



Llywodraeth Cymru
Welsh Government

IMPACT ASSESSMENT, DOCUMENT

Extended producer responsibility for packaging: integrated impact assessment

A summary of the impact of an Extended Producer Responsibility for Packaging scheme.

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Details

Title of proposal: Extended Producer Responsibility for Packaging

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Cabinet Secretary/Minister responsible: Huw Irranca-Davies Cabinet Secretary for Climate Change and Rural Affairs

Start Date: 01/01/2025

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Section 1. What action is the Welsh Government considering and why?

In narrative form, please describe the issue and the action proposed by the Welsh Government. How have you applied / will you apply the five ways of working in the Well-being of Future Generations (Wales) Act 2015 to the proposed action, throughout the policy and delivery cycle?

The overarching policy objectives of the Extended Producer Responsibility (EPR) scheme for packaging are to help achieve zero waste by 2050, support the reduction in use of virgin raw materials and contribute to Wales's move to a circular, net zero carbon economy. The reforms will place the costs of the disposal of packaging onto the producers, thereby incentivising increased resource efficiency, further improving Wales's recycling rates and reducing litter. The scheme will replace the current scheme under which producers only pay for up to 7% of the costs.[1]

The defining principle of EPR is 'polluter pays', where those who make products that cause pollution pay for the full costs when they become waste. Obligated producers' fees will be modulated so products with higher environmental impacts will pay higher fees than products with lower impacts. This will incentivise businesses to consider the impact of the packaging material used across its whole lifecycle, embedding prevention.

In developing these EPR reforms, the Welsh Government has applied the Well-being of Future Generations Act's sustainable development principle. The scheme will incentivise increased resource efficiency and contribute to the move towards a more circular economy in Wales, where waste is avoided and

resources are kept in use as long as possible. This is an essential part of the long-term action needed to tackle the climate and nature emergency, whilst also bringing economic opportunities as a part of the transition to a zero-carbon economy.

The reforms are part of a wider set of integrated actions to deliver against the overarching programme for government objectives, making a key contribution to the commitment to decarbonise the Welsh economy. In developing the scheme, consideration has been given to the need for integrated action which delivers economic, social and environmental outcomes. These aims are aligned with other organisations from both the public and private sector within Wales, with a shared goal of responding to the climate emergency and decarbonising our economy.

Development of the scheme has been supported by collaboration with key partners, including the other governments within the UK, Welsh Local Authorities and actors across the packaging value chain. The successful implementation of these reforms will require continued collaboration across the packaging value chain, including packaging manufacturers, producers of packaged goods, fillers of packaging, retailers, local authorities, recyclers and disposal bodies, consumers and members of the public.

Engagement has underpinned the scheme's development, including through the commitment to EPR within Beyond Recycling, the circular economy strategy. The development of the strategy included over 40 engagement events across Wales, actively engaging around 1,000 stakeholders, with specific events targeting young people, businesses, local authorities, the waste sector, environmental groups, academia and others.

In addition, several consultations have been held specifically on the EPR scheme, jointly with the UK, Scottish and Northern Ireland governments. The first was on the introduction of the scheme in 2019. The second, undertaken in 2021, sought views on specific policy proposals and has been invaluable in

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ensuring the reforms are workable and effective, with consultation responses overwhelmingly endorsing the proposals. A further consultation exercise on the draft regulations was undertaken in the summer of 2023; this was supported by specific engagement events with representatives from across the value chain on the detailed design and implementation of the scheme. Involvement from the value chain was then further enhanced during 2024 with the establishment of a Scheme Administrator Steering Group, set up to advise on detailed design and implementation. Representatives on this Steering Group included trade associations of obligated businesses, along with local authorities and environmental non-government organisations, to ensure wide representation was achieved.

The scheme's main impact will be to incentivise increased resource efficiency, which is essential for Wales's wider transition to a circular economy, and which is specifically cited in the statutory description of the prosperous Wales goal. Moving the responsibility of the end-of-life management of products to those businesses which place products onto the market will incentivise businesses to make more environmentally responsible and resource efficient decisions. Throughout the scheme development, a wide range of businesses and trade bodies have been consulted to maximise the positive impact of EPR. How they manage these costs will be a commercial decision for each producer. Some will absorb the costs, others may reduce the amount of packaging they use or change the materials used, and others may pass some of the costs on to consumers. If they pass on costs to consumers, those consumers who purchase large amounts of highly packaged products would be impacted the most.

