

# ACP Task Force 2 – PRN Transparency

## Scoping Report

April 2015

### Introduction

The UK PRN system has been successful to date in assisting the UK to meet both national and European targets for packaging recycling. It is also widely acknowledged to have done so at significantly lower cost to producers than many of the systems operating in other Member States.

The PRN system has evolved and been continuously improved since it was first introduced. Although accredited reprocessors and exporters have been required to provide information on their use of PRN funds for some years, there remains a widespread lack of understanding of the system and how the PRN/PERN revenues are utilised. In particular:

- How much PRN/PERN money is raised and where it goes?
- Who benefits and what do they do with it?
- How is it used to encourage investment and increase recycling for the future?
- Is it providing value for money?

This Task Force has been formed by the ACP to investigate and make recommendations for improving the transparency of the PRN system and material revenue flows. Transparency was identified by the ACP as a priority issue requiring attention as it was considered that there was currently little knowledge of, or understanding about, how the system operated and the benefits.

This report summarises the proposed scope for the work the Task Force will undertake over the coming months and the timetable for producing a final report and recommendations.

The final report will be considered by the main ACP and Defra later in 2015 before determining what actions, if any, should be taken.

### Objectives

The objectives for the Task Force are to develop recommendations for improving the transparency of the PRN/PERN system which will:

1. Improve awareness amongst various key stakeholders of the operation and benefits of the system.
2. Make information more widely available and in an easily understandable form.

3. Be low cost and straight forward to implement with minimum additional burden or administration.
4. Concentrate on changes to guidance and voluntary measures before considering whether regulation change is necessary.

The Task Force will also consider whether a phased approach might be appropriate, for example recommending relatively rapid actions initially to be followed by longer term proposals.

## Initial Considerations

At an initial meeting of the Task Force a wide range of points were discussed which are summarised below.

There is a good deal of information already available on PRN/PERN funding, for example on NPWD and letsrecycle.com, more than many stakeholders appear to be aware of. The problem is that it is not well known or easily accessible in an understandable form.

There are a number of different audiences to address with information, each with different perspectives:

1. Producers are looking to restore their confidence in the PRN/PERN system and that it is working to their benefit and providing good value for money, especially as targets increase.
2. Local Authorities wish to know how the system works for their benefit and what they can do to maximise revenue from collected materials.
3. Reprocessors and exporters wish to demonstrate the benefits from PRN/PERN funding but also protect their commercial confidentiality.
4. Compliance schemes wish to reassure their members that they are providing good value for money and that the funds are being used to incentivise investment in the system.
5. The Government wishes to be confident that investment is happening in order to ensure that future targets continue to be met for the UK.

Accredited reprocessors and exporters are already required to provide information on use of PRN funds against a number of categories. This data is reported each year on NPWD.

<https://npwd.environment-agency.gov.uk/Public/PublicSummaryData.aspx>

The total amount of money raised by PRNs (for example £111m in 2013) is a lot less than many might expect, particularly when considered in relation to the approximately 6.5 million tonnes of total packaging recycling carried out. This equates to less than £20 per tonne overall, but varies widely by material with over two thirds being related to glass. It would therefore appear that a key task is to provide more general information and to manage expectations.

It was thought that it would be unrealistic to expect to obtain detailed financial information setting out exactly what funding was received by individual companies and what they then

used the money for. However collation and presentation of generic information would be helpful and also more use of examples and case studies to show specific examples of investment or other projects made possible by PRN/PERN funding.

In addition the general operation of the system and roles of various parties (such as producers, compliance schemes, LAs, waste companies, reprocessors and exporters) are also not widely understood, and this would benefit from being more clearly explained.

It was recognised that any improvements requiring regulatory change may be longer term to implement, and that the task Force should also consider shorter term improvements for example through guidance or voluntary measures such as a Code of Practice.

### **Priority Areas to Consider for Action**

The proposed areas for further consideration by the task Force are:

1. How the existing information on PRN/PERN revenues can be presented in a more easy to understand format.
2. Creating a general guide to the operation of the system and the roles of key players in an easy to understand format, for example using flow diagrams etc.
3. Looking at how this information should be made much more widely available, for example through using the contacts of Trade Associations, Local Authority bodies and compliance schemes as well as relevant trade press channels.
4. Particular attention should be paid to the needs for information by Local Authorities which should be specifically prepared to address their position and role, and in particular to consider the interrelation of PRN/PERN and material revenue flows.
5. The current PRN fund reporting categories may benefit from further amendment to be more relevant, potentially with separate or different headings for reprocessors and exporters.
6. The commercial sensitivities of reprocessors and exporters need to be taken into account and suitable reassurances given. The very positive benefits to these parties of promoting the system more widely should also be emphasised. Again Trade Associations could have a positive role to play here.
7. Example case studies of use of PRN funds by reprocessors & exporters were thought to be a very positive way of communicating the benefits of the PRN system in action.
8. Enforcement of the current reporting requirements may be an issue, with only about 60% of PRN revenue returns currently provided by operators.
9. Compliance schemes also should have a role in facilitating availability of information, communication and encouraging reprocessors to follow best practice.
10. The letsrecycle page on PRN investment currently sponsored by Valpak was thought to be a positive start, but again is not widely known about.

## **Areas to Consider for Longer Term Action**

A number of topics were identified which were considered to be out of scope of the current work, but the ACP may wish to consider for possible future attention.

These were:

1. Whether proposals could be developed to guide or direct the use of PRN/PERN revenues, rather than simply reporting it, in order to help demonstrate specific outcomes.
2. Whether recommendations could be made to help improve PRN price stability in year and/or between years

## **Expected Timetable**

Initial scoping report to be completed by 28<sup>th</sup> April.

Outline options to be agreed by ACP on 28<sup>th</sup> July.

Final report and recommendations by 28<sup>th</sup> September.

Adrian Hawkes

## **Appendix**

### **Task Force 2 - Terms of Reference**

Consider opportunities to improve the transparency of PRN and material revenue flows.

This will consider a range of issues:

- To get a clear understanding about what is meant by “transparency” by different people
- To develop ways of improving availability of information about PRN revenue
- To identify and develop case studies of PRN/PERN revenue use
- To make recommendations for enhanced communication activities about PRN revenue flows
- To look at whether any mandatory requirements and changes to the regulations are needed, or whether other means are effective and appropriate
- To look at transparency more widely – including compliance schemes - and identify opportunities and barriers

#### **Milestones**

Scoping update – 28<sup>th</sup> April

Outline options – 28<sup>th</sup> July

Recommendations – 28<sup>th</sup> September

#### **Members**

Chairman	- Adrian Hawkes, Valpak
David Meehan	- Biffpack
Claire Shrewsbury	- WRAP
Andrew Speck	- HAVI Global Solutions
Garvin Freeman	- Tata Steel
Durkn Reynor	- LARAC
Chris Grove	- EA
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