



Environmental Pillar
OF SOCIAL PARTNERSHIP

Environmental Pillar of Social Partnership

Initial Submission on the Proposal to Introduce a **Packaging Levy**



Environmental Pillar of Social Partnership

Reducing Packaging at Source

Proposals for protecting the Environment and Human Health

12th Aug 2011

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“Economic decisions should only be taken when they have been placed in their environmental context”

Angel Gurría Secretary-General OECD¹

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¹ Speaking at the Launch of the “OECD Environmental Performance Reviews- Ireland – Conclusions and Recommendations”, in Trinity College, Dublin 4th November, 2009

1. Context

In considering the possibility of introducing a packaging levy in Ireland it is firstly important to look at the broad international and particularly the European context. The Europe 2020 Strategy² puts forward three mutually reinforcing strategies, two of which are relevant here.

- *Smart growth: developing an economy based on knowledge and innovation.*
- *Sustainable growth: promoting a more resource efficient, greener and more competitive economy.*

The Strategy goes on to highlight the need for a shift towards *a resource-efficient, low-carbon economy* that decouples economic growth from resource and energy use.³ Such action is necessary because of greater global competition for natural resources and increasing prices of commodities and raw materials. Such actions are also seen as promoting innovation as part of the development of the green economy. The Rio+20 calls for renewal of the commitments made in Rio in 1992 also focus on the green economy. The development of a packaging levy would represent one of many long overdue steps required to move in this direction.

The European strategies are reflected in the resulting Irish National Reform Programme (NRP) which includes the *sustainable use of resources amongst the longer term economic, social and environmental challenges facing the European Union and the Member states*. The NRP also acknowledges the need for a *decoupling economic growth from resource use while at the same time turning environmental challenges into growth and employment creation opportunities*.⁴

² http://ec.europa.eu/europe2020/index_en.htm

³ http://ec.europa.eu/europe2020/priorities/sustainable-growth/index_en.htm

⁴ http://ec.europa.eu/europe2020/pdf/nrp/nrp_ireland_en.pdf

2. The Situation in Ireland

The fact that Ireland is likely to achieve the 2011 targets for packaging set in the EU Directive [94/62/EC](#) (as amended) on packaging and packaging waste, should not be cause for complacency. The most recent National Waste Report from the EPA⁵ notes that all packaging eventually becomes waste and that 972,430 tonnes of packaging waste was managed in Ireland in 2009. The recovery or disposal of this waste represents a significant cost to businesses, householders and the State, as well as contributing to environmental and human health problems such as the overuse of natural resources, landfills and litter and the introduction of Endocrine Disrupting Compounds (EDCs) into the food chain. More of the health issues later.

The cost of disposing of packaging waste generally falls on the end-user, usually retail outlets or consumers. In the above context and taking into account the Polluter Pays Principle, it is the Pillar position that it is time manufacturers were made to take full responsibility for the life cycle of their products. To do this it is necessary to create a market signal to designers and manufacturers of packing in order to create incentive to innovate and recognise both the downstream and upstream consequences of their packaging products.

The waste hierarchy, as adopted into Irish law earlier this year obliges Irish waste management, legislation and policy to prioritise the prevention of waste over other management strategies. The introduction of a packaging levy would be in line with this. The need to move away from the lower two levels of the waste hierarchy, landfill and incineration is also a part of this picture, and whilst the introduction of a packaging levy would give a significant push towards the top of the hierarchy - reduce, re-use and recycle - the absence of a levy on waste to incinerators will have the opposite effect by weakening the cost incentives.

The last eight years of the operation of Repak, as the mechanism of choice for most commercial bodies under the Waste Management (Packaging) Regulations 2003, has seen good increases in recycling but little apparent overall impact on the quantity of packaging being produced and used. Some 15-20% of businesses that are required to either register with Repak or be self-compliant, are neither. The enforcement regime which is the responsibility of local authorities who rely on these businesses for commercial rates is, to say the least, less than effective. The Repak system is only able to send a limited

⁵ <http://www.epa.ie/downloads/pubs/waste/stats/name,30613,en.html>

signal to the packaging producers. Alongside the introduction of a packaging levy, the Pillar calls for an in-depth review of the role of Repak with the refocusing towards the reduction of packaging at source of production.

3. European Examples

In 2008 the Netherlands Government were the first to introduce a tax on packaging based on carbon emissions. The tax is levied against packaging material (excluding logistics tools such as pallets, trolleys or large crates). It was introduced in January 2008, but was subsequently simplified in August 2008 to facilitate wider compliance and make planning payments easier. Focus has also been shifted from companies that specialize in packaging or that undertake packaging activities to those that supply packaging materials. This packaging tax both provides a financial incentive to reduce packaging waste generation, but also funds increased plastic packaging waste recycling by improving collection

The Danish Government went a different route. The Danish packaging tax introduced in 1999 is applied in three ways.

