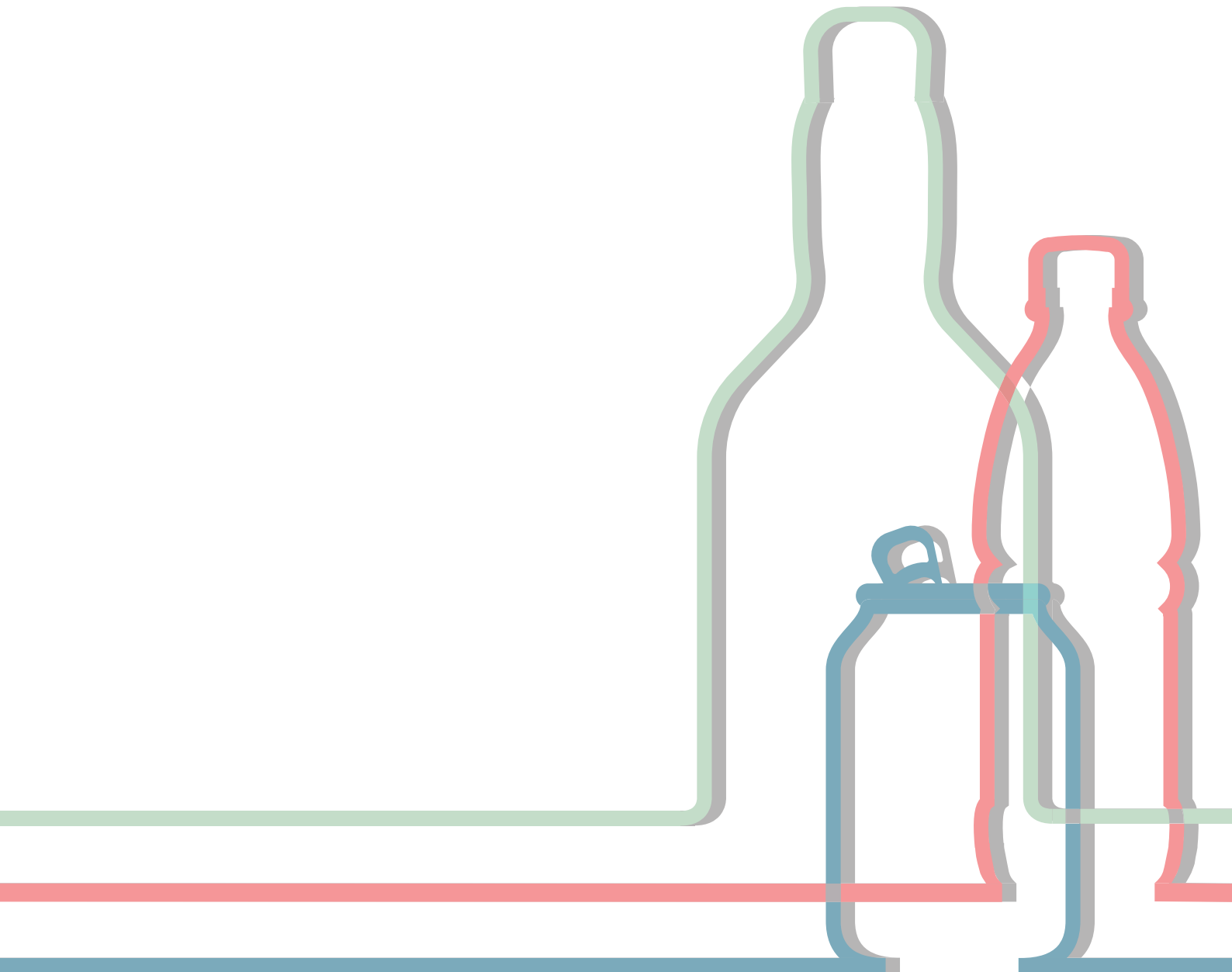




Public Consultation for **Beverage Container Refund Scheme**



INTRODUCTION

In Budget 2015, the Government of Malta highlighted its intention to introduce a Beverage Container Refund Scheme (BCRS). Subsequently, at the EU “Our Oceans” Conference in 2017, Malta committed to introducing a BCRS which was reflected in Budget Speech 2018. Government announced that the scheme would be in place in 2019.

