



## Briefing: extended producer responsibility

March 2022

### Summary:

- Under proposed extended producer responsibility changes, the annual packaging waste management costs that producers will have to pay will be approximately £2.7 billion.
- It seems likely that impacted producers will have to increase prices for consumers, thereby increasing the cost of a weekly shop.
- If all affected producers across all industries decided to pass the entire £2.7 billion cost onto taxpayers, it would amount to each household paying an extra £96 per year.
- Without direction from the government, taxpayers will likely be paying twice for waste collection, through both council tax and higher prices.
- With taxes rising and the energy price cap also going up to almost £2,000, taxpayers are facing a cost of living crisis.

### Background:

In the UK, there has been a packaging extended producer responsibility (EPR) scheme since 1997. This is a policy which makes producers responsible – either financially, physically or both – for the treatment of their products after consumption.<sup>1</sup>

The waste resources strategy was launched in 2018. This included updating the EPR scheme as a part solution to making the UK a “world leader in using resources efficiently and reducing the amount of waste we create as a society.”<sup>2</sup>

The reforms proposed in 2019 by the Department for Environment, Food and Rural Affairs (DEFRA) to EPR would see producers of packaging pay the full net cost of managing packaging waste.<sup>3</sup> This includes: the collection, sorting and recycling of packaging waste from households and businesses; the collection and disposal of packaging in the residual waste stream from households and payment of litter and refuse management costs, including bin and ground litter.<sup>4</sup>

By putting the costs of waste disposal entirely on producers, the government hopes to reduce packaging waste while shifting costs from local authorities to industry. Costs of approximately £2.7 billion per year will be shifted onto businesses.<sup>5</sup> These will either have to be absorbed or passed onto consumers.

This would be a UK-wide change as the four UK governments have signaled their intention to implement it in unison, despite EPR being a devolved matter.<sup>6,7</sup> The current proposals would see the first phase of EPR established in 2023, enabling initial payments for household packaging waste to be paid to local authorities from October 2023.<sup>8</sup> Responses to DEFRA’s consultation raised concerns

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<sup>1</sup> Deloitte, *Development of guidance on extended producer responsibility*, European Commission – DG Environment, 2014, p. 29.

<sup>2</sup> HM Government, *Our waste, our resources: a strategy for England*, December 2018, p. 7.

<sup>3</sup> Department for Environment, Food and Rural Affairs, *Environment Bill policy statement*, 15 October 2019, [www.gov.uk/government/publications/environment-bill-2019/environment-bill-policy-statement](http://www.gov.uk/government/publications/environment-bill-2019/environment-bill-policy-statement), (accessed 28 February 2022).

<sup>4</sup> Department for Environment, Food and Rural Affairs, *Extended Producer Responsibility for Packaging*, March 2021, p. 9.

<sup>5</sup> Ibid.

<sup>6</sup> Department for Environment, Food and Rural Affairs, *Reforming the UK packaging producer responsibility system: impact assessment*, January 2021, p.15.

<sup>7</sup> Department for Environment, Food and Rural Affairs, *Consultation on reforming the UK packaging producer responsibility system*, July 2019, p. 7.

<sup>8</sup> Department for Environment, Food and Rural Affairs, *Extended Producer Responsibility for Packaging*, March 2021, p. 7.

about this timeframe, resulting in the department postponing the reforms without providing a new timeframe for their introduction.<sup>9</sup>

### Cost to taxpayers:

DEFRA forecasts that the annual packaging waste management costs that producers will have to pay will be around £2.7 billion,<sup>10</sup> an increase of over £1 billion from their 2019 estimate of £1.5 billion.<sup>11</sup> This comprises: £1 billion for packaging waste collected from households; £1.5 billion for packaging waste collected from businesses; and £200 million for the management of bin and ground packaging litter.<sup>12</sup>

This will particularly impact the food and drink sectors, which are the largest users of packaging materials, and are the biggest manufacturing sectors in the UK.<sup>13</sup> It will likely impact industries such as the grocery sector hardest, as they are more reliant on packaging. It seems likely that impacted producers will have to increase prices for consumers, thereby increasing the cost of a weekly shop.

Eunomia estimated costs could rise by between 0.23 and 0.78 per cent as a result of these reforms.<sup>14</sup> However, if all affected producers across all industries decided to pass the entire £2.7 billion cost onto taxpayers it would amount to each household paying an extra £96 per year.<sup>15</sup> This is equivalent to almost three weeks' worth of spending on food and non-alcoholic drinks by the poorest 10 per cent of households in the UK.<sup>16</sup> As a result of this reform, it would mean an additional cost to households of £5,280 over their working and retired lifetimes.<sup>17</sup>

### Comparative costs for councils:

One of the main intentions of this reform is to take the cost of managing packaging waste away from local authorities and place it on producers. The amount expected to be spent by councils on waste services is significant, standing at £4.7 billion in 2021-22 in England alone.<sup>18</sup> Of this, almost £3.3 billion is for waste disposal and collection. If £2.7 billion of this is to be raised from businesses instead, it should make a major dent in the amount local authorities have to raise for waste services.

However, the government has not stated whether council tax bills will be reduced to compensate taxpayers for the higher prices they can expect as a result of the EPR reform. Rather, advocates of EPR reform have suggested that it could provide local authority budgets with a welcome “shot in the arm” as budget constraints make a cut in council tax unlikely.<sup>19</sup> David Daw of Valpak concurred, suggesting “it’s easy to see this money being swallowed up to support other vital services rather than passed back to the council taxpayer.”<sup>20</sup>

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<sup>9</sup> Doherty, J., *No new EPR system for 2023, Defra says*, Letsrecycle.com, 3 March 2022, [www.letsrecycle.com/news/no-new-epr-system-2023-defra-says/](http://www.letsrecycle.com/news/no-new-epr-system-2023-defra-says/), (accessed 14 March 2022).

