers will support Cabinet decisions on:
 - key scheme design elements such as the deposit level and network convenience, and the scope of containers and materials to be included in a CRS (Cabinet papers 2a and 2b)
 - whether to proceed with public consultation on a NZ CRS (Cabinet paper 3).
8. Note that the timeline below (Table 1) shows indicative dates for upcoming advice, but that this is subject to timeframes for receiving updated financial and GIS modelling.
9. The following agencies have been consulted on the briefing and draft Cabinet paper: The Ministry of Foreign Affairs and Trade, Treasury, Department of Conservation, Treasury, Inland Revenue Department, Ministry of Business, Innovation and Employment, and the Department of Prime Minister and Cabinet. Te Puni Kōkiri, Department of Internal Affairs and the Ministry for Primary Industries have been informed.
10. The Ministry's legal and financial teams have reviewed this briefing note and the draft Cabinet paper. We will continue to work with the legal and financial teams and will seek advice from them on any further legal and financial matters.

Container Return Scheme (CRS) Cabinet Papers	Indicative Dates
<p>Cabinet Paper 1 – The option of a beverage container return scheme to increase resource recovery and reduce litter in Aotearoa New Zealand This Cabinet paper includes how a CRS could address the problem of away from home resource recovery and litter reduction.</p>	<p>To Minister - 23 June Lodge – 29 July Cabinet (DEV) – 4 August</p>
<p>Cabinet Paper 2a – Design considerations: driving recovery This Cabinet paper would seek Cabinet’s agreement on design considerations that drive the recovery of beverage containers such as the deposit level and network convenience.</p>	<p>To Minister – 15 July Lodge – 19 August Cabinet (DEV) – 25 August</p>
<p>Cabinet Paper 2b – Design considerations: scope of containers This Cabinet paper would seek Cabinet’s agreement on the scope of containers to be included in a consultation document on a NZ CRS.</p>	<p>To Minister – 15 July Lodge – 19 August Cabinet (DEV) – 25 August</p>
<p>Cabinet Paper 3 – Agreement to consult on a CRS for New Zealand This Cabinet paper would seek Cabinet’s agreement to consult on a proposed NZ CRS.</p>	<p>To Minister – 9 September Lodge – 14 October Cabinet (DEV) – 21 October</p>

Recommendations

We recommend that you:

- a. **Review** and consider the draft Cabinet paper attached to this briefing
- b. **Provide** feedback to officials regarding any changes to the draft Cabinet paper
- c. **Note** the proposed next steps, including that the intended date for Cabinet Economic Development Committee consideration of the paper is 4 August 2021
- d. **Agree** to lodge the Cabinet paper with the Cabinet Office on 29 July

Yes/No

- e. **Agree** to withhold this briefing and appendices from proactive release until final decisions have been made on the option of a Container Return Scheme for New Zealand

Yes/No

Sam Buckle Deputy Secretary Resource Efficiency and Water and Land Use Policy	
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Hon David Parker Minister for the Environment Date	
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Appendix 1: Overview of advice provided to date on the problem of resource recovery and litter, the role of a CRS, and additional options

Context

11. A container return scheme (CRS) is a recycling scheme and form of product stewardship that incentivises consumers and businesses to return beverage containers for recycling or refilling in exchange for a refundable deposit [202-B-07314].
12. In November 2019, Government approved a contribution of up to \$1,142,574 from the Waste Minimisation Fund to support Auckland and Marlborough District Councils (the Project Team) to jointly investigate and provide recommendations on a bespoke CRS design for Aotearoa New Zealand [2020-B-07314].
13. The council-led project team were supported by a Scheme Design Working Group (SDWG) and a Technical Advisory Group (TAG) made up of key industry and stakeholder representatives. The Project Team finalised its recommendations for a NZ CRS in October 2020.
14. Since then, Ministry officials have provided you with advice on a CRS including:
 - the project to date and the Project Team's recommendations
 - key design considerations for a NZ CRS (including, scope of containers, deposit level, network convenience, governance and financial models)
 - costs and benefits of a NZ CRS.
15. You have also met with a range of stakeholders, including TAG Chair Dave Brash, to discuss their views on a NZ CRS, and some alternative stakeholder proposals.
16. On 12 May you met with officials to discuss advice to date on a NZ CRS. You directed officials to prepare advice for Cabinet on key design considerations for a NZ CRS, ahead of further advice to Cabinet on public consultation.