- For the majority of products, the tax is weight based. The tax is charged on the weight of the packaging material used in a product. The rate varies depending on the material used, so for example the rates per kg of plastic are different to those for glass.
- For drinking containers containing beer, carbonated drinks, liqueur and wine a volume based tax applies. This is levied on each container. There are six size bands for different sizes of containers. There is a clearer incentive with a volume-based tax for strong refill bottles, capable of many trips, to be used
- A weight-based tax is also charged on carrier bags of paper and plastic with a handle. The tax is only paid for bags with a capacity of minimum 5 litre

The weight based tax was introduced to reduce the amount of packaging material used. The intention being to reduce the amount of resources used in packaging and the amount of waste generated from packaging. An original objective was to use the tax to reduce the environmental impact of packaging, by encouraging the adoption of more benign materials. The lack of the necessary data meant that it was not possible to adopt this part of the proposal at the time that the tax was introduced

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The Ministry of Environment and Energy did not set tax rates in relation to any Life Cycle Assessment of the different materials. However, this was to be considered in the on-going revision of the tax.

In the Finnish case, the tax was introduced in 1994 to prevent the production of packaging waste. It is a volume-based tax, with tax rates applied per litre of container. Tax rates are lower for containers that are part of special recycling systems. Since the introduction of the tax, its revenues fell, due to the link of the tax rates with a deposit system. The majority of the drinks produced are in refillable packages. The market share of cans is growing, but the return rate is 95%. The cost of entry to the refill system raises concerns over competition issues, because smaller firms face relatively higher costs than bigger ones.

These three examples all have produced revenue for their governments, and have had their problems in relation to striking the right balances regarding the social, environmental and economic consequences. From the point of view of the Environmental Pillar the Danish model would appear to be moving in the right direction, attempting as it does to differentiate between the different environmental impacts that different packaging materials have, whilst attempting to encourage the use of refillable packaging.

4. Key Issues in Relation to the Introduction of a Packaging Levy

In the above context and taking into account the Polluter Pays Principle, it is the Pillar position that it is time manufacturers were made to take full responsibility for the life cycle of their products. Making this happen is however no simple matter, nor is it just a matter of reducing waste, although the waste hierarchy is clearly important here. There are a wide range of issues that responsible Government must take into account, and they each have social environmental and economic impacts. These include:

1. Waste from packaging production and use
2. Environmental degradation resulting from packaging production, use and disposal
3. Resource use in packaging production, use and disposal
4. Carbon emissions from packaging production, use and disposal.
5. The balancing of the incentives and disincentives relating to moving Ireland up the waste hierarchy.
6. The ease of application of the levy enabling maximum impact on packaging minimisation.
7. Health impacts from the production and use of particular packaging materials⁶

A number of states have tried to address these issues, notably Denmark, but no state has specifically tried to capture the costs to society of the last of these.

⁶ Two compounds widely used in packaging are Bisphenol A (BPA)(found in food and drinks cans) and Phthalates (found in PVCs and other plastics). These are both Endocrine disrupters linked to reproductive abnormalities. One such phthalate is diethylexylphthalate (DEHP), designated by the EU as "toxic to reproduction", this or its breakdown compounds was found in the umbilical cord blood of 88% of babies in one study.

5. The initial Outline Proposal of the Environmental Pillar

1. The introduction of the compulsory labelling of packaging to indicate the materials used based on the UK's On Pack Recycled Labelling Scheme.⁷ This labelling system should be designed to incentivise producers to ensure maximum recyclability of packaging and encourage development of recyclable alternatives to non-recyclable packaging materials.
2. The publication of a list of the known impacts on human health and the environment for all packaging materials used in Ireland
3. The introduction of a packaging levy that aims to minimise the use of packaging, encourages reusable packaging, and differentiates between the following.
 - a. Unlabelled packaging (highest levy)
 - b. Non-recyclable packaging (High levy)
 - c. Recyclable packaging
 - d. Packaging made from recycled material
 - e. Reusable packaging
 - f. Reusable packaging made from recycled material
4. The introduction of complementary deposit and return systems for packaging.
5. The revenue from the packaging levy to be used to push Ireland up the waste hierarchy, by stimulating innovation and employment in the reduction, reuse and recycling of packaging.
6. The promotion of an EU Directive aimed at developing a harmonised packaging levy based on the above principles and aims. This to be achieved in alliance with Denmark and other Member States, culminating in the publication of a draft directive during the Irish EU presidency.

⁷ <http://www.onpackrecyclinglabel.org.uk/>

This submission was developed using the Environmental Pillar processes but is not necessarily the policy of each member organisation in the Pillar.

Contact information:

For further details please contact Michael Ewing, Coordinator of The Environmental Pillar.

Postal Address: Environmental Pillar of Social Partnership. Knockvicar, Boyle, Co Roscommon

Telephone: 01 4054834

Mobile: 00353 (0)86 8672153

Email: michael@environmentalpillar.ie

Skype: michaelk.ewing