

The Future for Producer Responsibility for Packaging in the UK

Executive Summary

The Collection and Packaging Reforms are a once-in-a-generation opportunity to transform the ways in which packaging and packaging waste are viewed, handled and valued in the UK.

If correctly designed, effectively implemented and appropriately timed, the **reforms can complement the value chain's significant appetite to maximise the volume and quality of packaging being recycled in the UK, enhance resource circularity and contribute to the realisation of the country's net zero ambitions.**

Whilst much of Defra's current focus is on the delivery of Extended Producer Responsibility (EPR) to see producers become more liable for the cost of managing their packaging at end of life across the next three years, it is equally important to consider how this period of regulatory change can be utilised to enhance the UK's Packaging Waste Recycling Note (PRN) system, which is being maintained for the foreseeable future.

This paper highlights a number of potential enhancements that would build upon the positive steps taken by Defra to date and ensure the PRN mechanism remains efficient and effective, incentivising packaging recycling whilst delivering value for money and being sufficiently transparent for stakeholders concerned.

The enhancements considered within this paper should be pursued irrespective of whether the implementation of the wider EPR reforms are pursued as planned in October 2025, or delayed further. Enhancements outlined include;

- Significantly increased fines for late registering producers to encourage timely declarations;
- Regulatory provisions to introduce a compliance fee if necessary, to minimise unnecessary variation in PRN prices;
- UK-based recycling targets to encourage domestic reprocessing activity and investment;
- Establishing a funding stream for the delivery of communications well ahead of the introduction of Simpler Recycling.

The Packaging Waste Recycling Note (PRN) System

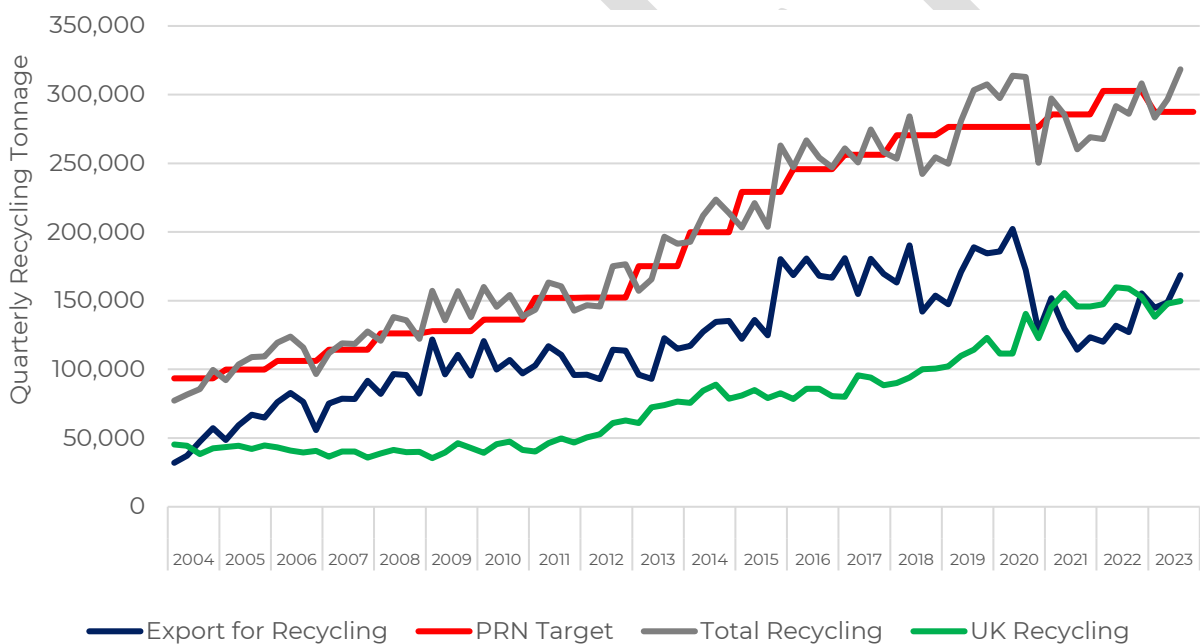
Since its inception in 1997, the UK's producer responsibility regime for packaging waste has been based on the operation of the PRN system.

PRNs certify that the recycling, or export for recycling, of UK-sourced packaging waste has occurred. There are around 6,500 registered packaging producers in the UK obligated to fulfil a 'recycling obligation'; a tonnage of packaging, proportional to that which they've helped place on the UK market, for which they must acquire recovery evidence for within a given calendar year.

PRNs are a **market-driven mechanism**. Producers must them to acquire them to fulfil their recycling obligations. As a result, their value is determined by the interaction of producers' demand and their supply by accredited recyclers and exporters.

Such variability means the revenue incentive available to accredited operators to process UK packaging waste can increase when required, pulling collected packaging waste that was previously uneconomical to recycle through the waste management system to ensure national targets are met. Equally, when demand is low the price of evidence can fall, helping to ensure that producers comply with their obligations to contribute to packaging waste recycling at the **minimum necessary cost**.

