



## British Retail Consortium submission to HMRC | Consultation on chemical recycling and adoption of a mass balance approach for the purposes of the Plastic Packaging Tax

### About you

#### Your name

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#### Job title

Sustainability Policy Adviser

#### Who are you submitting this response on behalf Of (Please only tick one)

- Business representative organisation/Trade body
- Chemical recycler
- Mechanical recycler
- Petrochemical company
- Waste management company
- Packaging manufacturer/converter
- Product manufacturer/pack filler
- Brand Owner
- Retailer
- Plastic packaging exporter
- Plastic packaging importer
- Distributor
- Certification scheme owner
- Certification Bodies
- Local Government
- Non-governmental organisations
- Charities or social enterprise
- Academic or research
- Consultancy
- Individual
- Other



Please provide the name of the organisation/business you represent (if applicable)

British Retail Consortium

If you are in business, where if your business established?

- UK  
 Isle of Man  
 Other ( please provide futher details below)

If you are in business, how many staff fo you employ across the UK?

- Fewer than 10  
 10-49  
 50-249  
 More than 249  
 Prefer not to say

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

The BRC is the go-to trade association for UK retailers. Our membership comprises over 200 major retailers - whether operating physical stores, multichannel or pureplay online – plus thousands of smaller, independent retailers through a number of smaller retail Trade Associations that are themselves members of BRC.

BRC represents the collective voice of the retail industry across the UK, we also have representation in the devolved administrations via our Scottish Retail Consortium (SRC), Welsh Retail Consortium (WRC), and Northern Ireland Retail Consortium (NIRC).

Would you like your response to be confidential? If so, why? (please note the information on confidentiality on page 3)

No

### Mass balance approach – chapter 3

Question 1: Do you agree that it is possible to determine actual recycled content in products using the outputs of chemical recycling processes which produce a polymer, such as depolymerisation and dissolution? Please give reasons for your answer.

- Yes    No    Don't know

Our understanding is that there are various technologies covered by chemical recycling processes, so it is important that it is consistently defined by Government.

Thermal technologies are commonly used in plastics recycling, but we note that thermal technology might not be the right technology for textiles recycling for example.

Our members view mass balance as a way to allocate chemical recycle to packaging.

From an industry perspective, mass balance as a chain of custody model should be technology neutral. This creates a level playing field and helps to future proof the legislation and not stifle innovation.

We also understand that dissolution is considered as a separate technology to chemical recycling as such technologies do not generally constitute the breakdown and reformation of polymer chains to reproduce the virgin properties.

**Question 2: How should chemical recycling be defined for the purpose of using a mass balance approach for PPT?**

Chemical recycling (CR) is a broad term used to describe a range of technologies capable of recycling plastics using chemical processes, as opposed to strictly mechanical ones which use a range of processes to separate, clean, shred/grind and then re-extrude the material.

We understand that CR processes have the potential to reprocess post-consumer plastics such as mixed rigids, films, multi-material plastics and laminated plastics. It does so by changing the chemical structure to produce products/substances that can then be used as secondary raw material in manufacturing and production.

We would encourage HMRC to adopt a consistent definition of chemical recycling that would align with other Government Departments. As chemical recycling technologies scale up, the UK Government should provide clarity about their position in the waste hierarchy and in the existing recycling definition.

We note that Defra recently indicated, in its Maximising Resources Minimising Waste paper, that it will revise their waste hierarchy guidance by 2024, setting clear expectations for how decisions on waste treatment routes should be made. We encourage HMRC to engage with Defra to ensure that CR is included.

Our members said that for the purposes of the plastic packaging tax, CR should be defined as recycling in the same way as mechanical recycling is.

**Question 3: Do you agree that the production of a recycled substitute for virgin feedstock to a cracker is the correct test for when calculations using a mass balance approach should be accepted for the purposes of PPT? If not, what test should be used?**

Yes     No     Don't know

Mass balance should be technology neutral to cover any products where recycled and virgin feedstocks are blended.

**Question 4: Are there other chemical recycling methods or processes for which a mass balance approach is required to account for the recycled content in the outputs? Please provide details and examples.**

Mass balance should be technology neutral to cover any products where recycled and virgin feedstocks are blended.

**Question 5: What evidence are you aware of regarding the overall environmental impact of chemical recycling and use of the mass balance approach?**

We encourage HMRC to consider BPF and Plastics Europe's scientific and LCA studies on the matter.

