

The Future of the Packaging Waste Recovery Note within the UK's Packaging Producer Responsibility System

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Executive Summary

The Collection and Packaging Reforms represent a unique 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 desire to maximise the volume and quality of packaging being recycled in the UK, increase resource circularity, drive minimisation and redesign and contribute to the realisation of the country's net zero ambitions.**

Whilst much of Defra's focus is rightly on the delivery of Extended Producer Responsibility (EPR) to primarily obligate producers for the costs of collecting household packaging waste, it's also important to consider how the UK's Packaging Waste Recycling Note (PRN) system can be improved amid this period of significant regulatory change. Defra announced that the PRN system would be retained at least until it had completed a review of the implementation of EPR which it expected to conduct in 2026/27. Since then, however, a delay of one year has been announced to the implementation of EPR, and many expect that this could be extended further. In any event, it is likely to be some time after the Government review before any new or revised system is developed and implemented. The inevitable conclusion is, therefore, that the PRN system is likely to remain in operation for some time to come.

Whilst many acknowledge that the PRN system continues to achieve recycling targets as initially designed over 25 years ago, there is no doubt that it would benefit from enhancement. This is now all the more urgent due to its anticipated retention for a number of years.

PRN reform has been a longstanding desire of many producers, and Defra previously acknowledged this appetite for reform by consulting the sector in 2022. As a result, it decided to pursue some limited reforms including altered recycling and revenue reporting requirements for reprocessors as well as competency tests for system participants. However, further enhancements which received strong support to improve the system further and help address many producer concerns are not being pursued at present.

This paper highlights a number of **potential enhancements to the PRN system that would build upon the positive steps being taken by Defra to date.** They are designed to maximise the mechanism's ability to complement the EPR programme through delivering direct revenue support for packaging recycling whilst representing value for money and providing greater transparency and robustness for stakeholders concerned.

The key measures put forward are:

- Significantly increased fines for late registering producers to encourage timely declarations and provide accurate data transparency;
- Regulatory provisions to enable a compliance fee, if necessary, to facilitate compliance in extraordinary circumstances and reduce unnecessary variation in PRN prices, and;

- Measures to specifically promote UK resource circularity and address the perceived advantages for material export.

1. Significantly Increased Fines for Late Registering Producers

Currently, obligated packaging producers must declare the volumes and materials of packaging they placed on the UK market across the previous calendar year to the Agencies by April. The Agencies then aggregate and anonymise this data to publish the total national packaging recycling obligation in May. This determines the national target tonnage of packaging recycling which obligated producers must demonstrate they've achieved through acquiring evidence notes, known as PRNs.

The implications of late data submissions can be significant because omissions provide a false picture of the expected UK PRN requirement. When such late data is subsequently added back in to the national obligation figures, the sudden increase in the observable number of PRNs that need to be acquired for all producers to comply can [cause price fluctuations in the PRN market](#).

Unfortunately, under the current rules, producers that miss the April declaration deadline are not considered to be in breach of their obligation to do so until the end of the calendar year. There is a minimal penalty fee payable to regulators if the April declaration deadline is missed, **currently set at £110 per producer** irrespective of the size of producer turnover, recycling obligation or how late in the year regulators receive their data.

Whilst there are some ways the impacts of late registrations can be mitigated, for example by including provisional data within the published national obligation in May, the current regulations are not helpful to achieving a balanced and transparent system. At minimum **the fines applied to those that do not meet the April declaration deadlines need to increase significantly to ensure timely declarations. Ideally, a system of scaled fees depending on the lateness of a submission should be pursued as a matter of urgency.** Further, to ensure these penalties are proportional to the packaging producer in question and the impact their late declaration could have on market dynamics, increased fees should be **proportional to the size of a producer's recycling obligation.**

2. Regulatory Provisions to enable a Packaging Compliance Fee

Of the price moderation measures consulted upon in 2022 by Defra but not taken forward, **the introduction of a compliance fee would prove most effective at helping address unnecessary volatility in PRN prices.**

A packaging compliance fee would involve enabling, in extraordinary circumstances only, producers and their compliance schemes that have been unable to comply with their recycling obligations via evidence acquisition, the ability to pay a fee instead. This would reduce the need to pursue civil sanctions, enforcement undertakings or criminal prosecutions that are costly and lengthy for both producers and regulators alike.