The central estimate of the Net Present Value of introducing the scheme in Wales is - £8.22 million. By 2034, the scheme is predicted to save around 23kt of greenhouse gas emissions per year in Wales, with emissions savings of 149kt over the 10-year appraisal period.

Further non-quantifiable savings will be accrued through the reduction in consumption of virgin raw materials and associated environmental and

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economic benefits, alongside creating a more stable and transparent system that will de-risk investment in innovation and encourage strategic planning. Welsh Government understands that the money provided by producers will be in addition to current local authority budgets. Therefore, local authorities will have the ability to re-direct public sector finances currently spent on packaging waste services provision into other services provision as required.

The reforms will be introduced via a UK wide statutory instrument. These are being laid in the UK Parliament subject to consent from Welsh Ministers, as this is an area of devolved responsibility. An initial set of regulations required to collect data from obligated businesses was introduced in the Senedd in 2023: The Packaging Waste (Data Collection and Reporting) (Wales) Regulations 2023.

[1] Original figures are from “Expected impact of Packaging Extended Producer Responsibility (EPR) and the Deposit Return Scheme for drinks containers (DRS) on food and drink prices”. These documents are not publicly available.

Section 8. Conclusion

8.1 How have people most likely to be affected by the proposal been involved in developing it?

The packaging Extended Producer Responsibility (EPR) reforms apply the polluter pays principle; existing and newly obligated businesses have been actively engaged in the development of the reforms through three consultation exercises alongside specific working groups.

A public consultation, held in 2019, was jointly undertaken with the other UK governments on the broad aims of the proposed scheme. The consultation received 679 individual and 34 campaign responses. A further joint UK-wide

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consultation on more detailed proposals for the EPR policy was then held from March to June 2021 and included engagement events customised to specific groups including producers, retailers, recycling businesses and third sector organisations across the UK.

A further consultation exercise on the draft regulations was undertaken in Summer 2023; this was supported by specific engagement events with representatives from across the value chain on the design and implementation of the scheme. Involvement from the value chain was further enhanced during 2024 with the establishment of a Scheme Administrator Steering Group, set up to advise on detailed design and implementation.

More broadly, the Welsh Government's Programme for Government includes the commitment to Introduce an extended producer responsibility scheme to incentivise waste reduction by businesses, with this commitment also included in the circular economy strategy, Beyond Recycling. A consultation on the latter strategy was undertaken from December 2019 to April 2020, including over 40 engagement events across Wales and beyond, actively engaging around 1,000 citizens and stakeholders through the events and the written consultation.

8.2 What are the most significant impacts, positive and negative?

The purpose of these reforms is to implement the polluter pays principle by ensuring the cost of the end-of-life management of packaging materials is met by those businesses who place packaging on to the UK market. The proposals will therefore impact businesses that make, sell or handle packaging.

How businesses manage these costs will be a commercial decision for each producer - some will absorb the costs; others may reduce the amount of packaging they use, and others may pass some of the costs on to consumers. The option chosen will depend on market conditions and competition between

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producers. If obligated businesses decide to pass on the costs to consumers, those consumers who purchase large amounts of highly packaged products will be impacted more than those consumers who do not. Should businesses choose to pass on some of the costs, then price rises would have a proportionately greater impact on people in lower income groups who have less disposable income. However, people would be able to mitigate this by choosing products with less or more sustainable packaging. In addition, those businesses that either do not pass on the costs or improve their resource efficiency and design have the potential ability to improve their competitiveness.

Introducing EPR directly contributes to the delivery of the following Welsh Government well-being objectives:

- ‘Build a stronger, greener economy as we make maximum progress towards decarbonisation’

The scheme supports moving to a more circular economy through improving resource efficiency - increasing recycling and keeping materials in use for longer. It will also help reduce the use of raw materials and single use packaging.

- ‘Embed our response to the climate and nature emergency in everything we do’

The allocation of responsibility for the full net costs of packaging waste to producers will embed action on the climate and nature emergency within the lifecycle for packaging, encouraging a reduction in the use of raw materials and reducing greenhouse gas emissions.

- ‘Build an economy based on the principles of fair work, sustainability and the industries and services of the future’

The scheme will support the building of an economy based on sustainability

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by applying the polluter pays principle, incentivising an increase in resource efficiency and reduction in the use of virgin materials and enabling further growth in the recycling sector.

The scheme also directly contributes to the Well-being Goals by:

A Prosperous Wales - supporting the move to a circular, zero waste and net zero carbon Wales by 2050. It will increase Wales's recycling, improve resource efficiency and reduce the use of single use packaging and virgin raw materials, helping to more effectively capture resources for use within a circular economy.

