



Scotland's Deposit Return Scheme

Scotland's Deposit Return Scheme – Briefing for Small Producers and Microbreweries

Scotland's Deposit Return Scheme will place a 20p deposit on all drinks (both soft and alcoholic) that come in PET plastic bottles, metal cans and glass bottles. Consumers will pay the deposit when they buy a drink and get it back when they return the container for recycling. The scheme will increase the quantity and quality of recycling, reduce litter, help tackle climate change, and realise economic and societal benefits.

What you need to know

This briefing sets out what Scotland's Deposit Return Scheme will mean for Small Producers and Microbreweries.

Scotland's Deposit Return Scheme will give all drinks producers a role in increasing recycling and helping to tackle climate change. This will be an important part of Scotland's response to the climate emergency.

If you produce drinks sold in the in-scope containers (PET plastic bottles, metal cans and glass bottles), you will have new legal obligations.

- You will be responsible for the packaging the products you sell come in and will have legal obligations relating to their collection and recycling. These obligations will apply to all drinks producers placing products onto the Scottish market, including small producers and microbreweries.
- It is anticipated that the vast majority of drinks producers will choose to fulfil these obligations through a scheme administrator. By paying a small fee for each container you place on the Scottish market, you will be able to have the obligations carried out on your behalf.
- Your scheme administrator will likely be an industry-led, privately-owned body, operating on a not-for-profit basis.

The legislation to introduce the scheme is currently passing through the Scottish Parliament. As a result, some details are still to be confirmed. Further information will be available once the legislation has passed and scheme administrator(s) is/are formed.

It is important that you begin to familiarise yourself with the expected requirements so that you will be ready for the scheme going live.

Zero Waste Scotland will continue to work with small producers and microbreweries to support the delivery of the scheme.



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Producer Obligations

Deposit return is an example of extended producer responsibility, which requires producers to be responsible for the packaging (in this case the drinks cans and bottles) that their products are sold in.

In the context of Scotland's Deposit Return Scheme, a producer is a drinks brand owner or importer into the UK market, or, in the case of online sales, the operator of the website through which the product is sold.

All drinks producers and importers, regardless of size, selling onto the Scottish market are covered by the legislation.

Once the scheme is live producer responsibilities are:

- Register with SEPA by 1st March each year for their containers to be sold in Scotland. SEPA will hold a list of registered producers
- Ensure they include a deposit in the sale price of products sold in scheme packaging
- Provide information about their products to SEPA as required
- Collect scheme containers from retailers and other return points for recycling
- Reimburse retailers for the deposit value of containers collected and pay an additional "reasonable" handling fee per container if one is charged
- Meet annual collection targets for recycling

To fulfil these obligations, all producers have two options:

- 1) *Pay a small fee per container to a scheme administrator who then carries out the above obligations on behalf of the producer* e.g. register with SEPA, collect containers, meet targets. This would be a per-container fee that results in the producer contribution being proportionate to the producer's market share in Scotland. In order to be a member of a scheme administrator, producers will likely have to follow that scheme administrator's rules, for example, labelling rules. However, a scheme administrator is likely to be a producer-led organisation, so will seek to operate in the best interests of all producers. Joining a scheme administrator will make it simple for producers to contribute to the scheme and fulfil their obligations. It is anticipated that most producers will choose this option.
- 2) *Discharge obligations themselves* – This is likely a realistic option only if the producer sells into a limited number of premises (such as local pubs) and are visiting these



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premises regularly to deliver stock. This will require a plan to be submitted to SEPA (which would likely be a simple document for a small producer). The producer would then collect their own containers from return points.

Retail Obligations

Small producers and microbreweries may also operate as a retailer in the form of a physical or online shop where they are selling drinks to the consumer to take away.

Once the scheme is live, retailers have the following responsibilities under the regulations:

- They must ensure they are not selling drinks containers from producers not registered with SEPA
- The deposit must be included in the price, and retailers must make it clear the container is part of the scheme
- The deposit value must be displayed clearly and separately from the price of the product
- Online retailers will have to ensure sales of containers in Scotland comply with the scheme
- Return points must accept containers, and refund deposits to customers. They must keep containers for collection by producers or scheme administrator(s) acting on their behalf
- Distance retailers must provide free take-back services to customers

To fulfil the obligations retailers can:

- *Take containers back either via a Reverse Vending Machine (RVM) or manually* – realistically in small shops, such as brewery shops, it will be a manual return, as there will not be the quantity of containers returned to justify investing in an RVM. Retailers will get a handling fee for any containers that they accept back – a per-container fee to reimburse them for facilitating returns, and this covers staff time, space and the costs of infrastructure required, such as an RVM.

