

The Association of Deposit and Return Systems

In 2022 the Association of Deposit and Return Systems (the Association) for beverage packaging was founded to strengthen the collaboration between operators of national Deposit and Return Systems (DRS) in Europe, to share know-how, exchange experiences, implement projects of common interest and to raise awareness of DRS among stakeholders. Furthermore, the aim is to follow and discuss the new DRS framework, and to ensure access to accurate and updated information about the individual systems on a common website.

The Association represents 13 national DRS-operators in Europe who strive to ensure high collection rates and to maintain the food grade quality of the packaging through closed-loop recycling.

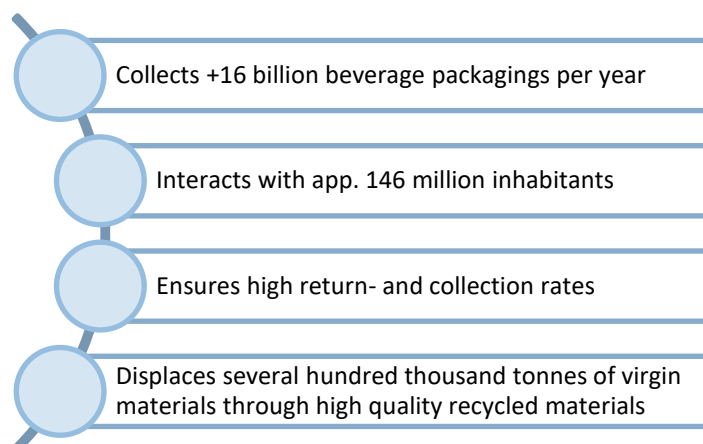
Contributes to a circular economy

Despite small differences in operating years and organizational setup, all members strongly contribute to the European Green Deal and the transition to circular economy in Europe by:

- ◆ Preventing litter
- ◆ Being important market suppliers of recycled materials in food grade quality and reducing the need for virgin materials
- ◆ Being examples of efficient systems within a circular economy
- ◆ Contributing towards the achievement of the environmental and climate goals of the European Green Deal

Facts and figures

The members of the Association are operating in Denmark, Estonia, Finland, Germany, Iceland, Latvia, Lithuania, Malta, the Netherlands, Norway, Scotland, Slovakia and Sweden.



Position Paper - Packaging and Packaging Waste Regulation

The Association of Deposit and Return Systems welcomes the proposal for a Regulation of the European Parliament and of the Council on packaging and packaging waste, amending Regulation (EU) 2019/1020 and Directive (EU) 2019/904, and repealing Directive 94/62/EC (PPWR). The Association believes that the PPWR contains several positive elements with the ability to support the transition to a circular economy in Europe. In particular, the Association supports the clear recognition of Deposit and Return Systems as key players in terms of ensuring sustainable material loops.

Some of the proposed regulations however seem contradictory to the purpose of a green transition and counterintuitive to the operation of current DRS. The Association therefore deems it crucial that further modification of the PPWR is ensured and further research on its impact will be conducted before the final adoption.

Executive Summary

The Association acknowledges that the establishment of DRS, design for reuse and recycling and guiding of the consumers are among the valuable themes in the proposed regulation. It is however crucial to adjust the following elements since they can undermine the environmental ambitions and destroy the foundation of well-functioning DRS:

- 1) **Reuse target for beverage packaging must not counteract with DRS-obligations**, therefore the proposed reuse target for the specific beverage products must either be completely removed, lowered or equal to other consumer product categories.
- 2) **Harmonized labels should support and not confuse the consumers**, therefore it should be voluntarily and up to the member state to decide if and how a harmonized deposit label can be implemented.
- 3) **Flexibility in product and packaging materials should be maintained** to support national differences.
- 4) **Flexibility in deposit and sales taxes** should be maintained to support national differences.
- 5) **There should be no fixed share of turnover** for communication activities since the need for such activities differs among the DRS-members. Therefore, this should not be a measurable requirement.

The input to the proposed regulation is further highlighted below and the Association would of course be happy to elaborate further on each topic in relation to the further process of the regulation.



1) Reuse targets (article 26 PPWR)

DRS-operators in Europe ensure that beverage packaging is among the best performing packaging categories when it comes to reuse and recycling with positive environmental benefits. A mandatory establishment of DRS in each member state therefore seems obvious and essential for the transitioning towards a circular economy.

Unfortunately, lack of a holistic approach in the current draft regulation entails that the proposed reuse target for specific beverage packaging is directly contradictory to the DRS-obligations:

- ◇ According to article 44 (1) PPWR Member states are obliged to launch DRS for single use plastic beverage bottles and single use metal beverage containers by 2029, if collection rates of 90 percent for the packaging categories are not achieved through existing collecting systems. The establishment of DRS for recyclable beverage packaging in member states will support and strengthen the existing closed 'bottle to bottle' and 'can to can' loop within EU, which is why the Association strongly supports the obligation.
- ◇ However, the mandatory reuse targets (article 26) for the same type of beverage packaging will undermine the required DRS set-up and put an unreasonable financial burden on the producers as well as affecting existing and well-functioning sustainable material loops. Today refillable, and single-use packaging typically coexist within the scope of DRS and the flexibility is an essential prerequisite to breweries' and importers' existence on small and medium sized markets. This flexibility with positive market influence would thus be negatively affected by mandatory reuse targets. Finally, the reuse targets may even undermine the well-established environmental recycling loop for aluminum cans resulting in distortion of competition between different packaging materials.

