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Removing barriers to a circular economy
ukwin.org.uk/bin

FOR CONSIDERATION BY DEFRA AND OTHER AGENCIES – MAY 2019

UKWIN submission to the February 2019 consultation on reforming the UK packaging producer responsibility system

PART A: DIRECT REPONSES TO QUESTIONS FROM THE CONSULTATION DOCUMENT

Q1. What is your name

Shlomo Dowen, writing on behalf of the United Kingdom Without Incineration Network (UKWIN)

Q2. What is your email address?

coordinator@ukwin.org.uk

Q3. Which best describes you?

Non-governmental organisation (NGO)

Q4. Please provide any further information about your organisation or business activities that you think might help us put your answers in context.

The United Kingdom Without Incineration Network (UKWIN) is an environmental NGO representing hundreds of local anti-incineration campaigns throughout the UK.

Q5. Would you like your response to be confidential?

No

Q6. Do you agree with the principles proposed for packaging EPR?

(b) No

We disagree with overarching principle 3's failure to make explicit that any payment for disposal costs should be handled in a manner so as to avoid incentives for material to be incinerated when that material could have been managed at a higher tier of the waste hierarchy (e.g. had that council invested more in waste minimisation, waste education, reuse schemes, expanding the range of materials accepted for recycling at the kerbside, etc.).

We also disagree with overarching principle 3's failure to refer to the need to address the cost to society of any un-priced environmental harm arising from incineration, e.g. in relation to the fossil CO_2 released by incinerating plastics.

More detail regarding these concerns and UKWIN's basis for them are set out in Part B of our response.

Q10. Do you agree with our definition of full net cost recovery?

(b) No, as it does not accord with the Polluter Pays Principle.

By failing to account for the unpaid cost to society from the fossil CO_2 released by incinerating plastics and other harms from waste incineration the definition of full net cost recovery does not fulfil the Polluter Pays Principle. Furthermore, by not ensuring that councils have adequate incentives to reduce waste incineration it is possible that the revised scheme could result in new financial rewards being introduced for them to pollute by sending material to incineration.

More detail regarding these concerns and UKWIN's basis for them are set out in Part B of our response.

The United Kingdom Without Incineration Network (UKWIN) is an environmental NGO representing hundreds of local anti-incineration campaigns throughout the UK. Please also see the Annex to this submission (below), which outlines a number of examples showing how incineration harms recycling. An accompanying briefing has been appended below.[1]

Q26. Do you agree payments to local authorities for collecting and managing household packaging waste should be based on: (a) provision of collection services that meet any minimum standard requirements (by nation); (b) quantity and quality of target packaging materials collected for recycling; (c) cost of managing household packaging waste in residual waste

Whatever option is chosen, it is important that councils are not given financial incentives to incinerate waste. More detail regarding these concerns and UKWIN's basis for them are set in Part B of our response

Q27. Do you think we have considered all of the costs to local authorities of managing packaging waste?

(b) No

Councils may need to be provided with support to renegotiate or terminate long-term waste management contracts that prioritise incineration over recycling. More detail regarding these concerns and UKWIN's basis for them are set out in Part B of our response.

Q29. Should businesses producing household-like packaging receive a payment for the costs of household-like packaging waste in residual waste?

It is important that there are no financial incentives to incinerate recyclable packaging. More detail regarding these concerns and UKWIN's basis for them are set out in Part B of our response.

[1] 'How Incineration Harms Recycling' (UKWIN, October 2017). Available from: http://ukwin.org.uk/btb/BtB_Incineration_Harms_Recycling.pdf

Q30. Are there other factors, including unintended consequences that should be considered in determining payments to: (a) Local authorities? Please explain the reasons for your response and provide any information to support your view

Yes. It is important that there are no financial incentives to incinerate recyclable packaging. More detail regarding these concerns and UKWIN's basis for them are set out in Part B of our response.

Q93. Do you have any additional data or information that will help us to further assess the costs and benefits (monetised or non-monetised) that these reforms will have?

Yes. UKWIN has produced an Evaluation of the climate change impacts of waste incineration in the United Kingdom which could inform estimates of the (financial, as well as environmental) benefits of avoiding the incineration of plastics. The report also sets out how a significant proportion of material that is currently used as feedstock at existing incinerators could instead be recycled or composted. UKWIN's report is available from: http://ukwin.org.uk/climate/

Q94. Do you have further comments on the associated Impact Assessment, including the evidence, data and assumptions used? Please be specific.

