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**Submission on Alternative Model for Producer Responsibility Scheme on
Plastic Beverage Containers (PPRS) on a Market Basis
Views from Business Environment Council Limited
商界環保協會有限公司**

Over the last 30 years, Business Environment Council Limited 商界環保協會有限公司 (“BEC”) has played a leading role in advocating the business case for environmental excellence, given the importance of sustainable development to Hong Kong. Our members are committed to actively engage with the HKSAR Government (“the Government”) to help develop a supporting policy framework as well as impactful implementation in respect of environmental protection and sustainability.

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

1. Introduction

- 1.1. The Government conducted a three-month public consultation from February to May 2021 to solicit the views of public and other relevant stakeholders on the introduction of Producer Responsibility Scheme on Plastic Beverage Containers (“PPRS”). BEC responded in May with a submission to express support to a mandatory PPRS and views regarding questions included in the consultation document¹.
- 1.2. After collecting public opinions, the Government is currently exploring further the feasibility of an alternative PPRS operating on a market basis, where the required services will be provided by the market openly that allows any interested and capable parties to take a share of the business on a commercial basis. BEC

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https://bec.org.hk/sites/default/files/policy_submissions/BEC_PRS_on_Plastic_Beverage_Containers_Submission_20210521.pdf

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holds an open view on operating the PPRS through a market mechanism provided the system has a robust and transparent data registry over beverage containers of concern and their flows in the value chain of the PPRS, and system operators have the ability to absorb the listed responsibilities compared against a government-led mechanism. BEC's views and recommendations below largely follow the sequence of the "Short Note on Alternative Model of PPRS on a Market Basis" ("Short Note") provided by the Government.

2. Overall Framework

- 2.1. The overall framework is clear and showing the relationship between the Government and listed stakeholders under the alternative PPRS. To further strengthen the framework, BEC suggests the Government to consider the need of an advisory committee or other equivalent forms that can support periodic review and provide improvement recommendations on the scheme.
- 2.2. The Government illustrated the alternative PPRS using a schematic diagram with arrows showing the flows of beverage products, used containers and money flow across all stakeholders. Since, according to the alternative PPRS, beverage suppliers can arrange self-recovery (apart from engaging scheme operators), the Government may consider addressing further the relationship between beverage suppliers and recyclers in the schematic diagram. Indeed, as large beverage suppliers are already running voluntary recycling programmes, the Government may need to arrange further consultations with beverage suppliers to discuss if such recycling programmes will be directly, or under which conditions, embedded into the proposed alternative PPRS.

3. Operation Details

Registration as a Scheme Operator

- 3.1. BEC welcomes the Government's suggestion of regulating scheme operations through registration with multiple criteria specified, noting the Government will provide guidelines to assist interested parties in preparing their operation plans for scheme operator registration. Among those, an essential and successful factor is that scheme operators must regularly report credible recovery and recycling data to the Government. From the Government's perspective on safeguarding data credibility, it also needs to determine whether it can provide a robust and central data registry for the alternative PPRS and deploy enough human resources on monitoring and inspection. These may further indicate if the Government needs to limit the number of scheme operators through criteria setting or other administrative measures, even though the alternative PPRS is promoting a free market mechanism.

- 3.2. On the other hand, BEC wants to reiterate our views that the alternative PPRS must give confidence to the public that it is run by organisations with professional knowledge and solid governance enabled by government legislation, and the operation will be kept low-cost, lean, transparent, accountable, flexible and target-driven. It should be noted that internationally there are frequent cases where scheme operations are set up as not-for-profit organisations to win public trust. The Government should consider inserting relevant criteria.

Recovery Target and Penalties

- 3.3. BEC strongly supports the Government to set a statutory recovery target for all beverage suppliers, covering all types of plastic beverage containers. The Government should also decide a regular review period towards more ambitious target setting during the early phase of scheme implementation.
- 3.4. The alternative PPRS suggests a scheme operator may provide service to more than one beverage supplier and they shall meet the “aggregated recovery quantities” of all the beverage suppliers it serves, calculated with reference to the target recovery rate. However, it also mentions a beverage supplier may engage more than one scheme operator to meet recovery obligation on commercial or other considerations, i.e., a scheme operator may not necessarily cover fully a beverage supplier’s annual recovery requirement (in addition to beverage suppliers’ self-recovery activities). The Government may thus need to provide additional guidance to scheme operators on reporting or ensure beverage suppliers maintain appropriate segregated data.
- 3.5. The Government suggests trading of plastic beverage containers be allowed between scheme operators to meet individual operator’s recovery target. While this gives flexibility, BEC recommends the Government to conduct further risk and benefit analysis to understand whether it may positively or negatively affect the long-term recovery target (considering similar debates on carbon credits, and criticism of over reliance on credit trading instead of direct mitigation).