The beverage packaging included in DRS are already among the best performing packaging categories (in terms of collecting rates and high-quality recycling) as well as the strictest environmental regulated product categories today. DRS that already performs when it comes to recycling should therefore be exempted from re-us targets, as it will undermine the principles for deposit and return systems.

Therefore, to secure the well function and sustainable DRS-material loop for reusable and recyclable packaging, the Association calls on a revision of the proposed reuse target for the specific beverage packaging that should not be set when the system can prove high return rates and recycling. Alternatively, the target should be lower or equal to other consumer product categories.

2) Labeling (articles 4 and 11 PPWR)

Product labels serve as useful guides for the consumers when it comes to the purchasing and waste management situation. Deposit labels are important to the operation of DRS in terms of deposit refund, control, safety, and consumer awareness. Therefore, it is understandable that the draft regulation promotes labeling as an important tool.

However there seem to be some inconsistencies and unclarity in the proposed regulation in relation to a harmonized label for packaging subject to DRS as well as to the general waste management guide:

- ◇ In principle a harmonized deposit label within the EU could provide the consumer with easy information concerning DRS. However, DRS in numerous member states already use national labeling systems upon which the deposit is registered and refunded, which also involve a high level of security and consumer awareness. A harmonized label would not necessarily support the existing labels and security systems and comprehensive adjustments will be costly and can not necessarily replace the national label and the security against fraud. Existing deposit labels in effective DRS already ensure the objective intended with the harmonized label.

For that reason, it should be voluntary and up to the member state to decide if and how a harmonized deposit label can be implemented.

- ◇ Harmonized waste sorting guidance on the packaging seems to be an obligation for all packaging to support the waste sorting. If the guidance is mandatory for packaging included in a DRS-system, it will lead to confusion and lack of engagement among the consumers and potentially to lower return rates for deposit labeled products. This can have a negative environmental impact since beverage packaging sorted as mixed plastic or metal tends to result in higher material losses and lower recycling quality compared to the handling through DRS

To avoid consumer confusion and thereby support and maintain the high return rates, packaging included in DRS should be excluded from the harmonized waste sorting guidance symbols.

3) Packaging restrictions and design for recycling (articles 6 and 44 PPWR)

The transition to a circular economy requires well designed products. The Association, therefore acknowledges that packaging must be designed for reuse or recycling by 2030.

The awareness of design as an important element of the 'packaging footprint' has for many years been high on the agenda among DRS-operators and producers of packaging within the scope of DRS. Most of the packaging can therefore easily be reused or recycled in a closed loop.

- ◇ However, the path to the 'design for recycling and circular economy' varies slightly among DRS-operators in terms of eco-modulated fees, design requirements and package restrictions.
- ◇ Furthermore, the scope of the DRS varies in relation to which products and packaging materials are included in the system.

The differences reflect that the design for circular economy can be achieved in different ways without compromising the ability of ensuring high quality in reuse and recycling of beverage packaging.

The Association therefore recommends that the packaging and packaging waste regulation maintains and supports the national flexibilities regarding the product and packaging scope of DRS.

4) Deposit and sales taxes (article 44, Annex X PPWR)

In the draft regulation it is stated that deposits should be exempted from sales taxes. It is however unclear what sales taxes entails:

- ◇ It should be clarified how sales taxes are defined.
- ◇ Further it should be taken into consideration that regulations regarding taxes on packaging and regulations regarding VAT on deposits differs among existing DRS. This flexibility must be maintained as harmonization can have costly impacts on existing DRS-operators.

The regulation should focus on creating well performing DRS with high return rates and closed loop recycling, which is not determined by a fixed regulation on taxes and/or VAT. The Association therefore calls for the packaging and packaging waste regulation to maintain and support the national flexibilities regarding deposit and sales taxes.

5) Information activities (article 44, annex X)

Creating consumer awareness is very important to obtain an accurate environmental behavior. Campaigns and other kind of communication activities targeting different stakeholders are therefore an ongoing focus to the DRS-members which the high return rates also reflects.

- ◇ However it seems disproportionate to impose an obligation on DRS to dedicate a fixed share of their yearly turnover to communication activities, given that the need for such activities differs among existing DRS members. DRS that have been operating for many years tends to have higher return rates than newly established DRS and they might therefore not require the same level of campaign and communication activities to obtain the same or even higher return rates.
- ◇ Furthermore, such activities might already be required and secured by the national authority and thus the proposal contributes to double regulation.

Overall, the Association supports the focus on consumer awareness and the important value of communication and campaign activities, but these activities should not be the goal in itself. Therefore, the Association strongly recommends that the fixed share of the turnover for such activities should be deleted.

Final remarks

As concluded above, the industry of beverages is already among the best performing packaging categories when it comes to reuse and recycling with positive environmental impact. The industry is heavily regulated from both the EU and nationally and has proven, that DRS are key players in many member states' transition to circular economy with closed loop recycling. This is also reflected in the draft regulation's requirements to the establishment of mandatory DRS.

The Association therefore expects that the above input will be considered and implemented in a revision of the draft regulation, so DRS continue to be valuable and efficient key players in the green transition.

For further information please contact the Association at: info@drs-association.com