



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 single-use **PET plastic**, **glass** and **metal** drinks containers. Visit www.depositreturn.scot for full details.

What you need to know

In order to meet the demands of the climate emergency, we will all need to take action in our daily lives. Scotland's Deposit Return Scheme will give small producers and microbreweries an important role in boosting the quantity and quality of recycling and tackling climate change. It will:

- Bring to Scotland a scheme proven to yield great results for the recycling of drinks containers, in at least 45 countries and territories across the world
- Put producers in charge to delivery an efficiency and effective scheme utilising transferable knowledge and skills
- Put producers in the forefront of delivering the greater sustainability on packaging your customers want to see
- Anticipate broader packaging schemes which are being planned in Scotland, the UK and the EU, under Extended Producer Responsibility
- Provide a cost-effective way of discharging your responsibilities

Your new legal obligations:

- You will be responsible for the containers your products 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.
- It is anticipated that most drinks producers will 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.

Regulations Update

Final scheme regulations laid in the Scottish Parliament confirm a **July 2022** go-live date and are expected to become law later this year. Important new provisions for small producers/microbreweries include:

- **Producer registration fee:** If your business falls below the VAT threshold (a taxable turnover of £85,000 or less) in the previous financial year then **no** annual producer registration fee to SEPA will apply.
- Premises selling for **on-site consumption only:** Such business do not have to act as a return point
- **Exemption** criteria relating to legal obligations such as food safety
- **Return criteria:** small retailers can refuse disproportionate volumes of returns or containers that are not intact



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Producer Obligations

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

In 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 producers will have new legal requirements.

To fulfil these obligations, you have two options:

- 1) *Pay a small fee per container to a scheme administrator who then carries out the obligations on your behalf.* This would be a per-container fee that results in your **contribution being proportionate to your market share in Scotland**. In order to be a member of a scheme administrator, you will likely have to follow that scheme administrator's rules, for example on labelling. 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 you to contribute to the scheme and fulfil your obligations. It is anticipated that most producers will choose this option.
- 2) *Discharge obligations yourself* – This is likely a realistic option only if you sell into a limited number of premises (such as local pubs) and are visiting these premises regularly to deliver stock. This will require a plan to be submitted to SEPA.

Under the obligations you will:

- Register with SEPA by 1st March each year for your containers to be sold in Scotland. SEPA will hold a list of registered producers
- Ensure you include a deposit in the sale price of products sold in scheme packaging when they are intended for sale to a consumer in Scotland
- Provide information about your products to SEPA as required
- Collect and manage scheme containers from retailers and other return points



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- Reimburse retailers for the deposit value on containers collected and pay an additional reasonable handling fee per container
- Meet annual collection targets for recycling.

If you choose to join a scheme administrator, they will fulfil most of these obligations on your behalf.

Retail Obligations

As a small producer or microbrewery, it's possible that you also operate as a retailer in the form of a physical or online shop where you sell drinks to the consumer to take away.

Once the scheme is live, retailers have the following responsibilities under the regulations, unless you obtain an exemption (see below for more details on being exempt):

- Ensure you are only selling drinks from producers registered with SEPA and that have been put on the market for sale to consumers in Scotland
- Charge the deposit at point of sale, and make it clear the container is part of the scheme
- Display the deposit value clearly and separately from the price of the product
- Online retailers will have to ensure sales of containers in Scotland comply with the scheme
- Retailers selling to customers in a physical location must act as a return point, unless they are exempted (see information below). 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 takeback services to customers.

To fulfil the obligations retailers can:

- *Take containers back either via a Reverse Vending Machine (RVM) or manually – realistically if you operate a small shop, such as brewery shops, you may choose to operate 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*



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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.

Considerations for you as a small producer or microbrewery

What is the Producer Fee?

It is anticipated that the scheme will be funded through three channels, though this will ultimately be a decision for any scheme administrator:

- Unredeemed deposits
- Revenue generated by selling the collected materials for recycling
- Producer Fee. This is in line with European schemes, as deposit return is a form of Extended Producer Responsibility (EPR). The producer fee will likely be charged on each container you place on the market, making the fee **proportionate to the size of your market share in Scotland**. The value of the producer fee will ultimately be a decision for a scheme administrator, in consultation with its producer members. A differential producer fee by material type may be determined by the scheme administrator.

What is the producer registration fee and how much is it?

Drinks producers will pay an annual fee to SEPA to cover the costs of registration. This fee will be £360 per year.

If your business falls below the VAT threshold (a taxable turnover of £85,000 or less) in the previous financial year then **no annual fee** will apply.

Do I have to change my labelling?

The regulations do not mandate labelling. There is no specific requirement for you to add new labelling to scheme items sold in Scotland. If you choose to join a scheme administrator, they will be responsible for deciding on appropriate 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 you, based on the quantity of containers you 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 will be used to off-set the increased risk of fraud for non-labelled containers.



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What if I operate a shop?

As outlined above, retailers selling drinks to take away have several obligations under the deposit and return scheme regulations. If you are also a retailer you will be able to decide whether you 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. As a return point you will be paid a handling fee, a per-container fee to reimburse you for facilitating returns, which covers elements such as staff time, space and the costs of an RVM.

Can I be exempt from accepting returns?

Businesses can apply to Scottish Ministers for an exemption from acting as a return point. There are two different routes through which an exemption can be granted.

Route 1: Get an agreement from another return-point operator to take back containers on your behalf. This might be a nearby store or voluntary return point established by someone other than a retailer. You must show that:

- this alternative return point is within reasonable proximity to your premises;
- if the exemption is granted, this will still provide consumers with reasonable access to a return point.

Route 2: Provide evidence to satisfy Ministers that there is no reasonable way for you to operate a return point on your premises without risking being in breach of relevant legal obligations such as food safety.

Applications for exemptions are expected to open in due course. The Scottish Government is working with representatives of the retail sector and other relevant stakeholders to develop guidelines to support businesses in making an application.

What if I sell my product online?

Retailers who sell products by distance sales (e.g. through an online delivery service) will be required to provide some form of takeback service, free of charge – from the site of delivery to consumers who have purchased those items. This requirement applies only to your **own products**, not to every container the customer wishes to return.

There will flexibility on how this works. A temporary levy can be charged to cover essential costs.



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Please note – customers will still be able to return their empty containers to any other return point. As such, it is anticipated that most customers will make use of a local return point, rather than a takeback service.

How do I get reimbursed for the 20p deposit?

It is likely, if you are a member of a scheme administrator, that they will ask you to pass the 20p deposit to them when you place a product on the market. Every time an item is sold the deposit is attached. This means the retailer or wholesaler pays the deposit to you when you sell them your product. This means you will be reimbursed quickly and efficiently.

Who regulates the scheme?

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 or breaching the regulations, for instance by selling items without a deposit applied.

When will the scheme become operational?

The scheme will go live for consumers on 1st July 2022. However, some parts of the regulations will come into effect before this date, so it's important that you begin to get ready now.

Is any other part of the UK considering a deposit return scheme?

Scotland's Deposit Return Scheme is being introduced under legislation relating to powers which are devolved to Scotland. A public consultation on proposals to establish a deposit return scheme for England, Wales and Northern Ireland ran from February to May 2019.

The Scottish Government is open to working with the other administrations on DRS.

Further Information

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

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

Additional information for producers can be found here:

<https://depositreturnscheme.zerowastescotland.org.uk/information-producers>

Additional information for retailers can be found here:



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<https://depositreturnscheme.zerowastescotland.org.uk/information-retailers>

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

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