Yes. Whilst the Impact Assessment acknowledges some of the environmental benefits of avoiding waste incineration, the Impact Assessment does not assess the potential unintended consequences of providing financial incentives for councils to incinerate waste. Furthermore, the Impact Assessment does not address the full cost associated with burning plastics within the context of full cost recovery. More detail regarding these concerns and UKWIN's basis for them are set out in Part B of our response.

PART B: THE POTENTIAL FOR THE PROPOSED REFORMS TO DISTORT PRODUCER AND COUNCIL DECISION-MAKING BY INCENTIVISING THE INCINERATION OF MATERIAL THAT COULD BE REDUCED, REUSED, RECYCLED, OR COMPOSTED

Overarching Comments

According to the Impact Assessment, the proposed reforms to the packaging producer responsibility system are intended to result in a range of environmental benefits arising from reduced incineration of packaging material.

For example, the Impact Assessment states that:

- *"Avoided greenhouse gas emissions from diverting waste from landfill and energy-from-waste to recycling (£77m*)."
- *"Increased recycling and use of recyclate will lead to less landfilled and incinerated packaging waste, less litter and decrease in the use of virgin raw materials. These outcomes will improve the environment for the public and for wildlife, as well as generating carbon savings."*
- *"Increased recycling of packaging waste will also lead to less packaging waste being sent to energy-from-waste and landfill treatment. Packaging waste going to landfill or incineration loses its residual value for good and harms the environment at the same time."*

The Impact Assessment explains how one of the problems which is under consideration is that: *"Contrary to polluter pays principle, a range of environmental externalities (e.g. carbon emissions and disamenity impacts from littering) are not fully accounted for in producers' decisions."*

The Impact Assessment similarly notes that: *"At present, not all environmental externalities are internalised in decision-making by households and businesses – the 'polluter pays principle' is not met in full. The proposed changes will seek to address these externalities by requiring businesses to take increased responsibility for the environmental impact associated with their packaging when it becomes waste."*

In the UK, incineration capacity is accompanied by artificially low marginal costs because the majority of the true costs of waste incineration are not allocated to a per-tonne gate fee.

For non-merchant incinerators, once incineration capacity is paid for (or is committed to being paid for) then the amount charged per tonne is artificially lowered, meaning that the amount saved through avoiding incineration is artificially lowered, e.g. due to put-or-pay clauses in the long-term waste contracts. Furthermore, there are unpaid environmental externalities such as that recognised by Defra with respect to the greenhouse gasses produced when burning plastics[2].

[2] The Economics of Waste and Waste Policy. Waste Economics Team Environment and Growth Economics, Defra (June 2011). Available from: http://www.defra.gov.uk/publications/files/pb13548-economic-principles-wr110613.pdf

This situation gives rise to two significant concerns with respect to the proposed reforms:

1. Perverse incentives to incinerate waste (distorting council decision-making)
2. Full cost not reflected for incineration (distorting producer decision-making)

Issue 1: Perverse incentives to incinerate

The consultation document states that: *"We would expect packaging producers to fund the costs of disposing of household packaging waste in the residual waste stream"* and that: *"We propose that these payments would be based on the average disposal gate fee for household waste for landfill or incineration".* The document also refers to *"Payment per tonne of packaging waste in the residual stream"*.

Whilst we agree that producing hard-to-recycle packaging results in unnecessary costs for local authorities, the proposed reforms could have significant adverse unintended impacts. Providing funding to local authorities for every tonne they incinerate could result in (or exacerbate) a situation where the incentive hierarchy does not match the waste hierarchy because it is artificially more financially advantageous for councils to send waste to incineration rather than investing in waste reduction, re-use, recycling and composting.

For example, if a council pays £100 per tonne for the availability of incineration capacity and an additional £20 per tonne for material actually sent for incineration, then the council could claim their 'gate fee' is £120 even though it is actually just £20.

In such a circumstance, if the council sends a tonne of packaging waste to incineration then all of their costs would be covered, but if they decided not to send that waste to incineration then they would still have to pay £100. This would give the council a significant incentive to send packaging waste to incineration rather than to reduce incineration or to renegotiate their contract to better align with the waste management hierarchy.