We are also aware of a recent report produced by CEPS and their Chemical Recycling Initiative. Available at: <https://circulareconomy.europa.eu/platform/en/knowledge/chemical-recycling-plastics-technologies-trends-and-policy-implications>

We recognise that as with any industrial processes, there are inherent environmental impacts but we also wish to underline that chemical recycling offers a solution to divert recyclable materials from landfill and incineration. It also contributes to reduce fossil fuel depletion by replacing virgin materials.

Some of our members said that mass balance being accepted means that they can use chemical recycle to pay for the PPT.

As the use of chemical recycle grows retailers assume the industry will grow, which will have a number of positive environmental impacts.

- There are several packaging components which cannot use recycled content; polyolefins in direct contact with food. By using the mass balance approach, retailers will be able to include chemical recycle in these materials, and thus get them recycled
- Safely recycle contaminated packaging back into usable food grade packaging.
- Put food packaging back into food packaging which avoids 'downcycling' and encourages the circular economy.

**Question 6: How does the carbon impact of chemical recycling compare with the impact of using virgin material to produce plastic, and with disposing of waste plastic through landfill or energy from waste?**

We are aware that BPF have collated over 11 publicly available studies that demonstrate the overall environmental impacts of CR. We understand that although the LCA studies have different and various data inputs, including assessing different CR processes, there is evidence that CR provides a reduction in greenhouse gas (GHG) emissions when compared to incineration of plastic waste for energy recovery, landfill, or leakage into the environment.

Our members have said that by allowing to keep the material in the supply chain it contributes to a circular packaging ecosystem.

**Question 7: What is the current and planned UK capacity for processing plastic waste through chemical recycling of your business or the supply chains that include your business?**

Feedback from our members indicates that there is currently little visibility in the market, and some retailers are unaware of the full potential of chemical recycling in their business. Some members also said that currently there is no incentive to use chemical recycling, its expensive and is not recognised by government bodies. However there is a potential future for the use in hard to recycle formats (food contact polyolefins, flexibles and contaminated packaging).

**Question 8: How would the adoption of a mass balance approach for chemically recycled content for PPT purposes impact on investment in chemical recycling in the UK?**

Chemical recycling plays a significant role in creating a circular economy for plastics and provides an opportunity to recycle hard-to-recycle materials such as films and flexibles which will need to be collected by local authorities by March 2027.

As plastic films and flexibles will be collected at kerbside, we anticipate the volumes of collection to pick up and we would hope to see that there is matching reprocessing capacity in place in the UK to cope with the collected materials. The adoption of mass balance approach for chemically recycled content in respect of the PPT would send a confidence signal to stakeholders/recyclers keen to invest in the technology.

Our members said that in the long-term this would effectively allow CR to become a viable option for difficult materials- food contact polyolefins and contaminated products. As it becomes more of an option, retailers would expect investments to increase. As technology develops and cost decreases then it would become more commercially viable also creating more competition for post-consumer material feedstock.

**Question 9: To what extent is any potential investment in chemical recycling in the UK dependent on the specific details of how a mass balance approach may be implemented?**

The chosen mass balance approach will have a direct impact on the level of investment in the UK. Acceptance of mass balance itself will not be enough to encourage investment, the specific allocation method is vital. It has been commented that under the most restrictive methods, proportional and polymer-only, chemical recycling facilities would not be economic to run and therefore the required investments would continue to take place outside the UK.

Our members said that allowing mass balance means chemical recyclate can be used to pay the PPT and therefore making chemical recycling more economically viable. Currently there is not much product in the market and it is priced too highly.

**Question 10: Are you aware of any other factors or policies that could also impact on inwards investment into UK chemical recycling infrastructure?**

Extended producer responsibility schemes (not just for packaging but also for certain product categories like textiles, furniture) could impact into the UK's chemical recycling infrastructure. e.g. use revenue generated by EPR to invest in alternative recycling methods, like chemical recycling.

Another relevant policy variable is the upcoming Government plans to introduce 'Simpler Recycling' across England, and hopefully across the UK. In particular, the policy on consistent collections will see the addition of flexibles and soft plastics to the kerbside recycling from March 2027.