Analysis and Advice

There is an opportunity to increase the recovery of beverage containers and reduce litter

17. Beverage containers are a significant and visible source of litter in Aotearoa New Zealand, constituting 66 per cent of recognisable branded litter [2021-B-07928, Appendix 1 refers].
18. Of the 2.36 billion beverage containers sold in 2019, it is estimated that, at most, 58 per cent¹ are recovered for recycling, leaving approximately 992 million containers that are stockpiled, littered, or landfilled annually in Aotearoa New Zealand.

¹ The estimated range is 47 to 58 per cent.

19. Overall, beverage container recovery rates (particularly away-from-home²) are low compared to many other countries with a CRS.

CRS used globally as a response to low resource recovery and litter associated with beverage containers

20. A CRS enacts the 'polluter pays' principle by placing greater onus on the supply chain (manufacturers, retailers and consumers) to take responsibility for container litter. This primarily shifts responsibility from rate payers (via local councils) to those responsible for the material.
21. There are now 46 schemes operational globally with an additional 8 schemes to be established by 2023. In Australia, all states either now have a CRS, or have recently made the decision to implement one (by 2023).
22. Globally, schemes vary in terms key design considerations (eg, scope of containers, deposit level, and network convenience). However, all schemes are based on the simple principle of introducing a financial incentive (the deposit) to encourage consumers to return their beverage containers for a refund (which is key to achieving higher recovery rates and litter reduction).
23. The success of a CRS (ie, high scheme participation and container recovery rates) hinges upon several interconnected key design considerations [2021-B-07754], including the:
- deposit level
 - scheme financial model (eg, deposit model or refund model)
 - convenience and accessibility of the network (including, for instance, whether there are mandatory take-back requirements for retailers, and how the network is established)
 - strength of incentives to achieve scheme targets
 - considerations for governing, managing and implementing the scheme.

For example, most European schemes achieve container recovery rates of over 90 per cent. These schemes generally have high deposit rates and mandatory requirements for retailers to 'take back' beverage containers.

A NZ CRS could increase recovery of away-from-home beverage containers and reduce litter

24. Auckland and Marlborough District Councils led a co-design process for a bespoke CRS for New Zealand [2021-B-07314]. As part of the project, Sapere Limited were contracted to undertake a cost benefit analysis (CBA) of their recommended CRS design [B-2021-07928, Appendix 2].
25. The CBA models benefits and costs accounted through a 30 year period, and models two scenarios (CRS including and excluding glass containers). The CBA was independently reviewed by New Zealand Institute of Economic Research (NZIER and formally reviewed by Sense Partners.
26. The literature review to support the CBA suggests that litter reduction due to scheme implementation produces on average 61 per cent less container litter. In the Aotearoa New Zealand context, this would equate to a 14.4 per cent reduction in all litter. Notably, beverage

² 'Away-from-home' refers to beverage containers consumed and/or disposed of outside of the household, ie, in public places and via businesses. In Aotearoa New Zealand, nearly half of all beverage containers are consumed and disposed of away from home.

containers are a highly visible form of litter and while stadium effect³ was not factored into the CBA, an overall decrease in litter of 47 per cent is likely [2021-B-07928, Appendix 1].

27. Depending on design choices (eg, the deposit level, network convenience, and targets and incentives to achieve return rates), a NZ CRS could see an increase in beverage container recovery rates from 47-58 per cent to 80-85 per cent (or more) resulting in the total recovery and recycling of an estimated 1.9-2 billion beverage containers annually.
28. A NZ CRS could reduce greenhouse gas emissions to the value of \$38.5 million over 30 years, through increased recycling and reduced volumes going to landfill⁴. A refillables system would further reduce emissions.
29. Further advice on costs and benefits of a NZ CRS where they relate to specific key design considerations will be provided in upcoming papers. Where appropriate this may include updated figures in response to additional scenario modelling.