Similarly, in cases such as Nottingham and Nottinghamshire where the councils paid for the refurbishment of the Eastcroft incinerator in exchange for reduced gate fees, the councils actually pay relatively little to send waste to incineration - but if they received payments to cover an 'average' gate fee then they would in effect be making a profit by sending waste to incineration. This would provide a perverse incentive for the council to actually increase the quantity of packaging waste they send for incineration.

Because of this, it is essential that rather than councils being given money for each and every tonne they incinerate, any money raised through the reformed scheme should provide only indirect 'compensation' for actual costs incurred, e.g. the payment could go towards a central pot that councils could tap into to help them pay for the renegotiation of damaging waste management contracts that promote incineration, or to help subsidise the introduction of waste minimisation and/or reuse schemes.

Building an incinerator typically costs hundreds of millions of pounds, and the risk of the incinerator not being needed is usually transferred at least in part to local councils to give the operator and their funders a more secure return on their investment.

Rather than simply charging a gate fee for each tonne of waste burned, and operating the municipal (local authority) incinerator as a 'merchant' facility, many incinerator operators and their financial backers require local councils to enter into long-term waste management contracts to ensure that the construction and operational costs of incinerators are paid for (either directly or indirectly).

The most basic arrangement would be for the local council to directly pay some or all of the capital and/or operational costs incurred in exchange for free or discounted usage of the facility, but there are more complex arrangements. Such arrangements include a commitment for the council to pay for the availability of incineration capacity even if that council does not use that capacity, possibly with a small rebate if unutilised ('surplus') capacity is used by a third party.[3]

Alternatively, a local council might agree to a minimum tonnage guarantee that requires the council to supply at least a certain quantity of waste paid for at an agreed gate fee, sometimes with a banding system so that if the council sends less waste then they pay more per tonne.

Whatever the details, the end result is that a local authority has higher fixed costs and lower variable costs. These arrangements reduce the financial incentive for those councils to divert material from incineration.

The Environment, Food and Rural Affairs Committee (EFRACOM) noted in 2014 that: *"When we asked the Minister how the Government ensures that only genuinely residual waste is sent to incinerators, he told us that the key pressure is gate fees - i.e. the charge that must be paid to dispose of waste in an incineration facility. However, we are concerned about the effectiveness of this singular mechanism following evidence we received about 'put or pay contracts' and negative impacts on recycling rates."*[4]

[3] Such 'rebate' arrangements may include some sort of 'profit sharing' between the contractor and the local authority e.g. in relation to proceeds of gate fees from third parties using 'spare' capacity. There is typically no guarantee that spare capacity would utilised, nor any indication how much would be raised through the scheme (especially as incineration overcapacity pushes down gate fees for spare capacity). As such, councils would retain a significant proportion of the 'feedstock risk' thereby providing a perverse incentive for them to send recyclable and compostable material for incineration.

[4] https://publications.parliament.uk/pa/cm201415/cmselect/cmenvfru/241/24107.htm

Eunomia's EFRACOM inquiry submission set out how: *"Incinerator contracts often include a guarantee from the waste disposal authority to supply a minimum tonnage of waste to the facility. Some contracts seek to 'weaken' the strength of this bind by placing a requirement on the contractor to make endeavours to cover any shortfall in the guaranteed minimum tonnage, but in practice, it might be expected that local authorities would still lose money under such arrangements as a result of the underpinning 'put-or-pay' nature of the contract."*[5]

By way of a real world example, in October 2014, a joint statement from Nottinghamshire County Council (NCC) and waste incineration company Veolia stated: *"A simple financial assessment for adding food waste to the green waste bins has however already been undertaken. Based on the likely capture rates for food waste, plus the current and potential gate fees for the processing of green waste and mixed green and food waste, together with the favourable gate fees at the Eastcroft Energy from Waste plant, there is currently no financial case for the County Council to propose the introduction of food waste into the green waste bin".*[6]

The Joint Waste Management Committee Minutes for 8th July 2015 included an NCC presentation that placed even more emphasis on the gate fees, stating: *"Residual waste composition analysis…found that on average it [the residual waste stream] contained...30% of raw and cooked/processed food (There are however significant cost issues around collecting and disposing of food waste other than through the cost effective Eastcroft EfW [incineration] facility)".*[7]

This is indicative of the way artificially low incineration costs can result in councils deciding not to invest in the higher tiers of the waste hierarchy. UKWIN is concerned that, rather than the funding from the reforms being used to help councils extricate themselves from damaging waste management contracts that favour incineration over the higher tiers of the waste management hierarchy, the introduction of full cost recovery could entrench and embed the perverse incentive to incinerate material by providing additional financial support for sending avoidable, recyclable or compostable material to incineration.