<sup>10</sup> Department for Environment, Food and Rural Affairs, *Extended Producer Responsibility for Packaging*, March 2021, p. 9.

<sup>11</sup> Addy, R., *Alarm as packaging consultation predicts £2.7bn EPR cost*, Food Manufacture, 8 April 2021, [www.foodmanufacture.co.uk/Article/2021/04/08/Alarm-as-packaging-consultation-predicts-2.7bn-EPR-cost](http://www.foodmanufacture.co.uk/Article/2021/04/08/Alarm-as-packaging-consultation-predicts-2.7bn-EPR-cost), (accessed 28 February 2022).

<sup>12</sup> Department for Environment, Food and Rural Affairs, *Extended Producer Responsibility for Packaging*, March 2021, p. 9.

<sup>13</sup> Food and Drink Federation, *Food and Drink Industry Report 2020*, 2019, p. 3.

<sup>14</sup> Department for Environment, Food and Rural Affairs, *Reforming the UK packaging producer responsibility system: impact assessment*, January 2021, pp. 78-79.

<sup>15</sup> This is calculated by dividing the number of UK households according to the Office for National Statistics (28.1 million) by the total cost of EPR reform (£2.7 billion).

<sup>16</sup> Office for National Statistics, *Family spending workbook 2: expenditure by income: table A4*, 16 March 2021, [www.ons.gov.uk/file?uri=%2fpeoplepopulationandcommunity%2fpersonalandhouseholdfinances%2fexpenditure%2fdatasets%2ffamilyspendingworkbook2expenditurebyincome%2ffye2020/familyspendingworkbook2expenditurebyincome.xlsx](http://www.ons.gov.uk/file?uri=%2fpeoplepopulationandcommunity%2fpersonalandhouseholdfinances%2fexpenditure%2fdatasets%2ffamilyspendingworkbook2expenditurebyincome%2ffye2020/familyspendingworkbook2expenditurebyincome.xlsx), (accessed 28 February 2022).

<sup>17</sup> This is a period of 55 years: 40 for a working lifetime, and 15 for the retired lifetime.

<sup>18</sup> Ministry of Housing, Communities and Local Government, *Revenue account (RA) budget 2021 to 2022: Table LA dropdown*, 24 June 2021, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/996209/RA\\_2021-22\\_data\\_by\\_LA.ods](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/996209/RA_2021-22_data_by_LA.ods), (accessed 28 February 2022).

<sup>19</sup> Langley, J., *EPR prompts discussions on consumer costs*, Letsrecycle.com, 17 June 2021, [www.letsrecycle.com/news/epr-prompts-discussions-on-consumer-costs/](http://www.letsrecycle.com/news/epr-prompts-discussions-on-consumer-costs/), (accessed 28 February 2022).

<sup>20</sup> Ibid.

Without direction from the government, taxpayers will likely be paying twice for the same service, through both council tax and higher prices.

### **Cost of living:**

This is occurring alongside a freeze in income tax rates thresholds and the personal allowance, council tax rising across the UK and the national insurance increase. The latter will cost those on £30,000 an extra £255 a year.<sup>21</sup> With the energy price cap also going up to almost £2,000, taxpayers are facing a cost of living crisis.

No matter how well intentioned this reform may be, taxes on products typically find their way to consumers. This has been seen with the soft drinks industry levy and plastic bag levy, the latter of these being forecast to cost consumers £1.03 billion.<sup>22</sup> The EPR is likely to do the same, becoming another stealth tax paid for by consumers.

This is likely to come alongside other examples. On 25 February 2022, HM Treasury opened its policy consultation on an online sales tax.<sup>23</sup> Like the EPR reforms, this would notionally be a tax on business but paid by consumers. In the past, the TaxPayers' Alliance has shown this would add significant costs. The average household could pay up to an additional £151 in tax each year.<sup>24</sup>

Together, EPR, plastic bag levy and online sales tax could increase shopping costs by £284 per year, amounting to two months' worth of spending on food and non-alcoholic drinks for the poorest households.

### **Recommendations:**

- The government should scrap EPR reform so that industries which taxpayers most rely on, such as the grocery sector, aren't forced to pass the costs onto consumers through higher prices.
- If EPR reform is to proceed it should be in conjunction with an equivalent cut in council tax. Taxpayers shouldn't be forced to pay twice for the same service through council tax and higher prices. If local authorities are receiving a significant amount of money for waste services from the private sector, they should ease the burden on residents.
- An equivalent £96 cut in council tax would see the average Band D bill in England fall from £1,898 to £1,802,<sup>25</sup> a reduction of over five per cent.

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<sup>21</sup> Annett, J., 'This will hurt!' Britons on £30k salary will be hit hardest by National Insurance hike, *Daily Express*, 31 January 2022.

<sup>22</sup> TaxPayers' Alliance, *Briefing: 10p plastic bag charge in England*, May 2021, p. 1.

<sup>23</sup> HM Treasury, *Online sales tax: Assessing an option to help rebalance taxation of the retail sector*, February 2022.

<sup>24</sup> Friend, D., *Assessing an online sales tax*, TaxPayers' Alliance, December 2020, p. 14.

<sup>25</sup> Ministry of Housing, Communities and Local Government, *Council tax levels set by local authorities: England 2021-22*, March 2021, p. 1.