**Question 11: Do you agree that increased use of chemical recycling of plastic waste would complement the existing mechanical recycling sector, and not disincentivise further investment in mechanical recycling? Please give reasons for your answer.**

Yes    No    Don't know

We believe that chemical recycling should be considered as complementary process to mechanical recycling. Both should co-exist and expand to help the UK addressing its recycling/reprocessing capacity gap.

Retailers agree that there is a need for CR, especially for those materials which cannot be mechanically recycled. Chemical recycling will also be able to deal with rejects from the mechanical recycling sector which shows how the processes can complement each other and help to maximise recycling rates.

It's worth highlight that there is a risk of increased competition for material feedstock but this should not be an issues as long as CR deals with materials/items that are not suitable for mechanical recycling.

We also believe that making CR more accessible and viable will help increasing material collections at kerbside or by stores, and provide with a sustainable and more affordable recycling route for hard to recycle materials.

**Question 12: What controls need to be put in place to ensure material which is suitable for mechanical recycling continues to be recycled in that way, if a mass balance approach for chemically recycled plastic is adopted for the purposes of PPT?**

We believe cost will drive the use of mechanical recycling over chemical recycling. However, the usual industry controls need to be in place; audit trails, duty of care and waste reporting. The breakdown between amount of plastic mechanically recycled vs chemically recycled will need to be made available.

**Question 13: Do you agree that pre-consumer waste should be phased out as being classed as recycled material for PPT if chemically recycled plastic using a mass balance approach is permitted? Please supply information and comparative costs of recycling to support your answer.**

Yes    No    Don't know

Yes we agree. However the definition of post-consumer waste should then include plastic that is waste in the production cycle and sent off site to be used as recycle in another process, to keep this material from going to landfill/incineration.

**Question 14: Do you agree that chemically recycled plastic using a mass balance approach is likely to meet the regulatory requirements for the immediate packaging of human medicines?**

Yes    No    Don't know

One retailer indicated they currently have unrecyclable materials used in healthcare (PVC blister packs) the chemical recycling will allow them to recycle these and potentially include recycled content if it meets the regulatory requirements.

**Question 15: How can businesses communicate the recycled content to consumers in a way that does not undermine confidence in claims about recycled content?**

We believe that businesses should have the choice to decide whether to and how to communicate about recycled content. This is of course caveated by the recent CMA's Green Claims Code which identified 6 key steps a business should follow to prevent any misleading green claims, including around recycled content.

Retail industry's would question the need to have any consumer-facing communication that would have any specific references to the source of the recycled content (e.g. mechanical or chemical). We are not sure that the wider public would know the difference. Chemically or mechanically sourced recycled content is mostly like to be an important consideration for industry-level interactions/purposes.

From a general stand point, it should be called 'recycled content' - any attempt at differentiating the recyclate would lead to confusion to consumers. This does not mean that businesses would not be able to make the information available on their website or supply details as part of due diligence, audits and investigations.

Our members recommend avoiding the use of word chemical when it is used in relation to food contact packaging.

**Question 16: Given the issues discussed and questions raised in this chapter, do you agree that chemically recycled plastic allocated using a mass balance approach should be treated as recycled plastic for the purpose of the PPT? Please provide reasons and supporting evidence for your response.**

Yes    No    Don't know

Yes we agree. BRC recommends HMRC to recognise chemical recycling and the use of associated mass balance as a method to produce recyclates for incorporation into products. The BRC and its members are in favour of including output from chemical recycling as 'recycled content' and therefore including it in the 'recycled content' definition for plastic packaging tax.

#### Mass balance models – chapter 4

**Question 17: Do you agree with the government's suggested approach to not allow businesses to use the group level calculation? Please provide reasons and supporting evidence for your response.**

Yes    No    Don't know

We are not close to the details but from discussions with BPF we understand that they recommend allowing group level allocation. Site or batch level might be unrealistic /complex. We would caveat this to a UK geographical delimitation.

**Question 18: Do you foresee any practical barriers or risks to using the batch or site balance calculations? Please provide details of what those barriers or risks are.**



No views

**Question 19: To what extent do the batch and site levels of mass balance support the objectives of PPT and incentivise investment in chemical recycling in the UK? Please provide reasons and supporting evidence for your response.**

No views

**Question 20: Do you agree with the government's suggested approach to not allow businesses to use the free allocation method? Please provide reasons and supporting evidence for your response.**

Yes    No    Don't know

As the scope of the tax is on plastic packaging, we would advise to make sure that the incentive remains within the manufacture of plastic packaging, rather than for example unleashing food-grade feedstock for renewable fuels.