As set out above, the reform proposals could give rise to a perverse incentive to actually increase the amount of waste incinerated. By simply refunding a supposed gate fee the reforms could undermine the waste management hierarchy. It is therefore vital that any reformed Government scheme actually prevents these unintended consequences that would result in a situation that runs contrary to the one hoped for within the impact assessment.

[5] http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/environment-food-and-rural-affairs-committee/waste-management/written/9428.html
[6] https://www.whatdotheyknow.com/request/joint_waste_management_committee#incoming-826103
[7] https://www.whatdotheyknow.com/request/joint_waste_management_committee#incoming-826103

Issue 2: Full cost not reflected for incineration

If the 'producer pays' principle is to be embedded into the system in order to provide incentives for greater re-use or recyclability then the abatement cost of CO_2 emissions from the incineration of fossil-derived materials such as plastic needs to be reflected in the price of packaging, yet this is neither currently the case nor one of the measures covered in the proposal reforms.

As noted in UKWIN's overarching comments above, one of the 'problems under consideration' noted in the Impact Assessment for the consultation on reform of packaging producer responsibility is that: *"…a range of environmental externalities (e.g. carbon emissions …) are not fully accounted for in producers' decisions."*

Whilst the consultation draft attempts to internalise the cost of disposal incurred by local councils into the cost of packaging, the reform does not include measures to internalise the adverse climate change impact of incinerating plastics as this is a cost to society that is not currently reflected in the price paid by local authorities.

The Government's 2011 Review of Waste Policies Impact Assessment noted: *"Failing to price in the environmental cost and benefit of generating waste leads to inefficient production and consumption patterns, and excess waste being produced..."* [8]

In 2011 Defra acknowledged a market failure in relation to waste incineration, stating that: *"The emissions from waste combustion of non-biogenic material (via any technology including mass-burn incineration) are also not comprehensively reflected in the price of disposal…a negative externality persists – such installations are creating GHG emissions without paying the relevant price*".[9]

This acknowledged market failure has yet to be addressed, meaning that any 'full cost recovery' system based on how much is paid by local authorities would similarly fail to reflect the full cost to society of waste incineration. As noted in UKWIN's Climate Change Report[10], Defra's Carbon Based Modelling Approach assumes burning a typical tonne of plastic would release around 1.9 tonnes of fossil CO_2.

One can convert this into cost to society using the Government's Green Book supplementary guidance on the valuation of energy use and greenhouse gas emissions for appraisal[11] for the period covered by the Impact Assessment (2023-2032).

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[8] http://webarchive.nationalarchives.gov.uk/20130402151656/http://archive.defra.gov.uk/environment/waste/documents/ia-review-waste-policy.pdf

[9] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/69500/pb13548-economic-principles-wr110613.pdf

[10] http://ukwin.org.uk/climate/

[11] https://www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal

As waste incineration is not part of the Emissions Trading Scheme, the relevant figures are those for non-traded carbon. Data Table 3 ('Carbon prices and sensitivities 2010-2100 for appraisal, 2018 £/tCO2e')[12] states that the cost per tonne of non-traded CO_2 rises from a central figure of £73 in 2023 (low £36, high £109) to a central figures of £96 in 2032 (low £48, high £144).

Based on 1.9 tonnes of fossil CO_2 released per tonne of plastic incinerated, combined with the CO_2 costs per tonne referred to above, the unpaid cost per tonne of plastic packaging incinerated rises from a central figure of £139 per tonne of plastic in 2023 (i.e. 1.9 tonnes CO_2 x £73/tonne CO_2) to £182 per tonne of plastic in 2032 (i.e. 1.9 tonnes CO_2 x £96/tonne CO_2).

According to the Impact Assessment Tables 8 and 9 ('Baseline packaging'), the combined quantity of plastic packaging in the Household waste stream (an average of 686 ktpa), and in the Commercial and Industrial (C&I) and Non-Household Municipal (NHM) waste streams (an average of 531 ktpa) is expected to be around 1.2 million tonnes a year.

Assuming, in line with the Impact Assessment, that 71% of this 1.2 million tonnes of plastic packaging is to be incinerated (i.e. around 852 ktpa of plastic packaging), this would equate to the release of around 1.6 million tonnes of fossil CO_2 a year, which means an unpaid cost to society of incinerating that plastic packaging of around £117m-£154m per year.