A Resilient Wales - contributing to reduced extraction of raw materials and the associated destruction of habitats, thereby also safeguarding biodiversity.

A Wales of Cohesive Communities – a future reform to the scheme will encompass the full net costs for the management of littered packaging, thereby tackling the disamenity of packaging litter in communities, leading to **A Healthier Wales**.

A Wales of Vibrant Culture – supporting Wales's recognised position as a recycling nation with a recycling culture that people and communities are proud of. EPR will also further embed sustainability into Welsh society.

Globally Responsible Wales – incentivising an increase in resource efficiency and reduction in the use of raw materials, thereby contributing to reduced destruction of habitats and reduced emissions.

A More Equal Wales – applying the polluter pays principle to introduce a fairer system reflecting the full net costs of packaging waste.

The reforms focus on the application of the polluter pays principle for full net cost recovery and do not directly impact on people with protected characteristics. A Children's Rights Impact Assessment has therefore not been undertaken.

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8.3 In light of the impacts identified, how will the proposal:

- **maximise contribution to our well-being objectives and the seven well-being goals; and/or,**
- **avoid, reduce or mitigate any negative impacts?**

The reforms are designed to implement the polluter pays principle for the management of packaging waste, where those who make products that cause pollution pay for the full costs when they become waste. Obligated producers' fees will be modulated so products with higher environmental impacts will pay higher fees than products with lower impacts. This will incentivise businesses to consider the impact of the packaging material used across its whole lifecycle, aiming to reduce the amount of unnecessary packaging, increase the amount of packaging which is recycled and encourage the re-use of packaging. As a specific Programme for Government commitment, the changes are a key policy to directly support the move to a circular economy and help achieve a zero waste and net zero carbon Wales by 2050. By reducing the amount of packaging that is used and increasing the recycling of packaging, the scheme will reduce the associated carbon emissions, the use of virgin raw materials and the volume of packaging litter and associated impacts. The scheme will deliver around 23kt of carbon emissions savings per year by 2034.

The scheme will contribute to the delivery of the Welsh Government's Well-being Objectives and statutory Well-being Goals as set out above. The reforms support the move to more sustainable solutions to meet the needs of the present in relation to the use of packaging, whilst tackling the current and future impacts of packaging use, which will otherwise directly compromise the ability of future

generations to meet their own needs.

The proposals will impact businesses that make or sell packaging, or handle packaging waste. Under the current system, these businesses are responsible for less than seven per cent of the costs of collection, recycling, and clean-up of packaging waste and litter [2]. Under the reforms, obligated producers will be required to pay local authorities for the full net costs of collecting and managing household packaging waste, at a cost of £71m per year across Wales (averaged across the 10 year appraisal period).

To mitigate the impact on smaller businesses, we will maintain the existing de minimis threshold (£2m turnover and 50 tonnes of packaging placed on the market) for producers who are obligated to pay fees to cover disposal costs and who have obligations under the PRN system. The reforms will also include a de minimis threshold of £1m turnover and 25 tonnes of packaging placed on the market - producers who are between the two thresholds will be obligated to report the amount of packaging, by material and packaging type, that they place on the market in 2024. They will not be obligated to pay fees to cover disposal costs or meet recycling obligations. We will maintain this approach until at least 2026, when we will review it. This will reduce the burden on small producers, whilst still actively bringing them into the system, increasing their awareness of the impacts of their packaging.

Manufacturers and importers of unfilled packaging will also be obligated for packaging that is sold to a small business below the de-minimis threshold. This means that the manufacturer or importer selling the unfilled packaging to the small business would be obligated to pay the producer fees, rather than the small business themselves. This will result in more packaging being reported in the system and the costs being shared more fairly among producers, whilst protecting the smallest businesses from the impacts of the obligations.

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8.4 How will the impact of the proposal be monitored and evaluated as it progresses and when it concludes?

Obligated businesses will be set statutory recycling targets for the packaging they place on the market. Monitoring of compliance against these targets forms an essential component of the compliance monitoring and enforcement that Natural Resources Wales will undertake as regulators of the scheme in Wales.

The Scheme Administrator, which will be established to implement and operate the payment mechanism from producers, will be set KPIs with four nation Ministerial oversight in the governance framework for this body.

In addition, the regulations require a four-nation joint review of the effectiveness of the scheme. The first report must be published by 31 December 2028 and then periodically at intervals not to exceed every 5 years.

[2] [Consultation on reforming the UK packaging producer responsibility system, 2019, page 27 \[DEFRA.GOV.UK\]](#)

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