However, it is important to underline that free allocation would provide the opportunity for a faster scale up of chemical recycling overall capacity and provide more output material for use as recycled material.

**Question 21: To what extent do the proportional balance, fuel exempt or polymer only allocation methods, support the objectives of PPT and incentivise investment in chemical recycling in the UK? Please provide reasons and supporting evidence for your response.**

No comment

**Question 22: What are the relative advantages with the proportional balance, fuel exempt and polymer only allocation methods? Please provide details of what those advantages are.**

No comment

**Question 23: What risks or practical challenges do you envisage with the proportional balance, fuel exempt and polymer only allocation methods? Please provide details of what those risk and challenges are.**

No comment

**Question 24: To what extent would the requirements and standards need to be tailored to address the different risks associated with proportional balance, fuel exempt and polymer only allocation methods.**

No comment

**Question 25:** If a mass balance approach was adopted and taking into account the impact it may have on the amount of PPT chargeable on businesses' quarterly tax returns, what would be a reasonable balancing period for businesses to equate the amount of recycled feedstock received, to the claims made around recycled content in output products? Please provide reasons for your response.

A 3-month mass balance period would be most appropriate. This would seem appropriate with the quarterly tax returns companies need to make but does not need to align with these dates.

**Question 26:** Do you agree or disagree that businesses should be allowed to have a negative balance during a balancing period for a mass balance calculation allowable under PPT? Please provide reasons and supporting evidence for your response.

Agree  Disagree  Don't know

We would align with BPF's recommendation to not allow a negative balance.

**Question 27:** What are the benefits and disadvantages of the different measurement units for a mass balance calculation if it is adopted for PPT purposes?

We understand that there are various measurement units: mass, molecular units, and lower heating value. The most important aspect for retailers would be that there is agreement and consistency across the board about the measurement unit to use. Everyone should be using the same measurement unit in relation to the tax to prevent distortions.

**Question 28:** Which measurement unit best supports the environmental aims of the tax?

Mass is directly relatable to the percentage of material included in packaging for the purpose of the packaging tax. It is also what retailer would be most familiar with.

**Question 29:** Should the government exclude any of the measurement units from being used in a mass balance approach calculation which is allowable under PPT? If so, please state which measurement units should be excluded, provide reasons, and supporting evidence for your response.

Yes  No  Don't know

We are aware that some certification schemes use molecular units and the petrochemical industry relies on Lower Heating Value. However, for the purposes of the tax, mass would seem most appropriate.

**Question 30:** Do you think businesses should be required to deduct process losses from a mass balance approach calculation which is allowable under PPT? Please provide reasons and supporting evidence for your response.

Yes  No  Don't know

No comments

## How certification would operate – chapter 5

**Question 31: Do you foresee any barriers or risks with introducing a requirement for certification schemes to verify compliance with a mass balance approach if it is adopted for PPT purposes? If so, please provide details and supporting evidence.**

BRC has historically raised concerns regarding the accuracy of declared recycled content and fraud prevention. With an international supply chain and over 60% of the packaging placed on the UK market being imported, one of the biggest challenges for retailers is ensuring traceability over recycled content origins is guaranteed.

We have recommended a practical Recycled Content Verification System to support everyone's trust and confidence in the system, and ultimately to reassure retailers confidence that what they source has recycled content.

From a retail perspective, the biggest risk at stake is that the price off certification outweighs the benefit cost of the PPT. The cost of chemical recyclate is likely to be not fully offset by the PPT so adding further cost would not encourage use of the material.

There is a wider consideration to flag in terms of costs associated with packaging compliance for retailers. As part of the consultation on Draft EPR Regulations, Defra is exploring whether businesses would be using third-party organisations to support them with packaging Recyclability Assessments. If businesses will be mandated by Defra to outsource recyclability assessments for the purposes of EPR and simultaneously by HMRC to use a certification scheme, there is a cumulative financial burden on industry that needs to be fully and pragmatically assessed by Government.

**Question 32: In what circumstances and at what frequency should a certification scheme check the quality of audits completed by certification bodies? Please provide reasons for your response.**

No views

**Question 33: Do you agree with the government's suggested approach of introducing a minimum requirement for the frequency and nature of audits? Please provide reasons and supporting evidence for your response.**

Yes    No    Don't know

We have not received members feedback on this question and therefore, are not in a position to comment.