As noted above in UKWIN's Issue 1 comments, if these costs are to be reflected in the price of packaging then it is important that cost recovery funds are not simply passed to local councils for each tonne of plastic packaging incinerated. Unless and until an incineration tax is introduced to address these unpaid costs to society (externalities), this cost is not reflected in what councils pay, and so it is especially important that councils are not 'refunded' for the cost to society of incinerating plastics which is not reflected in their treatment costs.

Paying councils at a higher financial rate than their marginal treatment cost to incinerate would improperly incentivise or reward those councils for incinerating material that could have been dealt with at higher tiers of the waste hierarchy and would undermine the economic case for investment in waste minimisation, etc.

There is a case, as part of an integrated and holistic approach to the proposed reforms, for the introduction of an incineration tax alongside packaging reforms to help embed the 'producer pays' and 'polluter pays' principles across the packaging and waste management sectors.

[12] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/793632/data-tables-1-19.xlsx (March 2019)

Annex: Examples of incineration harming recycling

In addition to the concerns raised by EFRACOM and by UKWIN, as set out above in our comments on Issue 1, the potential for incineration to harm recycling has been recognised by many organisations and waste professionals.

A selection of relevant quotes is provided below, followed by examples of specific instances where incineration (and associated waste management contracts) was cited by councils as a barrier to improved recycling and composting in a local area.

These show how incineration can harm recycling, and that any reforms to the system must address both the perverse incentives to incinerate recyclable and compostable material, and the contractual barriers to increased recycling. Addressing this problem could include, for example, directing money raised through the reformed packaging scheme towards helping councils renegotiate their contracts to prioritise the top tiers of the waste hierarchy.

Eunomia Managing Director Mike Brown noted in September 2012 that:

> "Most local authorities that started incinerator projects, often with government PFI support, did so with a clear commitment to burn only what couldn't be recycled, but then found themselves tempted by a business case that stacked up better for a big plant than for a small one. Once the incinerator is built, they have to keep it supplied and rapidly the economic logic of return on investment trumps concerns about recycling."[13]

Defra's November 2012 statistical release noted:

> "At Local Authority level, individual recycling rates ranged from 14 per cent to 69 per cent…lower rates could result from an authority focusing on avoiding landfill by investing in incineration and targeting its waste management policies on that treatment solution, rather than poor recycling awareness or initiatives."[14]

The European Commission's Communication on 'The role of waste-to-energy in the circular economy' from 26th January 2017 explains that incineration can pose a barrier to higher rates of recycling, stating:

> "…the statistics show that some individual Member States are excessively reliant on incineration of municipal waste…such high rates of incineration are inconsistent with more ambitious recycling targets."[15]

[13] The tax that dare not speak its name. Mike Brown, September 2012. Available from: http://www.isonomia.co.uk/?p=1250

[14] Statistical Release: Local Authority Collected Waste Management Statistics for England – Final Annual Results 2011/12. Defra, November 2012. Available from: https://webarchive.nationalarchives.gov.uk/20130222092708/http://www.defra.gov.uk/statistics/files/mwb201112_statsrelease.pdf

[15] http://ec.europa.eu/environment/waste/waste-to-energy.pdf

Professor Ian Boyd, Chief Scientific Adviser, Department for Environment, Food and Rural Affairs told EFRACOM in January 2018 that:

> "...It is a personal view, but I think that incineration is not a good direction to go in. If you are investing many tens of millions, probably hundreds of millions, in urban waste incineration plants, and those plants are going to have a 30-year to 40-year lifespan, you have to have the waste streams to keep them supplied. That it is a market pull on waste. It encourages the production of waste. It encourages the production of residual waste. It encourages people to think that we can throw what could be valuable materials, if we were to think about them innovatively, into a furnace and burn them. I am not saying that incineration should not happen at all; I am saying that we need to think about it a lot harder than, perhaps, we have done in the past. Sweden, for example, has invested a lot in waste incineration plants. I worry that it is just encouraging the production of residual waste, which could be used in other ways."[16]

The London Assembly noted in February 2018 that:

> "Investing in more EfW can negatively affect long term recycling rates. This investment needs to be paid for by an assured income stream, usually through contracts with local authorities to pay the EfW operator to take waste. Contracts are often lengthy – the majority are over 20 years. The terms of contracts, such as minimum annual payments, or a low fee per tonne of waste, can undermine the financial viability for the local authority of reducing waste, or sending it to other destinations such as recycling."[17]