Additional policy options would not be used as an alternative to a CRS but could be complementary

30. Officials have previously provided you with advice on additional policy options that could be used to increase away-from-home resource recovery and reduce litter [2021-B-07928]. In isolation, these options are limited in their impact when compared to a CRS. However, a robust approach to encourage new behaviours relating to resource recovery and litter could include a mix of components such as:
 - law change, regulations, and bylaws
 - enabling infrastructure
 - public education and information.
31. The options outlined below (some of which are already being progressed by the Ministry) could be considered alternative options to a CRS. However, given their limitations when used in isolation they would work best as additional or complementary options to a CRS.

Amending the New Zealand Litter Act 1979 (the Litter Act)

32. The Litter Act has not been substantively amended since its enactment in 1979. The Ministry is currently reviewing the Litter Act as part of its broader waste legislation review process. The review will investigate opportunities for a diverse and best practice array of regulatory tools to manage litter and waste more broadly [2021-B-07701].
33. New legislation is necessary to address the whole spectrum of low level and more frequent illegal waste disposal (eg, cigarette butts and beverage containers), and less frequent and higher magnitude illegal disposal (eg, fly tipping to avoid disposal costs) [2021-B-07928, Appendix 1].
34. To improve beverage container litter outcomes, new legislation could include:
 - more explicit duties for appropriate waste disposal
 - stronger offences

³ In the litter context, the 'stadium effect' happens when people see litter and feel licensed to litter themselves. Less littering of one type of litter can lead to less littering overall.

⁴ Most of the benefit is from increased recycling tonnage replacing virgin material in production (32,000 tonnes of CO₂).

- a wider range of enforcement options
 - clearer responsibilities for monitoring and enforcement
 - regular reporting and a provision for litter data collection.
35. Low level, more frequent and widely distributed illegal disposal activities (such as littering cigarette butts and beverage containers) are costly and difficult to monitor, enforce, and prosecute.
36. Even if the above improvements were implemented, this is unlikely to prevent beverage container litter offences from occurring, nor would it directly improve resource recovery outcomes. Reducing litter and improving recovery requires a broader system change that instead promotes, enables and incentivises appropriate disposal.

Increasing infrastructure and accessibility of public place recycling (PPR)

37. PPR refers to recycling infrastructure provided in public places. PPR aims to increase the recovery and recycling of packaging materials from food and beverages consumed in public places [2021-B-07928, Appendix 1].
38. The per-tonne servicing and operational costs for PPR are far greater than that of materials collected through kerbside recycling services. Feedback from councils suggests that the waste diversion benefits that are derived from PPR generally do not outweigh the cost to councils for providing the service.
39. For example, we understand that in Wellington City, the yearly cost of servicing its nine PPR bins compared to tonnes of recycling diverted from landfill is approximately \$10,250/tonne (glass and co-mingled combined). In comparison, the cost to divert recycling through its kerbside collection is around \$600/tonne.
40. In its 2011 review of waste management costs, Auckland Council found that the diversion cost of material in PPR bins at the time was \$2,300/tonne, compared to \$145/tonne at the time for kerbside recycling.

Regulated enforcement of commercial recycling under the Waste Minimisation Act 2008 (WMA)

41. Commercial recycling from small businesses and larger commercial activities, includes multi-unit developments and apartment complexes (typically not serviced by kerbside recycling collections) [2021-B-07928, Appendix 1].
42. Collections from commercial activities can be undertaken via a direct contract between private parties, and where permitted or available, via council contracted kerbside collections. Councils with developed central business districts such as Auckland and Wellington have a bespoke 'CBD kerbside' service for commercial activities.
43. Where council kerbside services are used, the materials are generally presented at kerbside and on public land. Commercial collections from within a commercial building or other private property are contracted private and managed outside of council collections.
44. Existing bylaw controls can be used to improve recycling outcomes for some commercial recycling activities. Depending on how it is enacted, regulated enforcement of away-from-home recycling activities (including commercial recycling) could help to increase the recovery of beverage containers and other recyclables.
45. The level of impact of this option is likely limited when considered in isolation, as compliance and enforcement is costly, and therefore would ideally only be required for a small (or no) proportion of any given regulated community (i.e. because ideal behaviour is otherwise incentivised).