Whilst acting primarily as a **measure of last resort** to ensure compliance in extraordinary circumstances, the presence of such provisions within the Regulations would also play an incredibly important role in **minimising and relieving the system of unnecessary short-term spikes in evidence prices throughout a compliance year**, as the potential for a compliance fee to be utilised by those obligated would restrict the ability of reprocessors and exporters to charge excessively inflated prices for recycling evidence.

To be effective this proposal requires a number of important safeguards:

- Whilst the regulations should enable the operation of a compliance fee, it should only be activated by the Secretary of State in compliance years deemed extraordinary. It should not be capable of being abused as a routine method of lower cost compliance.
- **Compliance fee rates shouldn't be set in the Regulations.** Instead, rates payable should be determined via a methodology that reflects the unique circumstances of a given year and approved by relevant authorities following consultation with industry;
- Fees should vary by material to reflect the actual costs to producers or compliance schemes of acquiring evidence, with cost data handled with appropriate sensitivity;
- Any fees payable must be **punitive enough to encourage producers to comply as fully as possible with their recycling obligations via conventional evidence acquisition.** As an example, by requiring fees to be **set, at minimum, in the 90th percentile of actual reported evidence costs on a material-specific basis.** This would mitigate against packaging recycling rates being negatively impacted.
- Any **compliance fees collected should be used for the betterment of packaging waste management systems in the UK.** For example, fees raised could be used to establish a strategic fund, which, if subjected to similar dispersal criteria and management governance as the funds collected via the operation of the UK's WEEE compliance fee, could be used to provide much-needed funding to recycling infrastructure projects, innovative research programmes or communications in advance of Simpler Recycling. This would also **address concerns about the current civil sanctions process which sees non-compliant producers frequently contribute to charitable causes not linked to packaging waste management.**

Should provisions for a compliance fee be incorporated into the Regulations, such a compliance fee should not be able to be utilised by producers in respect of compliance with other financial obligations within the EPR system, including new waste management fee payment obligations.

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 both producers and 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 further encouraged by the Government.

This paper proposes two sets of measures to address this:

- Specific targets for UK recycling for certain materials
- Increased monitoring and enforcement of exporters, funded by increased accreditation fees.

The **PRN system has consistently demonstrated the ability of gradually increasing statutory targets to drive improvements in recycling levels.** 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 to date.

Such additional targets could operate in a manner similar to the current glass remelt target, to **require a minimum proportion of producers’ recycling obligation to be met through purchasing PRNs instead of their export equivalent PERNs.** These targets 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 increasingly 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 the annual growth in the degree the UK’s plastic recycling obligation is met through UK-sourced recycling evidence; a trend that is unfortunately unlikely to continue into 2023, as shown below.

	Plastic Recycling Target	Proportion of Target met using UK-sourced PRNs
2017	51%	34.3%
2018	53%	37.2% +2.9%
2019	55%	39.4% +2.2%
2020	57%	41.4% +2.0%
2021	59%	50.8% +9.4%
2022	61%	53.7% +2.9%
2023	61%	48.6%* -5.1%

The rate at which UK-sourced recycling evidence is used to meet UK plastic packaging recycling targets. Source: National Packaging Waste Database

** 2023 statistics correct up to Q3.*

In addition to enhancing the PRN’s target setting regime, more specific measures targeted at certain materials should also be considered. For example, allowing only waste glass packaging that has been processed to have recycling evidence created upon it would assist in enabling the UK market to access greater quantities of high-quality recovered material.

These measures should also be supported by **stronger measures to increase the scrutiny applied to packaging exporters including greater monitoring activities on exports and final destinations** to ensure equivalent standards to domestic recycling operations. These additional regulatory activities could be funded by a **significant increase in accreditation fees for exporters.**