Brighton and Hove (2017 and 2018)

It was reported in January 2019 that:

> "Brighton and Hove has a recycling rate of 30%. The council is restricted to collecting plastic bottles from householders for recycling as a result of its contract with Veolia; many other UK councils collect trays and other plastic recyclate along with bottles.
>
> [Caroline] Lucas said: 'Brighton and Hove council have a 30-year PFI contract with Veolia. They are refusing to change the contract so that a wide range of plastics can be recycled. The council doesn't have the £1m for the required machinery at the Veolia plant to enable a wide range of plastic to be recycled.'"[18]

[16] Oral Evidence: The Work of Defra's Chief Scientific Adviser, HC 775. Available from: http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/environment-food-and-rural-affairs-committee/work-of-the-chief-scientific-adviser-defra/oral/78127.html

[17] London Assembly Environment Committee. Energy from Waste report (February 2018). https://www.london.gov.uk/sites/default/files/waste-energy_from_waste_feb15.pdf

[18] https://www.theguardian.com/environment/2019/jan/08/caroline-lucas-calls-for-action-in-brighton-recycling-row

To quote Brighton & Hove City Council's letter to Dr Therese Coffey MP on Brighton & Hove City Council Recycling Rates:

> "…in terms of contractual status, in partnership with East Sussex County Council, boroughs and Districts, Brighton & Hove City Council is contracted to Veolia as part of the 30 year PFI contact that was awarded in 2003. There are therefore 17 years of this contact remaining. Veolia will only take limited types of materials as they state they cannot find a guaranteed end market for products that can be recycled, such as certain types of plastics. Whilst other Councils can and do recycle these kinds of materials, the B&HCC is contractually obliged under the terms of the PFI agreement to provide all waste materials, whether residual or recyclable to Veolia. We have raised this anomaly with Veolia on a number of occasions, but they are not willing to change their position on this."[19]

Derby (2016)

Letsrecycle reported in April 2016 that:

> "In 2014/15, Derby recorded the largest fall in recycling among collection authorities in England - dropping from 42% to 32% in the course of 12 months"[20]

Local anti-incineration campaigners believe cuts in recycling services (and the introduction of charges for some remaining services) which so drastically harmed recycling in Derby could be attributed to the incinerator contract.

In addition to the standard financial calculations which can push recyclable / compostable material to incineration, Schedule 17 ('Waste Reception Protocol') of the Derby waste contract includes specific provisions in relation to the composition of waste which could encourage the incineration of recyclable / compostable material to meet the specification. Table 17.1 states:

> "Minimum Organic Content: 21%. Maximum Moisture Content: 60%. Minimum Net Calorific Value: See Table 17.2. Maximum Net Calorific Value: 18 MJ/kg".[21]

Stoke-on-Trent City Council (2010)

Stoke City Council as faced the prospect of a £645,000 fine resulting from a failure to meet minimum contracted waste tonnage levels at their local incinerator.

It was reported by Letsrecycle in October 2010 that:

> "...Stoke-on-Trent city council could be forced to pay its energy-from-waste contractor hundreds of thousands of pounds after failing to deliver the minimum contracted tonnage for the facility in 2009/10... The issue was acknowledged in minutes from a transformation and services overview scrutiny committee meeting…"

[19] https://www.gov.uk/government/publications/local-authority-letters-on-recycling-rates
[20] https://www.letsrecycle.com/news/latest-news/derby-defends-decision-to-remove-recycling-points/
[21] http://www.derby.gov.uk/media/opendata/governance/q2-001.17-schedule-17-waste-reception-protocol.pdf

"The minutes state: 'Additional ongoing costs in respect of backdated claims from the Waste to Energy Plant made late in 2009/10 (£60,000) were also an unexpected pressure. A claim was received in June in respect of the city council failing to achieve minimum tonnage levels in 2009/10 for £645,000.' The minutes indicate that the actual cost of the claim is likely to be around £329,000, once a rebate of £316,000 is taking into account."[22]

Shropshire

As set out in UKWIN's response to Defra's Call for Evidence to inform the UK Government's Review of Waste Policies in October 2010:

"Schedule 7a of the Shropshire waste PFI contract contains details showing the annual utility payment for the incinerator before the effect of adding inflation. It shows a £10.8 million fixed charge each year. It also shows the rebate for landfilling or burning less waste which is £63.10 per tonne before the incinerator is operational and £12 per tonne saving should the incinerator become operational. Unused incinerator capacity is in effect charged at £108 per tonne while used capacity costs £120 per tonne.