Small Producer and Microbrewery Considerations

Producer Fee

The scheme will be funded through unredeemed deposits, revenue generated by selling the collected materials for recycling and, as a form of extended producer responsibility, the scheme will be partly funded through a producer fee. The producer fee is charged on each container a producer places on the market, making the fee proportionate to the size of the business's market



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share in Scotland. Financial modelling suggests a value of 1.5p per container (anticipated value in normal operations) but this will ultimately be a decision for a scheme administrator (in consultation with producers). A differential producer fee by material type may be determined by the scheme administrator.

Administrative Fee

Producers will pay an annual fee to SEPA to cover the costs of registration. The draft regulations, which are currently open for consultation, state this annual fee to be £209 per producer or brand owner. In a recent sector workshop this flat value across all sizes of producers was repeatedly highlighted as an area of concern by small producers. Zero Waste Scotland has communicated this to the Scottish Government who confirmed they are keen to work through this issue with small producers.

Labelling

The draft regulations do not mandate labelling. There is no specific requirement to add new labelling to scheme packaging sold in Scotland. The administrators of the scheme will be responsible for deciding on the most efficient and effective measures for minimising fraud and informing the consumer that containers are part of the deposit return scheme. Any change to labelling would likely be a commercial decision for each producer, based on the quantity of containers they place on the market and the expected level of fraud.

When it does not make commercial or financial sense to change labelling, European schemes have other methods available to smaller producers. These include using an adhesive label or accepting a variable producer fee. A variable producer fee would still be paid per-container (making the fee proportionate to market share in Scotland), and is used to off-set the increased risk of fraud for non-labelled containers.

Role of producers who operate a shop

As outlined above, retailers selling drinks to take away have several obligations under the draft regulations. All retailers will be able to decide individually whether they want to collect containers returned by the consumer manually or automatically via a reverse vending machine (RVM). This will likely be a commercial decision based on the number of returns expected and space. Return points are paid a Retail Handling Fee, a per-container fee to reimburse them for facilitating returns, which covers staff time, space and the costs of infrastructure required (such as an RVM).



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Retailers can apply to Scottish Ministers for an exemption from operating a return point. These will only be considered if ministers are satisfied there are other options for returning containers nearby. Retailers will be expected to demonstrate that there are other return points within a reasonable distance and with similar accessibility: for instance, a communal return point serving several retailers or a voluntary return point with similar opening hours that has agreed to take on the obligation.

Online Sales

Under the draft regulations, retailers who sell products by distance sales (e.g. through an online delivery service) will be required to provide a takeback service from the site of delivery to consumers who have purchased those items. This is to ensure the scheme is assessible for all, including those who rely on home deliveries.

The regulations state that distance sellers must provide a takeback service free of charge. There is flexibility as to what form this may take.

Flow of the deposit

Every time an item is sold the deposit is attached so the retailer or wholesaler will pay the deposit amount to the producer. This means producers will be reimbursed quickly and efficiently.

Regulation

The scheme will be regulated by SEPA, who will monitor progress against annual collection targets. SEPA will have a range of enforcement measures available to take against any scheme administrator, producer or retailer that is deliberately or consistently not performing.

Next Steps

The regulations will lie in the Scottish Parliament for comment until 10th December 2019. Until that date there is a live consultation on the Scottish Government website, for stakeholders to feedback on the regulations. If you have any points on the regulations for the Scottish Government to consider, we recommend businesses submit a consultation response. You can do so here:

<https://consult.gov.scot/environment-forestry/deposit-scheme-for-scotland/>

It's expected the scheme will become law next year, with the intention of going live in 2021.



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Further Information

For more information, including a comprehensive list of FAQs, please visit:

[Depositreturn.scot](https://depositreturn.scot)

Download our stakeholder toolkit at:

<https://depositreturnscheme.zerowastescotland.org.uk/toolkit>

We issue a regular stakeholder newsletter. To sign up, please visit:

<https://depositreturnscheme.zerowastescotland.org.uk/contact>