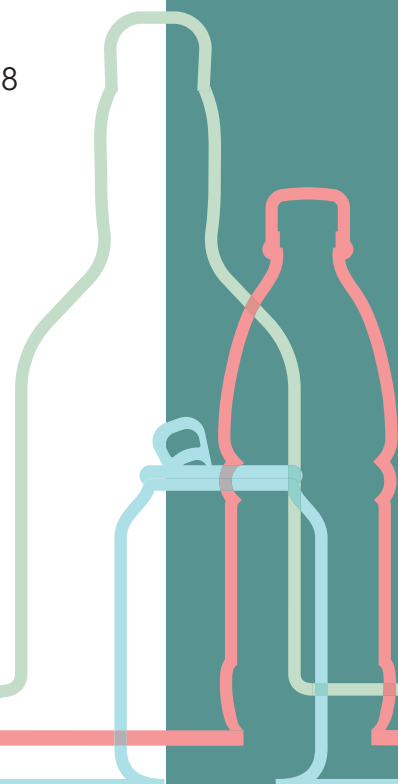
Having considered BCRSs that are in operation around the world, the Ministry for the Environment, Sustainable Development and Climate Change (MESDC) has been working on a scheme design for Malta. MESDC developed an initial design and draft regulation, and subsequently engaged the international environmental consultancy, Eunomia Research and Consulting, to review the approach and assist in developing the consultation. Eunomia made a number of recommendations and proposed revisions to the draft regulation.

In December 2017, MESDC organised informal workshops with representatives of the main bottling companies as well as with the two active producer responsibility schemes for packaging, the Chamber of Commerce and GRTU. The Government of Malta has sought, where possible, to take on board the feedback provided during these meetings.

MESDC is now putting forward the proposal for a BCRS for public consultation. This document outlines the reasons as to why the Government is introducing a BCRS and its proposed design.

The consultation opens on 4th May 2018 and will close on 4th June 2018

For further information kindly visit: www.bcrs.gov.mt

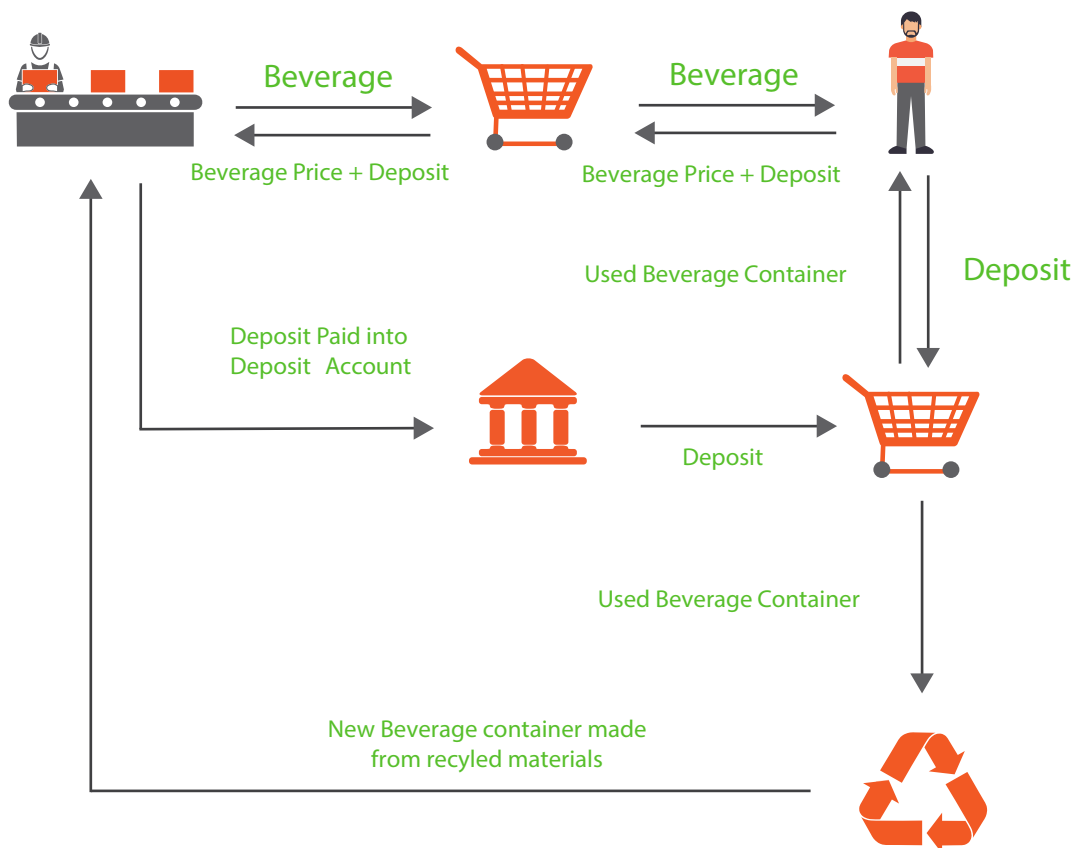


WHAT IS A BEVERAGE CONTAINER REFUND SCHEME?