This being said BRC is aware of the BPF and RECOUP's research on Recycled Content Verification System, which recommends that well-designed framework should include:

- 1) Consistent reporting mechanism: A consistent and independent audit approach and reporting templates to work from
- 2) Operate internationally / multinational and to operate to recognised international standards (such as ISO 22095 and ISCO 14021:2016) on recycled content and traceability
- 3) Provision to have an annual in person audit at a site level with an auditor pool that can be deployed worldwide
- 4) Affordable, creditable and add value

**Question 34: If a mass balance approach was adopted for the purposes of PPT, do you have any suggestions for minimising the administrative burdens on business while ensuring compliance with the minimum requirements.**

Some companies are already accredited under existing certification schemes, and it is important that these companies do not have to repeat this process for certification requirements under the tax. It is important to have alignment with other schemes such as in the EU. Companies work on an international basis and having different requirements across their business creates additional work.

**Question 35: Should all businesses in a supply chain from the recycler to the packaging manufacturer be certified under the same scheme to enable the recycled material to be taken into account for the purposes of PPT?**

Yes  No  Don't know

All parts of the supply chain should be certified. This does not necessarily need to be via the same certification scheme as long as they meet the minimum requirements and would be compatible with each other (depending on how the requirements are set out). There should be mutual recognition in schemes. The impact on SMEs does need to be considered in terms of the cost and resources needed for certification.

**Question 36: Do you agree with the proposed accreditation requirement for certification bodies who complete the certification scheme audits? Please provide reasons and supporting evidence for your response**

Yes  No  Don't know

We have not received members feedback on this question and therefore, are not in a position to comment.



## Understanding commercial practices – chapter 6

**Question 37: Unless already covered in your responses to other questions within this document, please tell us how you think your business would be impacted by being permitted to use chemically recycled plastic accounted for using a mass balance approach as recycled for the PPT, including additional administrative burdens?**

Our members said that allowing mass balance means chemical recyclate can be used to pay the PPT and therefore making chemical recycling more economically viable and scalable throughout the entire retail industry, in the long run.

To some extent, this would also help with reducing reliance on waste exports as materials would be able to be reprocessed domestically.

It will also mean that our members would be able to confidently invest in packaging innovation, knowing that potentially every piece of plastic they use can be recycled.

BRC also believe that allowing mass balance will enable the development of the chemical recycling sector in the UK. If Government does not recognise chemical recycling and associated mass balance/allocation methods in the UK, there is a risk to fall behind the EU and beyond, ultimately putting the UK at a further commercial disadvantage.

Industry's collaboration has proved that this technology works. Retailers are active in this space and collaborate with the value chain to unlock solutions. As an example, back in 2020 a BRC member introduced the first recycled food-grade soft-plastic packaging from materials returned by customers.

One retailer indicated that they currently have unrecyclable materials used in healthcare (PVC blister packs) and they hope that the chemical recycling will allow them to recycle these and potentially include recycled content if it meets the regulatory requirements.

We understand that certification will be key to ensure transparency and level playing field, but do recognise that a mandatory certification requirement may result in additional costs. Some companies already have certification in place so it is important that existing schemes can be used with the PPT. There needs to be alignment with existing certification schemes where possible.

## Assessment of impacts – chapter 7

**Question 38: Do you have any comments on the assessment of equality and other impacts in the Tax Impact Assessment?**



We would encourage HMRC to explore in its Tax Impact Assessment the cost impacts associated with any mandatory certification requirements on businesses, especially retail companies.

HMRC may also wish to explore impacts on the mechanical recycling sector so that it is not adversely affected.

### **Submitting your respond**

Your response should be sent by 10 October 2023, by e-mail to [indirecttaxdesign.team@hmrc.gov.uk](mailto:indirecttaxdesign.team@hmrc.gov.uk) or by post to: Mark Palmer, Trinity Bridge House, 2 Dearmans Place, Salford M3 5BS.

**Please do not send consultation responses to the Consultation Coordinator.**

Paper copies of this document in Welsh may be obtained free of charge from the above address. This document can also be accessed from HMRC's GOV.UK pages. All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

When responding please say if you are a business, individual or representative body. In the case of representative bodies please provide information on the number and nature of people you represent.