Applying a product stewardship fee under the WMA

46. A product stewardship fee (PSF, also referred to as an 'advanced disposal fee') is a fee applied to materials or products to fund the product's end-of-life waste management costs.
47. A PSF could be used to fund the full costs of different beverage packaging formats being successfully recycled, or at a minimum beneficially reused. The functions of a PSF under existing legislation are limited⁵, but could enable a number of different options including:
- declaration of a priority product and an industry-led product stewardship scheme
 - do not declare a priority product, apply a recycling fee to packaging, applicable to a particular class of persons (eg, producers) to recover costs of particular functions (eg, recycling) in relation to these products.
48. Under the existing legislation there are limitations to what the fees can be used for and how they are set including:
- Government sets the fee quantum (not the accredited Product Stewardship Organisation) and this would likely be no more frequent than an annual basis
 - to change fees would require a process to amend secondary legislation
 - a fee must be directly calculated from the cost of providing a service (ie, not be a tax/levy)
 - flexibility for fees to be market driven in real time (such as monthly or quarterly adjustments) is outside of the scope of the current WMA.
49. The Glass Packaging Forum proposed an alternative scheme using a PSF for glass packaging [2021-B-07757]⁶. § 9(2)(h)
50. While a PSF may help shift costs and could be complementary to, or embedded within, a CRS as a part of a wider fee structure, a PSF would not directly incentivise new recycling behaviours or reduce littering.

Consultation and Collaboration

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

Financial, regulatory and legislative implications

52. Detailed financial implications associated with a NZ CRS require decisions regarding key scheme design considerations.

⁵ For example, under the current WMA, a PSF cannot be changed without requiring a secondary legislation amendment.

⁶ The GPF's submitted a scheme proposal as an alternative to a 'glass-in' CRS. The GPF proposed all glass containers (beverage and non-beverage) be declared a priority product and its existing voluntary product stewardship scheme become a regulated scheme.

53. Broadly, the scheme's financial costs include, but are not limited to:

- the deposit level and scheme fees⁷
- enabling scheme infrastructure including the network
- monitoring and fraud-prevention.

54. Beverage producers are required to front either the entire or partial deposit fee per container as they are sold into the market (eg, deposit model or refund model) [2021-B-07754, Appendix 1 refers]. While the costs are often passed onto consumers, there would be significant initial up-front costs for industry in the establishment of a CRS which is why sufficient lead in time is important. Small producers are likely to be more sensitive to this initial cost, while noting there are also many small producers who support a comprehensive scheme.

55. There is an opportunity to consider leveraging additional funding made available through the Waste Disposal Levy to support the initial implementation costs associated with establishing a CRS.

56. Depending on the design of a NZ CRS, new legislation is likely to be required. This could be achieved through the work to review the WMA, or through the development of standalone legislation.

57. Officials will provide further advice on financial and legislative implications in upcoming Cabinet papers on key design considerations for a NZ CRS.

58. Upcoming CRS Cabinet papers 2a and 2b will include further analysis on financial implications on the public, councils and industry, where relevant to each paper. CRS Cabinet paper 3 will require Treasury's review of financial implications and include a Regulatory Impact Analysis on the design options for consultation.

Next Steps

59. Subsequent Cabinet papers will support Cabinet decisions on:

- key scheme design elements such as the deposit level and network convenience, and the scope of containers and materials to be included in a CRS (Cabinet papers 2a and 2b)
- whether to proceed with public consultation on a NZ CRS (Cabinet paper 3).

⁷ The scheme fee refers to the handling fees paid to container return facilities and processors as well as the administrative costs incurred by the Managing Agency to operate and maintain the performance of the scheme.

Appendix 1: Draft Cabinet paper – The option of a beverage container return to increase resource recovery and reduce litter in Aotearoa New Zealand

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