The payment mechanism shows that Shropshire will receive a royalty payment of 80% of the third party income that Veolia generates from selling spare capacity. For example if the plant had 10,000 tonnes of spare capacity, of which 80% was used for third party waste, then the royalty would appear to be £512,000.

That capacity would have cost the council taxpayer £1.2 million (1/9th of the utility charge). It can therefore be concluded that the PFI incinerator contract is based on a massive fixed charge and a very low marginal charge. For Shropshire the fixed cost is 10 times the marginal cost for capacity that is not used, meaning every extra tonne recycled may only save the council £12 as the council has to pay £108 for the unused incinerator capacity in any case"[23]

Kent County Council (2008)

Regarding the Allington incinerator contract, the Kent Messenger reported that:

"…what was initially seen as a cash-saving opportunity has quickly turned into a money pit, as the council is forced to send increasingly valuable recyclable material to the incinerator in order to meet its annual quota".[24]

[22] https://www.letsrecycle.com/news/latest-news/stoke-faces-bill-for-sending-less-waste-to-efw/
[23] http://www.ukwin.org.uk/files/pdf/UKWIN_DEFRA_Submission_4_October_2010.pdf
[24] https://www.kentonline.co.uk/kent/news/kents-waste-contract-could-be-m-a42292/

East London Waste Authority (2017)

The London Borough of Newham's letter to Dr Therese Coffey MP in response to her request for an explanation of their low recycling rate:

> "…we are tied into an expensive and inflexible waste disposal PFI contract until 2027 that limits our ability to improve recycling performance. Agreed in 2002 by the East London Waste Authority (ELWA), this arrangement was encouraged and incentivised by central government when PFI credits represented the main source of funding available for such projects. In line with government policy goals at the time, it was designed with the primary aim of diverting waste from landfill rather than increasing recycling."
>
> "…the contract presents a major obstacle when it comes to recycling performance due to restrictions on what materials can be collected separately, the overall cost of the waste levy, and the lack of any financial incentives for the council to invest in achieving higher recycling rates."
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> "Newham is tied to ELWA by statute, and must deliver all its waste to that authority. Having been encouraged to adopt this approach by central government, we are now caught in an expensive PFI contract where we lack the choice, flexibility, and savings opportunities through recycling solutions that many other authorities are able to exercise."
>
> "The ELWA PFI contract with Renewi is a major obstacle, both in terms of technical restrictions put on what materials can be collected separately, but also on the costs of disposing of waste and the lack of financial incentives for achieving higher recycling rates. At present Newham is only permitted to collect a restricted range of materials for recycling, comprising paper, cardboard, tins, cans and plastic bottles. All other materials must go into the general refuse, and although some materials are subsequently recovered for recycling, the yields and quality do not match what other local authorities can achieve."
>
> "The structure of the PFI contract essentially means that Renewi retains any financial benefits from recycling, rather than there being a notably reduced gate fee or any revenue-sharing for the boroughs."
>
> "As such, the ELWA levy continues to be structured as per the basic model set out in The Joint Waste Disposal Authorities (Levies) (England) Regulations 2006, with no variation in prices for waste disposal according to the material being delivered. In short, Newham pays the same amount to dispose of a tonne of waste whether it is refuse or recycling, and as such the financial incentive to recycle that has driven most other local authorities to invest in collection services and achieve higher performance simply does not exist for us."[25]

[25] https://www.gov.uk/government/publications/local-authority-letters-on-recycling-rates

Hampshire (2017)

Portsmouth's letter to Dr Therese Coffey MP in response to her request for an explanation of their low recycling rate

> "There are challenges in adding materials into the recycling stream - Portsmouth is part of a Hampshire wide disposal contract... Hampshire wide contract [is an obstacle outside of our control that affects the recycling rate] - long term contracts (waste disposal contract ends 2030) requiring massive investment at the outset - difficult to make changes as markets and technology change"[26]

According to Southampton's Letter:

> "What can be recycled is currently constrained by disposal infrastructure and any changes to this would require significant financial investment"
>
> "The waste disposal authorities in Hampshire, including Southampton have a long term integrated waste disposal contract which currently handles the disposal of residual waste and the processing of collected recyclables. The contract length and cost of investment in infrastructure is such that it can be difficult to pursue some opportunities as markets and technologies change."
>
> "Split responsibilities for waste management over two tiers of local government doesn't always allow for a full 'Whole System Cost' approach."