A BCRS incentivises the return of used beverage containers by applying a refundable deposit to beverage sales. These have been introduced in various countries around Europe, in certain Australian territories, US states and Canadian provinces to:

- Increase recycling rates; and
- Reduce litter.

Typically, a small deposit is added to the purchase price of beverages where the cycle commences by the beverage companies initiating the deposit movement by paying it into a specific deposit account. This deposit is then charged to retailers at the wholesale stage who subsequently transfer it to consumers. Consumers can return their used container to either a dedicated depot or a participating retailer to obtain a full refund on the deposit. These deposits are ultimately deducted from the deposit account. The resultant containers provide a high-quality recyclable material which can be exported for reintroduction into the market as new recyclable material.



WHY IS THE GOVERNMENT INTRODUCING A BCRS?

The overall recycling rate of dry recyclables in Malta's Municipal Solid Waste is considerably low and currently hovering at around 16%. This figure raises concerns about the capability of Malta to effectively change its direction, make significant inroads towards its recycling targets and increase diversion away from landfills.

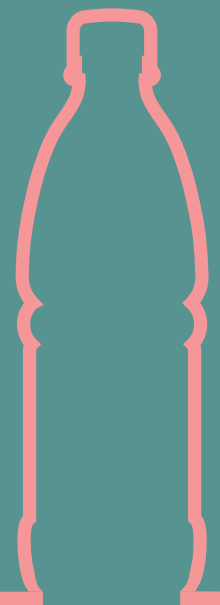
The European Commission has developed an Early Warning System to identify Member States at risk of missing Waste Framework Directive targets. Under this mechanism, Malta was informed of its need to improve its recycling rate to ensure compliance with the 50% target by 2020. The new waste package puts upon Member States even more onerous targets with levels of 65% of all MSW needing to be recycled by 2035.

MESDC is considering a number of options to promote a transition towards a more circular economy by improving recycling rates across different industries. The proposed BCRS is the first of a series of initiatives aimed at such purpose partly due to the fact that they are widely recognised as the most effective way to improve the recycling rate of beverage containers.

Historically, Malta had a very successful deposit system for refillable glass bottles, but these have largely been replaced by single-use plastic bottles and cans. Although almost all bottled water and soft drinks in Malta are sold in PET bottles, one of Malta's bottling companies continues to run a deposit system for its refillable bottles.

It is estimated that Malta recycles 14-20% of PET beverage bottles and 5% of aluminium cans. There are schemes in place for recycling at home, notably the dry recyclable kerbside collection as well as locality based bring in sites. However, recovery rates from households are not as high as they could be and new solutions are needed to address consumption at home as well as away from home.

Improving recycling rates is part of Malta's transition towards a circular economy and is crucial in the fight against climate change: every tonne of aluminium that is recycled is estimated to save 10.7 tonnes of carbon dioxide.



Successful deposit systems in Europe achieve recycling rates of over 85% for their beverage containers. Their systems provide a reliable supply of high-grade recycled material, as the contamination levels are lower than in other recycling collection systems, and consequently are relied upon by beverage companies committed to increasing the recycled content of their containers.

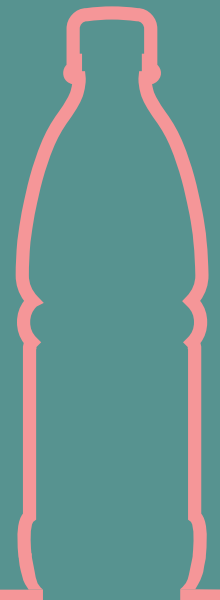
Additionally, global action is needed to prevent marine litter and protect our oceans; data collected by Ocean Conservancy and International Coastal Clean-up volunteers on the number of items collected found that beverage packaging is the largest single source of marine litter. A BCRS will be part of Malta's contribution to addressing this global problem and will help to reduce littering on the Maltese islands and beaches.

The objectives of the scheme are to:

- Make both producers and consumers responsible for their packaging waste;
- Create a privately-funded infrastructure for the collection of empty beverages containers;
- Increase national efforts in reaching recycling targets; and
- Reduce littering.



<https://oceanconservancy.org/wp-content/uploads/2017/04/2014-Ocean-Conservancy-ICC-Report.pdf>



BCRS DESIGN

4.1 OVERVIEW

Globally, some deposit systems are government-run, while others are designed, owned and operated by a non-for-profit partnership between the beverage industry and retailers. MESDC has received various representations on this, and, at this stage, has come to the conclusion that, in the absence of a determined volition on the part of the private sector to mirror other schemes abroad, the system should be designed by the Government, overseen by a Government-appointed Council and run by a private operator.

Accordingly, MESDC intends to mandate a BCRS under new Circular Economy provisions that will be added on to existing environmental legislation. This will legislate for:

- product and container types to be included in the scheme;
- the framework for the relationship between participating stakeholders;
- the financial management and cash movements; and
- performance requirements and monitoring arrangements.

