

21 May 2021

Waste Management Policy Group
Environmental Protection Department
Rm. 1501, 15/F, Chinachem Exchange Square
1 Hoi Wan Street, Quarry Bay, Hong Kong

Email: pprs@epd.gov.hk

**Submission on Public Consultation on
Producer Responsibility Scheme on Plastic Beverage Containers
Views from Business Environment Council Limited
商界環保協會有限公司**

Over the last 29 years, Business Environment Council Limited 商界環保協會有限公司 (“BEC”) has played a leading role in advocating the business case for environmental excellence, given the importance of sustainable development to Hong Kong. Our members are committed to actively engage with the HKSAR Government (the Government) to help develop a supporting policy framework as well as impactful implementation in respect of environmental protection and sustainability.

Views expressed in this submission are those of BEC, in line with BEC’s Mission and Vision as well as policy position on relevant issues, but may not necessarily be the same as the views of each individual member. BEC is an independent charitable membership organisation comprising over 200 member companies from Hong Kong’s major holding companies to small and medium-sized enterprises.

Introduction

After commissioning a feasibility study in October 2017 on the implementation of a producer responsibility scheme (“PRS”) on plastic product containers, the Government launched a three-month public consultation on a new PRS on plastic beverage containers in February 2021.¹ Views on the Government’s proposal collected from stakeholders and members of the public will inform the regulatory framework and implementation plan of the PRS moving forward.

In principle, BEC strongly supports a mandatory PRS to enhance the recycling of plastic beverage containers. BEC’s views and recommendations on key issues under the PRS, which largely follow the sequence of questions included in the consultation document, will be further discussed in the following sections.

¹ To date, there are three mandatory producer responsibility schemes (“PRS”) under the Product Eco-responsibility Ordinance (Cap.603): The Plastic Shopping Bag Charging Scheme, PRS on waste electrical and electronic equipment, and PRS on glass beverage containers.

Beverage container volume and type to be covered

While BEC supports the proposal to include plastic beverage containers within the volume range of 100mL to 2L in the PRS, as most of the containers do not exceed 2L according to the consultation document,² it is recommended that containers of all sizes should be covered. First, putting a volume range in the PRS might invite beverage manufacturers shifting to a packaging size outside the scope of the PRS to avoid regulation. Second, there is no practical reason to exclude containers with a volume that can be handled by reverse vending machines (“RVM”) in the market (typically containers between 200mL and 2L in volume) or bulk collection points (literally containers of all sizes).

The Government also set out to only include plastic beverage containers in the proposed PRS. BEC prefers an inclusive PRS that covers all single-use beverage packaging formats permitted in Hong Kong such as drink cartons and flexible plastic packaging (except for glass, which is already regulated under a separate PRS). Such scheme will prevent leakage where beverage manufacturers and importers might switch between different packaging materials to avoid regulation.

Rebate versus deposit

BEC strongly support the provision of financial incentives to encourage the public to return used beverage containers for recycling. This is a proven method across the world to increase recycling rate and various trial schemes conducted locally by different groups also point to the same conclusion. Hence, Hong Kong should adopt the same approach in the new PRS on plastic beverage containers.

The Government suggests a rebate system in the proposal. It is a simple way of offering value on return and its success will be determined by (i) a rebate level that is attractive enough to encourage consumers to return used containers, but not too high to attract an influx of containers from outside Hong Kong to game the system, and (ii) a network of designated collection points convenient to consumers and suitable for reverse logistics.

On the other hand, there are views that prefer a deposit return system. By adding a deposit value to the price of a beverage product, it will help remind and educate consumers there is a cost to treat used bottles. Since it is a deposit paid from their pocket, consumers will have a stronger desire to return the used container and have the deposit refunded. However, implementation of a deposit return system will probably require a different payment and receipt set-up that

² Environmental Protection Department, *Producer Responsibility Scheme on Plastic Beverage Containers*, February 2021, paragraph 3.3, p.11.

is not currently available or common in Hong Kong and will therefore incur additional expenses and preparation time.

BEC acknowledges that the two approaches are conceptually different and argues that either a rebate or deposit return system, provided that the chosen one will be properly designed and managed, will significantly improve recovery and recycling rate.

The level of rebate

The Government proposes, as a start, a flat rate rebate of 10 cents per returned container at designated return points. BEC takes a neutral position on this proposed rebate level but insists that collection or recovery targets must be set for the PRS, and the scheme must build in flexibility that allows review and adjustment of the rebate level should the set (interim or ultimate) targets are not being met.

Another consideration regarding the level of rebate is that while a higher rebate over the 10 cents proposed by the Government will increase consumer motivation to return used beverage containers, the bigger the gap between the rebate and market value of a plastic beverage containers (estimated at around 3 cents per container at the time of writing), the higher the administrative cost of the PRS will become, which will likely be passed on to consumers. As such, BEC considers a rebate level between 10 to 20 cents per container as a reasonable range based on current market conditions.

Take-back and rebate redemption services

BEC believes that an extensive collection network with convenient designated collection points will be crucial to the success of the PRS. BEC also agrees that retailers selling beverages in plastic containers have a shared responsibility in the scheme by providing take-back and rebate redemption services. Hence, BEC supports the idea that relevant retailers should be asked to provide the aforesaid services to beverage consumers.

