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The European Organization for Packaging and the Environment

Better rules for a better environment:

Modern Beverage Container Policy

Across Europe, the collection and recovery of packaging waste is becoming routine. Efficient and affordable systems are in place in most countries throughout the continent. And the EU-wide proportion of packaging being recovered, which stood at 69% in 2006, is rising year by year. In several Member States, that proportion already exceeds 90%.

Nevertheless, six Member States (Denmark, Estonia, Finland, Germany, the Netherlands, and Sweden) still insist on running a supplementary policy of deposits on non-refillable drinks containers. Yet the supposed environmental benefits of the policy are hard to find.

- Evidence shows that where comprehensive packaging recovery systems exist, mandatory deposits add little to the tonnage of packaging collected. Indeed, the countries with the highest recycling rates don't have mandatory deposit laws.
- Deposit laws divert beverage packaging from existing collection systems.
- Since 85% to 95% of all litter is not drinks related, the policy has little impact on littering.
- Perhaps most seriously, deposit systems force consumers and industry to deal with two separate waste collection systems. Often that means two car or lorry trips instead of one. More congestion, more fuel consumption, and more pollution is the unavoidable result.

These drawbacks also have very significant costs:

- consumers pay higher prices,
- the policy is a barrier to trade, and thus to the single European market, and
- producers must deal with the consequent distortion of competition.

The European Commission has warned that it will scrutinize any new deposit laws very carefully. EU law requires a strong environmental justification which must outweigh the extra costs and any distortion of competition arising.

In the light of this evidence, **EUROPEN opposes mandatory deposits for non-refillable drinks containers.**

Origin of mandatory deposits

Mandatory deposits were first imposed on non-refillable drinks containers in parts of North America and Australia in the 1970s, at a time when used packaging waste was not yet reliably collected and recycled.

The idea spread to Europe (today, there are deposits on these containers in Denmark, Estonia, Finland, Germany, the Netherlands, Norway and Sweden). In the early years, these made more sense: there was no alternative collection system. They aimed to:

- reduce the price advantage and convenience of non-refillable containers in order to protect the market for refillables,
- encourage the return of drinks containers for recycling, and
- reduce littering.

Did they succeed? Not really. Here's why.

Mandatory deposits have failed to protect refillable bottles.

In Germany, the deposit law was introduced in 2003. Back then, 64% of drinks other than milk were packed in refillable containers. By 2007, this had fallen to 47%.[1]

In contrast, the systems now in place to recycle packaging across Europe[2] have been hugely successful. By 2006 the overall recycling rate across the 27 EU Member States was 56%.[3] This rate is still rising. For consumers and producers alike, the convenience of a single collection system working for all packaging is overwhelming.

And indeed, in countries where deposit laws are in operation, deposit-bearing containers contribute only between 1% and 5% to the tonnage of packaging materials recycled[4]. New deposit laws are unlikely to lead to higher collection rates, since the vast majority of drinks containers are already collected through existing household collection systems.[5]

On other measures, too, deposit-bearing containers fail to deliver environmental benefits.

Take the evolution of overall recycling rates in individual countries. Of the EU Member States with a mandatory deposit system for non-refillable drinks containers, only Germany and The Netherlands have exceeded the Western European average recycling rate of 60% (2007 data).

Did Germany's deposit law help it achieve this result?

No. Germany's recycling rate *declined* after the introduction of the deposit law, from 78% in 2002 to 67% in 2006.[6] Austria achieves comparable recycling rates with no deposit[7], and Belgium achieves much higher recycling rates (80% in 2007) without mandatory deposit systems.

Before mandatory deposits were introduced, about 80% of the drinks containers sold in Germany were collected with non-beverage packaging. Overall, less packaging is being collected now because the diversion of valuable metal, glass and plastic containers from the kerbside collection system has made some collections uneconomic.

Germany was the first country in the world to graft a mandatory deposit system onto an existing multi-material collection system for all packaging. It has not been a success.

> **Highly efficient recovery systems now exist throughout the European Union for all packaging, so mandatory deposits for non-refillable drinks containers are neither necessary nor desirable.**

Mandatory deposits increase pollution.

Mandatory schemes exclusive to non-refillable drinks packaging duplicate effort and resource use. Kerbside collection vehicles have to continue to cover the same routes, collecting general packaging waste. At the same time, other vehicles have to collect non-refillable drinks containers which consumers have had to take to stores. The result is greater fuel consumption and traffic congestion.

> **Special requirements for non-refillable drinks containers are inappropriate and disproportionate, and stand in the way of proper resource management for used packaging.**

1 Umweltbundesamt, 2009, *Verbrauch von Getränken in Einweg- und Mehrweg-Verpackungen, Berichtsjahr 2007.*

2 European Commission website, data on packaging and packaging waste, downloadable from http://ec.europa.eu/environment/waste/packaging/data.htm

3 EUROPEN, 2009, *Packaging and Packaging Waste Statistics 2006.*

4 Ernst & Young for the French Environmental and Energy Management Agency ADEME, 2008, *Évaluation des resultats de la reutilisation et du recyclage des emballages en Europe.* English abstract available as *Assessment of results on the reuse and recycling of packaging in Europe.*

5 See for example the ERM report for the UK Department for Environment, Food and Rural Affairs (DEFRA), 2008, *Deposit Schemes & Reverse Vending Systems: a review.*

6 Umweltbundesamt, *op. cit.*

7 Ernst & Young for ADEME, *op. cit.*

Mandatory deposits and litter – no relation.