The PRN's ability to incentivise reprocessing when required has meant producers obligated in the UK have never failed to meet the gradually increasing packaging recycling targets set by the Government each year, which in tandem have helped deliver steady growth in the recycling of UK packaging waste from [31% in 1998 to 64% by 2017](#), exceeding the EU's 55% target. The mechanism has also provided operators an **additional revenue stream** which encourages expansions in packaging recycling infrastructure capacity, as evidenced in relation to plastic packaging recycling rates below.



Plastic packaging waste handled via the UK's PRN/PERN system each quarter since the inception of plastic packaging waste recycling targets in 2004.

Opportunities to enhance the PRN System amid EPR Reforms

For the last five years, Defra have been consulting with industry on introducing Extended Producer Responsibility (EPR) to the UK's packaging producer responsibility regime.

EPR will primarily see packaging producers' responsibility extended to cover the full net costs of household packaging waste collections, at an expected cost of at least £1.5bn a year. In combination with the Plastic Packaging Tax, Deposit Return Schemes (DRS) for drinks containers and Simpler Recycling for England, the UK's packaging and packaging waste management sectors are set to undergo multi-billion-pound transformations.

Amid the implementation of the EPR reforms, the PRN system will remain in operation. As a result, whilst many stakeholders acknowledge that the PRN system has operated as initially designed for over a quarter century, they, particularly producers, believe **the mechanism could benefit from enhancements and it must be considered Defra's current review and reform process could accommodate those reforms** to ensure the mechanism continues to operate effectively and represent value for money for producers should it remain for the foreseeable future.

Defra has acknowledged producer's appetite for PRN reform, holding a consultation on potential amendments to the PRN system in Spring 2022. Some of the measures consulted upon are set to be implemented from 2025, including new PRN revenue usage reporting requirements by reprocessors and exporters, as well as the increased approval criteria for operators within the PRN system. These measures will increase confidence in the standards of those operators and will help to identify in greater detail where and how producers' contributions – which have reached record levels in recent years - are used.

However, there are further **ongoing concerns regarding whether notable recent variations in PRN contributions could be minimised and a lack of emphasis on domestic reprocessing activity, which Defra have not chosen to address to date, despite having consulted upon and received majority support from respondents** on a handful of related measures aimed at addressing such concerns.

This is a missed opportunity. Further evolution and enhancement will ensure that the PRN system operates effectively alongside EPR to resolve producers' concerns and deliver good value for money. Moreover, given the PRN system is largely distinct from the incoming EPR reforms, the following **enhancements should be pursued irrespective of whether the implementation of EPR is pursued as planned in October 2025, or delayed further.**

1. Significantly Increased Fines for Producers that are Late Registrants

Under current 2007 Regulations, packaging producers must declare the volumes and materials of packaging they helped to place on the UK market across the previous calendar year to the environmental Agencies by April. The Agencies then aggregate and anonymise this data to publish the total packaging recycling obligation of all obligated producers in the UK, typically in May each year.

If producers miss the April declaration deadline, they are only considered to be non-compliant with their declaration obligation at end of the calendar year. There is a fee payable to regulators if a producer does not submit their declaration by April, however the **late registration fee is currently in legislation is a flat fee set at only £110 per producer.**

The implications of late data submissions can be significant and they can carry the potential [to cause price fluctuations in the PRN market](#). This is because such data cannot be included in the published national obligation in May, meaning that national obligation is not

yet a true reflection of how many PRNs need to be acquired for all producers to comply. As a result, increases in the observable national demand for PRNs when late registrants' obligations are added to the published national figures can cause their price to fluctuate unnecessarily.

Whilst there are numerous ways to mitigate the impacts of late registrations, for example by including provisional data within the published national obligation in May, it is clear that at minimum, **the fines applied to those that do not meet the April declaration deadlines need to increase significantly**. One proposal which seems appropriate is for a system of **scaled fees depending on the lateness of a submission be pursued as a matter of urgency**. To ensure these penalties are proportional to the packaging producer in question, these **fees should be proportional to the size of a producer's PRN recycling obligation**.

2. A Packaging Compliance Fee

Of the price moderation measures previously consulted upon by Defra, **the introduction of regulatory provisions to operate a compliance fee where necessary would likely prove most effective at addressing unnecessary volatility in PRN prices** – a concept which received 58% agreement from respondents to the 2022 consultation.

This would involve enabling, in certain carefully controlled circumstances only, a mechanism whereby producers to pay a fee to comply with the Regulations having to resort to undertaking civil sanctions or criminal prosecutions, processes which are costly and lengthy for themselves and regulators.

The presence of provisions to introduce a compliance fee within the Regulations would also play an incredibly important role in **minimising and relieving the system of unnecessary short-term spikes in evidence prices** due to unexpected circumstances, and the restrict the ability of operators to charge producers or their compliance schemes exorbitant prices for evidence.