However, BEC is not convinced that by limiting mandatory take-back and rebate redemption services only to stores with a retail floor area of not less than 200 m², even only in the initial stage, there will be a collection network extensive and accessible enough to recover a significant portion of used plastic beverage containers every day. While it is fully acknowledged that many retail stores in Hong Kong, which are ideal and convenient collection points for consumers location-wise, are typically small and have limited space (especially back-of-house areas to collect and store used containers), some retailers operating with small retail floor area are keen and committed to identify and assign stores that can provide take-back and rebate redemption services to consumers.

Therefore, instead of using a blanket criterion based on retail floor area of 200 m² or above to determine which stores should be included in the collection network, BEC proposes the concept of 'equal convenience' to make the collection and recycling of plastic beverage containers as accessible as disposing trash. A flexible approach should be taken to recruit retail stores of different sizes and to set up collection points at different locations such as public and private housing estates (maybe through a mandatory plus voluntary scheme), provided that reverse logistics, space constraints and hygiene risks can be managed, and both the beverage consumers and the agents who handle waste and recyclables will find the locations suitable and convenient.

In locations where the number of collection points is insufficient to provide adequate and convenient take-back and rebate redemption services, the Government may install RVMs to complement and strengthen the local collection network, bearing in mind that RVMs are quite expensive and will have considerable impact on the overall cost of the scheme.

Recycling levy paid by suppliers

BEC supports the proposal to collect a recycling levy from the suppliers, including manufacturers and importers, to fund the operation of the PRS. To ensure that the scheme will be self-funded, it should be designed to operate at the lowest possible cost, funded by an agreed set of levies paid by beverage value chain stakeholders, and supported by government subsidies where appropriate. The levies collected will be used by the scheme operator as working capital to fund operating costs, including the incentive payments.

Nonetheless, the level of the recycling levy should be determined and reviewed by a transparent mechanism with government oversight, as well as on a shared responsibility principle. The Government should also specify how the recycling levy will be used to fund the PRS. BEC suggests that the Government may consider using part of the levy to support and upgrade the local recycling industry.

Licensing requirement on recycling facilities

BEC strongly supports the Government's proposal to amend the Waste Disposal Ordinance (Cap. 354) such that any person who treats, reprocesses and recycles regulated plastic beverage container waste will be required to obtain a waste disposal licence. Licensing requirement should ensure transparency on the recycling process and material flows, which in turn will instil public confidence in the PRS with the knowledge that post-consumer beverage containers will be properly recycled and the processing operation will comply with all environmental protection regulations.

Promotion of eco-packaging design

BEC has long been advocating the promotion of eco-packaging design as an important step to achieve circularity with regard to plastic packaging. It can be done through a multi-pronged approach, including (i) the preparation of a roadmap to reduce the use of virgin plastic in beverage containers, (ii) the development of standards and guidelines that support the use of eco-friendly and/or recycled materials as alternatives, (iii) the provision of government funding to encourage innovation in packaging design, (iv) a well-planned and well-timed phasing out of non-recyclable packaging materials and formats in Hong Kong, (v) the promotion of green procurement by giving preference to packaging with recycled content or better recyclability, and (vi) recognition, endorsement and communication of eco-friendly packaging design via product labelling and marking.

Other comments

Other than responding to the key consultation questions, BEC also has the following views relating to the PRS:

Setting recovery targets

To plug a major gap in the current PRS proposal, BEC urges the Government to set concrete targets on recovery rates with a timeline. These targets will direct and inform the design and operation of the PRS at different stages, such as the rebate level and the scale and reach of the collection network. Clear recovery targets will also drive the PRS operator to regularly review and fine-tune the scheme in order to achieve the overall targets.

Building public trust and confidence

BEC argues that instilling public confidence in the PRS will be most critical to the long-term success of the scheme. The licensing requirement on recycling facilities is a move in the right direction. The public simply wants to make sure that the recovered containers will be properly recycled and reprocessed for other uses, rather than going back to landfill. Perhaps a tracking system that traces the flow of materials from collection points to end-users with information communicated regularly to the public can be added as one of the licensing criteria.

Other forms of communication will also enhance transparency and raise awareness. For example, monthly update of the collection and recovery rates can be published by district to keep the public engaged. The economic, environmental and social benefits of the PRS should be clearly communicated to the public to get their endorsement and support.

In addition, the PRS has to give confidence to the public that it is not-for-profit, run by an independent body with professional knowledge and solid governance enabled by government legislation, and the operation will be kept lean, transparent, accountable, flexible and target-driven.

Municipal Solid Waste charging

BEC fully supports municipal solid waste (“MSW”) charging, which premises on the ‘polluter-pays’ principle. It is a proven means to achieve waste avoidance, reduction, separation and recycling, and a complementary measure to increase waste recovery rate which is one of the key goals of the proposed PRS. As such, BEC urges support from the Bills Committee and all members of society for the passage of the Waste Disposal (Charging for Municipal Solid Waste) (Amendment) Bill 2018 and early implementation of the MSW charging scheme.

Enquiries

For queries related to this submission, please contact our Chief Executive Officer, Mr Adam Koo at adamkoo@bec.org.hk.

Yours sincerely,



Richard Lancaster
Chairman
Business Environment Council Limited