The Government will, as a result, establish a Resource Recovery and Recycling Council (the Council) to be the system regulator. The Council will establish and manage a Beverage Containers Refund Fund (the Fund) to administer the system's funding and financial transfers.

For the day-to-day operation, the Council will contract a Repository Operator (RO) through a competitive tender for a 10-year period. The RO will be responsible for the practical and logistical arrangements, including the return infrastructure, collecting the returned containers and managing their onward processing.

Consumers will be able to return their containers to all retailers in Malta that have a minimum floor-space of 150m² with the latter being obliged at law to have a reverse vending machine provided by the RO. (Locations where consumers can return their containers are called "redemption centres"). Retailers will be provided with an automated system using reverse vending machines (RVMs), which will be provided by the Repository Operator. The Council will have the discretion to authorise manual systems on a case by case basis.

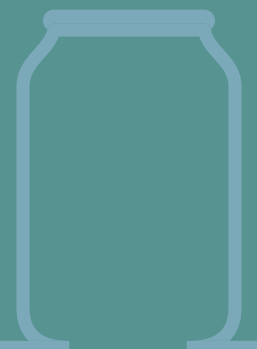
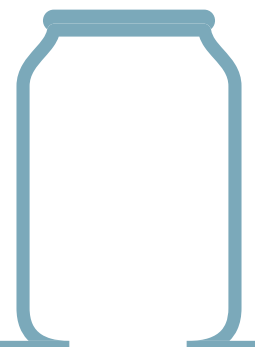
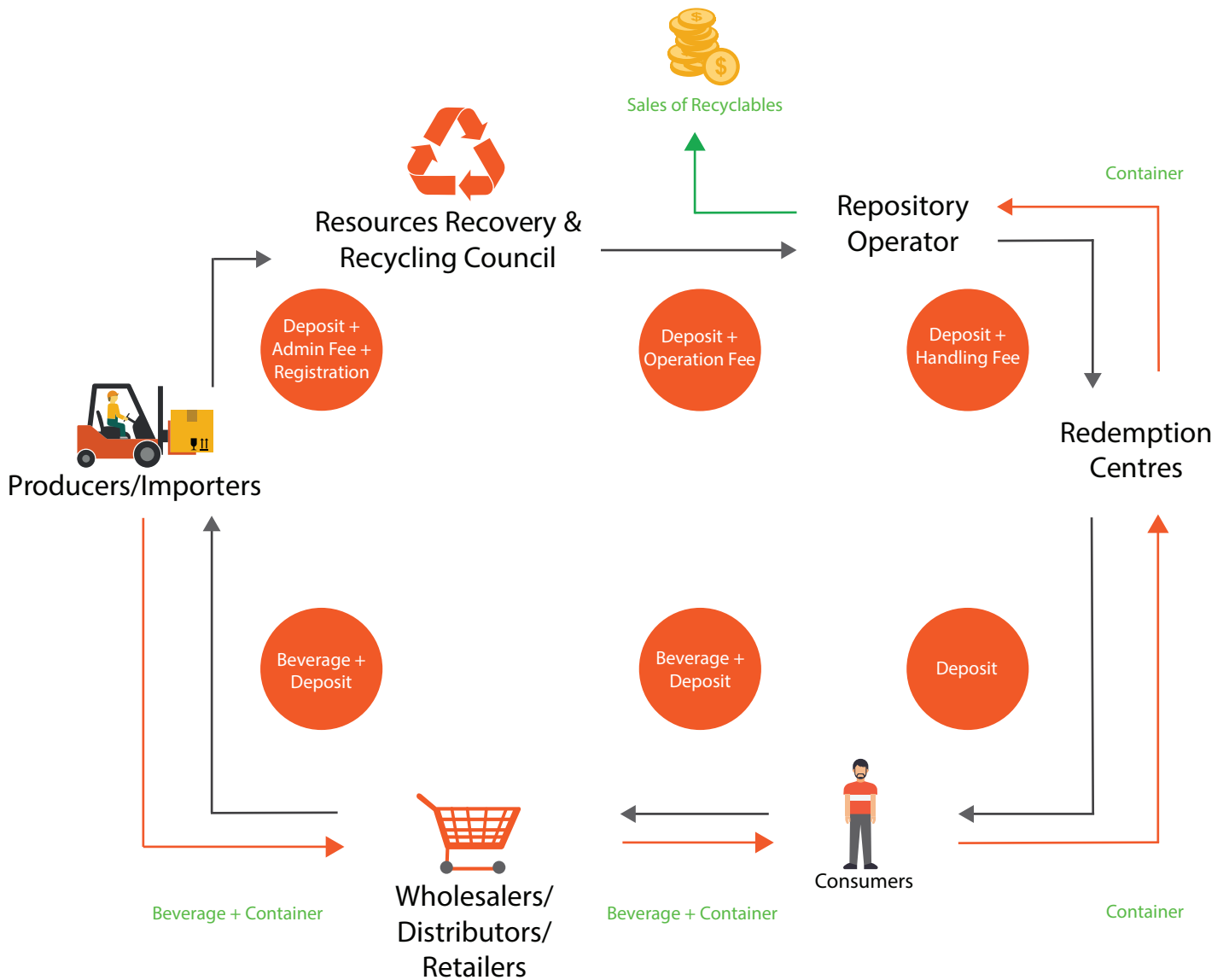