Recycling Fee

- 3.6. Scheme operators will be required to disclose maximum level of recycling fee chargeable to the market. The Government should provide clear requirement on “recycling” under the alternative PPRS and if it is the same or a compatible definition as in other ordinances and regulations.
- 3.7. Also, the penalty of failing to meet the statutory recovery target will be calculated using maximum level of recycling fee as a parameter. Under the suggested scheme, beverage suppliers may opt to arrange self-recovery with recyclers without going through scheme operators. The current text does not address

explicitly how the maximum level of recycling fee is related to the penalty of such arrangement, should beverage suppliers fail to meet the target. The Government should provide further clarification on the setting of maximum level of recycling fee.

Recovery Service

Service Provided

- 3.8. BEC welcomes the Government's consideration on supporting small or medium-sized suppliers to obtain recovery service, as this encourages a wider participation of the sector. However, instead of just asking scheme operators to reserve e.g. 5% on contingency, the Government may consider inserting more favourable terms to motivate scheme operators to actively respond to requests of such suppliers, or else scheme operators may still prefer to only work with large suppliers given the operational scale.

Collection Network

- 3.9. The Government's positive perspective to include small or remote venues to join as part of the collection network is appreciated, especially under a market-led PPRS. The Government may further take the role to proactively communicate with the wider public to gain public recognition, as they set out the relevant requirements to the scheme operators. BEC notes that an inclusive collection arrangement may have implication over cost efficiency (e.g., logistics costs on remote collection points), the Government should conduct periodic review to balance cost efficiency and network inclusiveness.
- 3.10. While the Government mandates retail stores not less than 200m² to become return points, as a next step it should also provide more specification on the other criterion "sales beyond certain volume". The Government should also strive to provide easy and convenient access to collection points where it has ownership, for example public buildings.

Arrangement for Proper Recycling

- 3.11. As mentioned above, the Government should provide more provisions on proper recycling, and in the future communicate actively to the public such recycling information. For successful implementation of the scheme, it is important not to just focus on disseminating information over collection or recovery.

4. Overarching / Other Comments

Transparent Database

4.1. It is widely understood that the successful implementation of the alternative PPRS will mostly depend on data transparency and credibility. Indeed, the Government has highlighted relevant context in different parts of the Short Note: for example, the Government manages a product registration database for scheme operators' reference, the beverage suppliers register their plastic-bottled beverages to be distributed locally, and scheme operators maintain database on refund, collection, and recycling analytics. However, currently they are shown as fragmented pieces of information. BEC strongly suggests the Government to conduct further analysis to understand the connectivity of these data, explore the possibility of a central / automatic database that can host most of the commercially non-sensitive data, and provide a diagram illustration over data flow and relationships, in order for the society to better understand the scheme's credibility. A transparent database also contributes to effective monitoring.

Monitoring and Flexibility

4.2. Scheme operators are tasked with major responsibilities to safeguard recovery accuracy at the collection stage, as also specified in the sections "Recovery Target and Penalties and Collection Mode" in the Short Note. It is very important to also build mechanisms that check compliance at the distribution and retail stage, which in fact further affects the number of non-registered bottles found in the downstream and may add costs over sampling. The Government should closely observe the overall level of non-compliance in the early-stage implementation of the PPRS, explore the reasons behind across the whole value chain and suggest improvement. If necessary, the Government may start with a loose compliance threshold and tighten it over time or allow a transitional period.

Scaling Up

4.3. The implementation of PPRS is to support the greater goals of waste reduction and diversion from landfill. BEC would like to reiterate the recommendations below:

- The Government should conduct periodic review and set more progressive recovery targets over time for the PPRS.
- The Government should also take the opportunity when rolling out the PPRS to provide the public more guidance on recycling non-registered beverage containers, and explore if the PPRS can be further expanded or modified to cover such containers.
- The Government should evaluate the experience of PPRS and provide policies to cover all single-use beverage packaging formats permitted in Hong

Kong. This will prevent leakage where beverage manufacturers and importers might switch between different packaging materials to avoid regulation.

Enquiries

For queries related to this submission, please contact our Chief Executive Officer, Mr Simon Ng at simonng@bec.org.hk

Yours sincerely,



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