Some believe that deposits would go a long way towards preventing littering since consumers would have a financial incentive to dispose of their bottles and cans responsibly. But drinks containers typically make up 5% to 15% of all litter, so imposing deposits would make little difference. Any traveller across Europe will notice areas where littering is higher, and those where it is lower. Littering is correlated with social and economic factors, not with the presence or absence of mandatory deposit schemes.

> **Littering is a behavioural problem that should be addressed through a comprehensive programme involving education and communication, frequent street cleaning, and properly-enforced legal penalties.[8]**

Mandatory deposits are expensive and inefficient.

In all EU Member States except Denmark, packaged goods companies contribute to the costs of running packaging waste recovery systems. But where the added burden of mandatory deposits on non-refillable drinks containers is superimposed these costs are much greater.

DPG operates the German deposit system. It admits[9] that the cost per container of collection through the deposit system is three times as much as that for household-based collection. The reasons?

- The cost of duplicated logistics.
- Setting up and operating a clearing system to reconcile the cashflow between retailers that pay out more in redeemed deposits than they received from sales, and those that pay out less than they initially received.
- Special security printing to prevent fraud (a € 0.25 deposit makes fraud very lucrative).
- Secure storage of empty containers to prevent theft.
- Buying and servicing collection machines which identify the container and issue a voucher for the deposit value.

Every German resident paid nearly €8.80 for the German deposit system to be set up. And the costs keep mounting. Every year, everyone gets to pay a further € 9.60 to cover the system's running costs.[10]

Mandatory deposits are unfair and confusing.

Which containers carry a deposit and which don't? The answer is not obvious. For instance, packaging containing fruit-based soft drinks often bear deposits. They are frequently sold in the same type of containers as fruit juices. But these don't always bear a deposit. And what about milk-based drinks? No deposit. And don't even try to understand the deposit system on alcopops: there, it depends on the drink's wine or alcohol content.

In short: there is no obvious distinction between deposit-bearing and non deposit-bearing categories. At least, none that a consumer can easily recognize.

This matters, because producers whose drinks fall on one side of the line may be unfairly disadvantaged.

Mandatory deposits are incompatible with the European Single Market.

The drinks market is highly price sensitive. Margins are razor-thin. Every fraction of a cent counts.

So imagine that you are pondering whether to export a speciality drink to Germany. That means competing in a highly price-sensitive market in which the deposit on non-refillables might be twice the basic price of the product. You would have to be very confident before taking on that gamble. That, in a nutshell, is barrier to trade number 1.

To ensure that containers bought outside the country are not returned for a deposit that has never been paid, or that has been paid at a lower rate in a neighbouring country, containers with deposits need an identifying mark. That is at odds with the principle of the free circulation of goods in the internal market: it's barrier to trade number 2.

8 In a letter of 31 March 2006, Dr Pieter van Geel, State Secretary of Housing, Spatial Planning and the Environment, told the Chairman of the Lower House of the Dutch Parliament that the littering problem could not be solved by the 'one-dimensional' approach of imposing a mandatory deposit on drinks bottles and cans. No single measure could address all the various types of litter, he said. It was not sufficient just to clear away litter – a change in the attitude and behaviour of consumers was also needed.

9 Sieberger, B, DPG Deutsche Pfandsystem GmbH, *German deposit system for disposable drinks packaging,* PRO Europe 4th International Congress, Prague, 15-16 May 2008.

10 Pintgen, F, Roland Berger Strategy Consultants, *Experience with the introduction of a mandatory deposit system in Germany,* PRO Europe deposit workshop, 22 February 2008.

Mandatory deposits: an idea whose time has gone.

The European Commission recognises that deposit systems impose a burden on imported products and disrupt the internal market. It has therefore issued a guidance note[11] which explains that EU law allows Member States to introduce mandatory deposits only if it can be shown that this is necessary for environmental reasons—and even then, the legislation must not go further than what is needed for that purpose.

The evidence is clear. Deposit systems do not bring significant environmental benefits. There is no correlation between packaging recycling rates and the existence of deposit systems.

Meanwhile, deposit systems have all sorts of negative side effects. Their extra costs mean **higher prices**. Retailers seek to control their cost increases, and may do so by reducing the number of products with deposits and devoting less shelf-space to them. So deposits mean **more limited choices**. People must return non-refillable empties separately to reclaim the deposit. So deposits mean **greater inconvenience**. And packaging collection systems have to continue to operate, since the deposit only affects drinks containers. But they collect less material. So their costs stay much the same, while the revenues they achieve from material sales drop. So deposits **increase the cost of household recycling**.

Mandatory deposits had their use in the days before effective recovery systems. Today, they are a hindrance to environmental and financial efficiency. They belong in the dustbin of history.

A fuller discussion of these issues can be found in the EUROPEN publication *Economic Instruments in Packaging and Packaging Waste Policy* at www.europen.be (publications section).

11 Communication from the Commission, *Beverage packaging, deposit systems and free movement of goods*, OJ C 107, 9.5.2009

EUROPEN – *The Voice of Industry for Packaging and the Environment* – is an industry and trade organization open to any company with an economic interest in packaging and packaged goods. It presents the opinion of the packaging value chain on issues related to packaging and the environment.

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