Figure 2: Summary of MESDC's proposed design



4.2 SCOPE

The deposit refund system will focus on beverage containers because:

- 1) They are more likely to be consumed on the go (so are more likely to be littered or thrown away in residual waste);
- 2) They tend to be consumed quickly and soon after they are purchased (so are a significant part of single-use packaging);
- 3) They are more easily cleaned and less likely to contain residue than other types of container, due to the low viscosity of beverages.

The draft regulation applies a deposit to the following beverage containers:

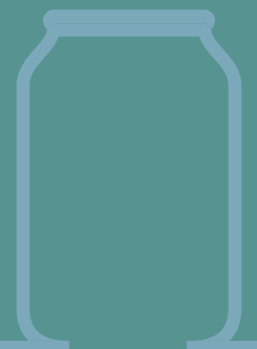
- Refillables;
- One-way glass bottles;
- Metal cans; and
- Plastic bottles.

Cartons, foil pouches and drink boxes are excluded.

The beverages included within the scope of the scheme are:

- Water and flavoured water;
- Fruit juices and nectars;
- Carbonated soft drinks;
- Ciders, beers and other malt beverages;
- Other alcoholic beverages with an alcohol level not greater than 10% by volume; and
- Any other beverage, except for dairy products and alcoholic beverages with an alcohol level of at least 10% by volume.

MESDC's intention is to conduct further reviews of other products that could potentially be included in the future.



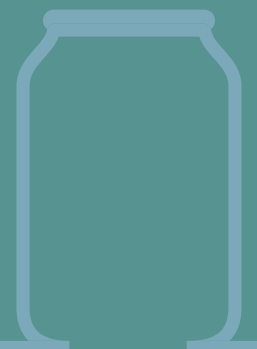
BCRS DESIGN

4.3 DEPOSIT

Whilst some schemes vary the deposit by container size and material types, the proposed deposit structure is being kept as simple as possible. The intention is to incentivise the return of all containers, so a flat rate deposit will be applied to avoid any suggestion that it is less worthwhile to return some containers.

The deposit needs to be set at a high enough level so that people feel the deposit is worth redeeming, balanced against the increased risk of fraud associated with higher deposits and the up-front costs to those initially paying the deposit.

Some systems leave the system operator to determine the deposit value, while others specify it in legislation. Government intends to set the deposit at €0.10 in the regulation



4.4 RETURN INFRASTRUCTURE

In general, there are two main return method alternatives - to depots specifically established for the BCRS, or to retailers selling beverages. The most successful European systems are designed for consumer convenience, and hence have opted for return to retail. This allows consumers to return their containers while doing their shopping or whilst passing by a shop, rather than requiring extra journeys to a special depot. Government intends to follow this latter approach.

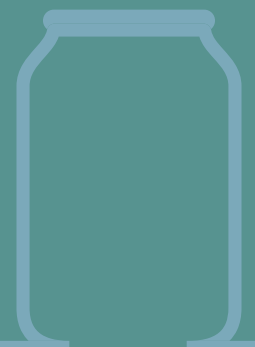
As smaller retailers have less space for the returned containers and/ or for RVMs, the proposal is to exempt shops that are smaller than 150m², but to give them the choice to opt in.

The RO will fund and provide compacting RVMs to retailers. It is envisaged that there will be a minimum of 350 RVMs allowing for a coverage of around 1 per 1,200 people, in line with other European systems. In those cases where the Council authorises a manual service, the RO will develop a specific system for such returns (e.g. issue bags and IDs tags so that the containers can be collected and counted).

There may also be the need for additional redemption centres and a repository to serve as a counting centre for HORECA members (hotels, bars and restaurants) and for small retailers who provide a manual service. The regulation will specify the minimum number of redemption centres and will allow for determining where additional redemption centres are needed. The Repository Operator will be required to establish this level of coverage.