Should provisions for a compliance fee be incorporated into the Regulations, **actual compliance fee rates should not be prescribed in the Regulations**. Rates payable should be calculated via a methodology approved by the relevant authorities each year a fee is utilised and vary by material to account for the actual costs of acquiring evidence and any other relevant circumstances for the compliance year in question.

Moreover, whilst being a lawful method of compliance, the Regulations should include reference to the fees payable having **to be punitive enough to encourage producers to comply as fully as possible with their recycling obligations via PRN acquisition**. As an example, the Regulations or associated guidance could require fees to be **set in the 90th percentile of actual reported evidence costs - on a material-specific basis**; with cost data handled confidentially by an impartial fee administrator. This principle would mitigate

against the likelihood for packaging recycling rates to be negatively impacted as a result this much needed mechanism.

Lastly, should a compliance fee be operated, the **fees raised by the mechanism could be used to establish a strategic investment fund**, which if subjected to similar dispersal criteria and management governance as the funds managed by Material Focus in respect of the UK's WEEE compliance fee mechanism, could be used to provide much-needed funding to recycling infrastructure projects or innovative collection or sorting services for example, addressing concerns that the current civil sanctions process sees non-compliant producers fund charitable causes potentially not linked to packaging recycling.

Further PRN price moderation measures, including provisions to allow for the “carry back” of PRN evidence in January to meet previous year obligations – another measure which received majority support during the 2022 consultation - could also assist in moderating the fluctuations in evidence costs that can be observed as a result of the time-bound nature of the UK's packaging producer responsibility system.

3. Utilising the PRN System to promote UK Resource Circularity

Minimising the risk of UK-sourced waste being mismanaged in overseas territories is a long-term objective of the resources & waste sector. Whilst recently introduced measures including further controls on the export of UK waste are welcome, **dealing with packaging waste within the UK's own borders is a strategic ambition for the value chain and should be encouraged by the government looking forward.**

The **PRN system has consistently demonstrated its ability to drive increased packaging recycling performance so that statutory targets are met**, and this target-setting regime could be utilised to specifically encourage domestic reprocessing through the implementation of UK-based recycling targets for certain materials into the PRN system; a concept that has been previously proposed by industry, but not taken forward by Defra to date.

Such additional targets could operate in a manner similar to the current glass remelt target currently in place to **require a minimum proportion of producers' recycling obligation to be met through purchasing PRNs instead of their export equivalent PERNs**. Coupled with measures to increase the scrutiny applied to packaging export operations, this intervention would prove highly effective in attaining and maintaining steady growth in domestic reprocessing activity and **ensure the revenue support provided by the PRN mechanism is channelled towards supporting investments in UK recycling capacity.**

UK-based recycling targets could be expressed in the Regulations as “the recycling target is X%, of which at least Y% must be met through the acquisition of UK-sourced PRNs”, with both X and Y gradually increasing over time. As an example, such targets could be set to encourage a continuation of 2% annual growth in the degree the UK's plastic recycling

obligation is met through UK-sourced recycling evidence; a trend that is unlikely to be observed in 2023, as shown below.

	Plastic Recycling Target	Proportion of PRNs vs. PERNs
2017	51%	34.3%
2018	53%	37.2%
2019	55%	39.4%
2020	57%	41.4%
2021	59%	50.8%
2022	61%	53.7%
2023	61%	48.6% (year-to-date)

The extent to which UK-sourced PRNs are used to meet plastic packaging recycling targets. 2023 statistics correct up to Q3. Source: National Packaging Waste Database.

Transitioning to EPR – Packaging Reform Communications Fund

The role of both household and business consumers in achieving a more circular economy for packaging in the UK cannot be understated. Their participation will be crucial in ensuring greater yields of recyclable packaging waste arise at recycling facilities as opposed to within residual waste or the natural environment.

That said, their willing participation in a reformed recycling system from day one cannot be taken for granted and the success of the reforms should not be judged only on whether the behaviours of those that already reduce, reuse and recycle are amplified to their maximum potential, but also on whether those that do not participate in the system currently fundamentally alter their behaviours.

As a result, **introducing nationally consistent communications on the impacts of the packaging reforms for consumers and businesses well ahead of their introduction should be non-negotiable** and pursued for delivery ahead of Simpler Recycling, mandatory recyclability labelling, cup takeback and other aspects of the reform package. For example, five years of national communications campaigns were undertaken in order for the digital switchover of television to be successfully delivered.

There are a range of options for securing additional funding from producers to establish a communications fund sufficient to establish a small employee base and value chain-derived advisory board to coordinate the delivery of communications, including:

- Requiring additional fees from large producers (above £2m/50t thresholds)
 - Requiring additional fees from all obligated producers (above £1m/25t thresholds)
 - Requiring a fee be paid by all businesses handling at least 1 tonne of packaging (effectively removing the existing de minimis thresholds)
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