Similar comments to those made by Southampton have been made by Basingstoke, Gosport and New Forest Councils in their respective response letters.[27]

[26] https://www.gov.uk/government/publications/local-authority-letters-on-recycling-rates
[27] https://www.gov.uk/government/publications/local-authority-letters-on-recycling-rates

Part of the Bin the Burners Briefing Series

How incineration harms recycling

Recycling is harmed by incineration because:

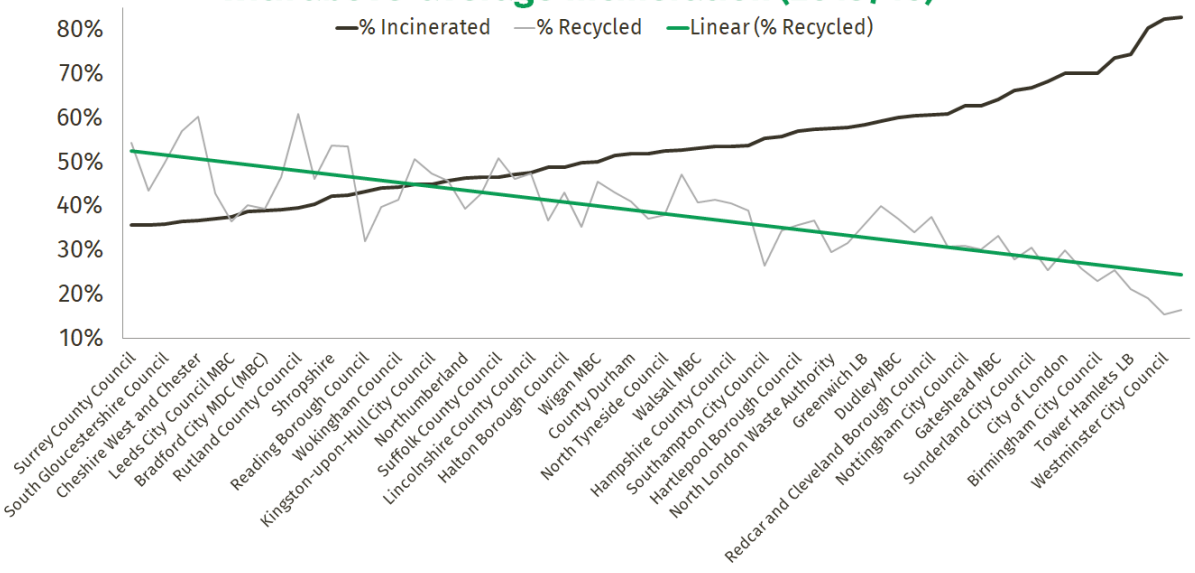
- Much of what ends up as incinerator feedstock is not genuinely residual waste, it is material that could and should have been recycled and composted.
- The prospect of worsening incineration over-capacity discourages investment in recycling by reducing the market for, and confidence in, recycling infrastructure.
- Money and feedstock are locked in to existing and proposed incinerators and this reduces flexibility and means that money is diverted from investment in recycling and that feedstock becomes unavailable for reprocessing.
- For a range of reasons including Government subsidies, environmental externalities, and put-or-pay contracts, the true cost of incineration is not reflected in the price of treatment. This means that the return on investment in recycling and recycling education is undermined.

Taken together, these factors serve to perversely disincentivise councils and businesses from maximising high quality recycling of plastics, food and other waste, and in turn this reduces the market for such services, hampering investment in the research and development of technologies and the construction of domestic recycling and reprocessing facilities.

Success factors contributing to high rates of recycling include:

- The widest array of materials being collected for recycling (e.g. separate food waste collection).
- The flexibility to increase the range of materials collected as they become easier and more profitable to recycle.
- The availability of sorting and treatment facilities that can recycle or compost this material.
- Recycling education so that people put the right things in the right bins.

Municipal waste treatment rates for councils with above-average incineration (2015/16)



> *...lower [recycling] rates could result from an authority focusing on avoiding landfill by investing in incineration and targeting its waste management policies on that treatment solution, rather than poor recycling awareness or initiatives.*
>
> **Defra (2012)**