The RO will reimburse retailers for the deposits they refund, and pay a handling fee of €4.00/1000 containers the retailer takes back. These will be paid out of the Fund. In some systems, the handling fee is set by the system operator and/ or negotiated with retailers based on assessment of the costs they incur. In others, the handling fee has been set by the Government and this is the approach MESDC has opted for, in order to provide clarity.

Refillable bottles will similarly be returned to retailers, but the bottlers themselves will then collect the bottles to clean and re-use them.



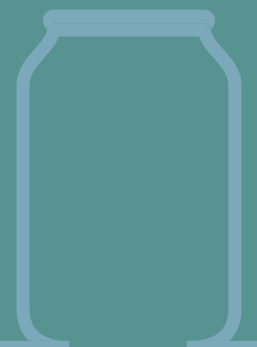
4.5 RETURNED CONTAINERS

The options for ownership of the returned containers range from retaining them and using the revenues to fund the system, to returning them to the bottlers.

Government is proposing that the RO will own the returned containers; this is in part because the recycling materials market is a highly volatile one, and having one organisation to market all the returned containers will attract the best price. The RO is responsible for collecting the containers from retailers and for ensuring they are appropriately processed and recycled. It is expected that enabling the RO to profit from the sales will provide an incentive to maximise return volumes – supporting the success of the scheme.

The RO will collect containers from retailers with an RVM at no additional cost. However, they will have the option to charge retailers providing a manual service and the HORECA industry for collections (the costs of transporting and processing these containers are higher, as they are not counted and compacted by the RVMs).

The income the RO is expected to generate from the material sales will be factored into the tendering process. The appointment of the RO will be based on a competitive bid, evaluated by MESDC, who will be looking for a bidding organisation that offers added value that extends the material life cycle.



4.6 LABELLING AND FRAUD PREVENTION

Any Deposit Refund Scheme requires anti-fraud safeguards to ensure a deposit is initiated for all beverages sold and that refunds are only issued for containers on which a deposit was paid in the first place.

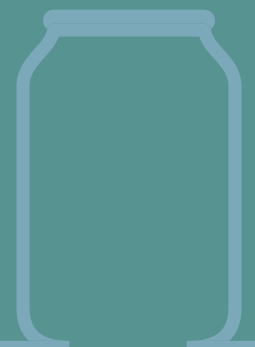
The level of security of the marking needs to be proportionate with the level of cross border trade. It is also important to strike an appropriate balance for the beverage industry: they will incur additional costs to meet the labelling requirements of the BCRS but also need confidence that all importers, bottlers and distributors are complying with the same system requirements and that no company is gaining a competitive advantage by producing imitations.

The proposed regulation sets out that the Council will provide a deposit refund logo that is to be stamped or affixed to all beverage containers included within the scope of the scheme. The labels will additionally include a barcode that is specific for the Maltese islands to reduce the risk of cross-border fraud. This is one of the most effective means of preventing fraud, but is likely to have a particular impact on low volume imported products, for which the labels may have to be affixed manually rather than in production.

When containers are returned to RVMs, the barcodes will be scanned to verify they are registered with the Council, and cross-referenced again with the container size, shape and material. (Containers returned manually will be verified once they are returned to the RO).

The use of barcodes will enable the Council to collect data on the volume of sales and to compare these to the number of containers returned, so that they can identify any unusual patterns and high volumes of certain types of container that would indicate fraud.

The Council will specify a different logo for refillable bottles.



4.7 FUNDING

Whilst a BCRS will deliver substantial benefits for Malta and the environment in general, a programme such as this does come at a cost. Such schemes are funded by a combination of the beverage industry, unredeemed deposits (where consumers choose not to return their containers for a refund), the material sales revenues and government contributions.

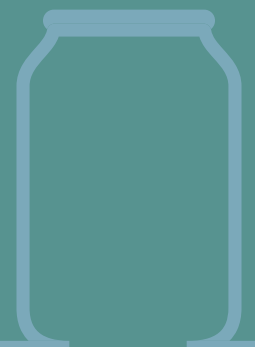
Unredeemed deposits are retained in the Fund and will contribute to the scheme budget. Additionally, producers will pay an administration fee for every beverage container they place on the market, in line with the producer responsibility principle. Accordingly, they will no longer be required to register and pay for their primary packaging with a Producer Responsibility Organisation (as the BCRS does not cover secondary and tertiary packaging, the existing regulations and arrangements for these will not be changed).

As all products will need to be registered and the Council will have to certify that containers meet the scheme requirements, there will be a one-off registration fee to cover these costs when a new product is introduced to the Maltese market. Both the registration fee (€250 for the one-time registration of producers and €100 per unique typology of beverage registered) and the administration fee (€0.01 per container) will be specified in the regulation.

Like the deposits, the registration and administration fees are to be paid into the Fund. Administration fees will be transferred to the contracted RO. Retailers' handling fees and the additional payments due to the RO will be paid out of the Fund.

The RVMs, central plant and other operational costs will be paid for by the RO. Organisations bidding to be the RO will be asked to submit a competitive bid based on either:

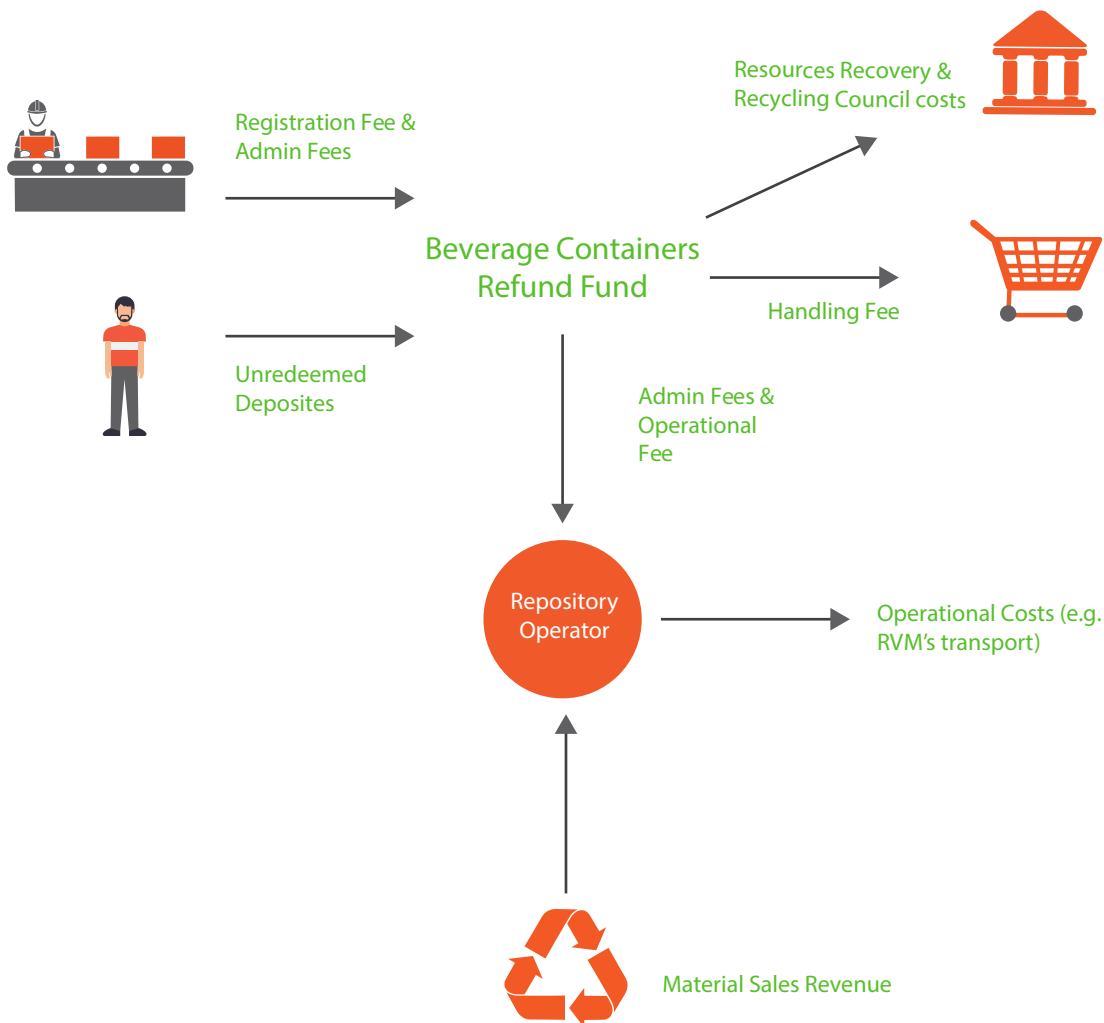
- 1) An operational fee that the Council will pay to them out of the Fund, per thousand containers they take back and process; and/or
- 2) Retaining a percentage of the unredeemed deposits for the first two years.



The intention is to ensure that the RO is an attractive proposition for organisations, and that the Fund remains viable with a positive balance as return rates increase and the value of unredeemed deposits decreases.

While some systems vary the administration fee by material type, due to the variation in costs and material values, Government is proposing a flat-rate so it is the same for all beverages. This is intended to recognise the significant capital expenditure involved in setting up the central plant and providing the RVMs. The payment structure should also, though, incentivise the RO to maximise return volumes. MESDC is proposing that, if the redemption rate falls below the established target, the RO will be charged a penalty for the number of containers below that target.

Figure 3: Summary of system revenue streams and outgoings



4.8 GOVERNANCE

MESDC's regulation will include statutory targets, requiring that the scheme achieves a minimum redemption rate of:

- 70% in the first year;
- 80% in the second year; and
- 90% every year thereafter.

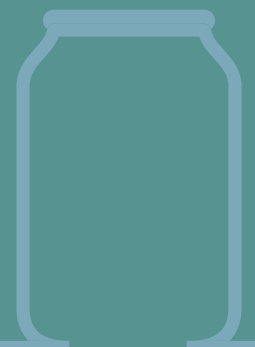
The RO will have contractual responsibility for meeting these targets, while the Council will have overall responsibility for the scheme and for ensuring compliance amongst all beverage producers.

The Council will legally be required to:

- Progressively audit the system to ensure the correct funds have been paid in and out;
- Publish annual audited accounts for the Fund;
- Develop an operational programme every three years;
- Provide an annual report to the Environment Minister, which will be

Published for the public. The reporting requirements will include: the number of containers returned for a refund as a percentage of the total number placed on the market; and the weight of materials sold by the Repository Operator for onward recycling.

The regulation will make it a criminal offence (punishable by a fine of €5,000 - €50,000 and/ or imprisonment of up to six months) for beverage containers to be placed on the market without the appropriate deposit. Individuals failing to comply with the regulations or making a false declaration relating to the BCRS could face a minimum fine of €2,500 and/ or a prison sentence of up to three months.



4.9 GOVERNANCE

To ensure an open and competitive tender process, MESDC will obtain the land for the central sorting/ baling plant. Government will in turn rent the site to the RO, who will then be responsible for setting up the plant and purchasing all the necessary equipment.

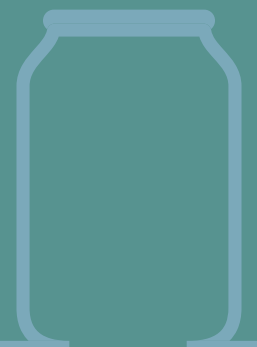
Government is in the process of finalising the Circular Economy provisions to existing legislation, which will enable MESDC to introduce a Legal Notice for the BCRS.

It is estimated that, by the end of June 2018, Government will launch the Request for Proposals for the Repository Operator.

MESDC fully appreciates the need for importers and producers to have a clear timeline and sufficient time to adapt to the new labelling and fee requirements. The registration process will be launched by the end of September 2018 and MESDC will notify producers and importers of the effective date for the scheme to become operational. Retailers participating in the scheme will also be registered during this time. The process is expected to take one year.

By the end of 2018, the Council will announce the successful RO bidder. It is expected that 40 weeks will be needed to establish the central plant.

The scheme is due to become operational by December 2019.



SUMMARY OF ROLES & RESPONSIBILITIES

- Ministry for the Environment, Sustainable Development and Climate Change

Enact the circular economy legal provisions and the specific Legal Notice to introduce the BCRS.

Appoint the Resource Recovery and Recycling Council, and hold the Council to account.

Provide the land for the central plant, to be rented at market value by the Repository Operator.

- Resource Recovery and Recycling Council

Responsible for the smooth operation of the scheme, compliance and ensuring the legal targets are met.

Manages the Beverage Containers Refund Fund.

Publishes annual reports and accounts.

Selects a Repository Operator and monitors their contractual obligations.

- Repository Operator

Will be awarded a ten-year contract following an open and competitive bidding process.

Set-up the central sorting/ baling plant.

Establish redemption centres at participating shops and any additional centres required by the Council.

Lease or purchase the required number of reverse vending machines and ensure they are properly maintained.

Collect, or offer to collect, all returned containers to be recycled.



Be responsible for administration such as reimbursing retailers for the deposits and paying the handling fee (from the Fund).

- Beverage Industry

Importers, bottlers and distributors will be required to register all their products with the Council and pay a registration fee.

Notify the Council of all containers placed on the market, and pay an administration fee for each (replacing the payments they make to the PROs for these containers).

Initiate the deposit by paying it into the Fund and charging it to wholesalers/ retailers.

Affix necessary markings and barcodes.

Companies opting to use refillable bottles are responsible for collecting and processing these retailers

Pay a deposit for all beverages they stock and add this to the purchase price for customers.

Have an in-store RVM to be provided by the repository operator, and refund customers in full when they return their used containers.

Store the containers until they are collected by the RO and will then be paid for the refunded deposit and their handling fee.

- Consumers

Pay a deposit on each eligible beverage they buy.

Are encouraged to return this to a designated redemption centres for a full refund.

- Hotels, bars and restaurants (HORECA)

Pay the deposit to their suppliers for each beverage container, but will not pass this on to customers consuming the beverage on their premises.

Return the used containers to the Repository Operator for a full refund.



