



ASSESSMENT OF THE PROPOSED LEVY ON SINGLE- USE CUPS

(WITHIN IRELAND'S, CIRCULAR ECONOMY AND MISCELLANEOUS PROVISIONS ACT 2022)

A REPORT PREPARED FOR THE IRISH PAPER PACKAGING CIRCULARITY ALLIANCE (IPPCA), JUNE 2023

EXECUTIVE SUMMARY

This report was prepared by Jim Power Economics for the Irish Paper Packaging Circularity Alliance (IPPCA). The preparation of the report included an extensive survey of stakeholders; a review of literature on the topic; and interviews with stakeholders.

The EU published its circular economy action plan in 2015, and then published a report on its implementation in 2019. The Packaging and Packaging Waste Directive (PPWD), originally enacted in 1994, was updated in 2018 via Directive 2008/98/EC, with a revised scope related to classifications of and hierarchies relating to the generation and prevention of waste ('The Waste Framework Directive'). The PPWD forms the centrepiece of EU legislation on packaging and packaging waste. The twin objectives of the Directive were to continuously improve the environmental performance of packaging and to facilitate the correct functioning of the EU Internal Market, thereby protecting the free circulation of packaging and packaged goods in all member states.

As part of the European Green Deal and the new circular economy action plan, the EU Commission put forward proposals for a revision of the PPWR in November 2022. In the revised Packaging and Packaging Waste Regulation (PPWR), the EU has set out different options to improve circularity in Europe, including waste reduction, reuse, recycling, and compostable solutions.

The Circular Economy and Miscellaneous Provisions Act 2022 was signed into Irish law by the President in July 2022. The two key aspects of this Act in the context of this report are the provisions to provide for a levy on certain single-use items, and to provide for the prohibition on the supply of certain single-use items.

In the context of the environmental obligations that are growing in significance, both businesses and consumers are increasingly focusing on how to reduce waste. On the back of this, there is renewed focus on reducing single-use packaging and increasing the use of reusable packaging.

Studies from McKinsey, Kearney and Ramboll consider the consequences of proposed policy interventions and the unintended consequences.

The McKinsey study concluded that 140 to 160 per cent would be added to CO₂ emissions due to fossil components in materials, increased transport, and energy use; and result in cost increases of 80 to 130 per cent when replacing renewable fibre cups and containers with plastic reusable packaging; and the imposition of strict reusable packaging targets by 2030 will severely impact the EU's environmental footprint.

The data-driven analysis from Kearney in relation to reuse concludes that 100 per cent reuse targets by 2030 would create 1,500 per cent the amount of plastic waste for takeaway; a move to 100 per cent reusable packaging by 2030 would increase GHG emissions by up to 260 per cent for takeaway; and operator investment to achieve reuse could be up to €20 billion to €25 billion. The Kearney report concludes that a mix of solutions is needed to ensure circularity across the takeaway and dine-in segments, and that reusable models of

consumption should not be implemented in takeaway consumption. It argues that it is vital to 'fully understand and balance economic, environmental, and consumer dimensions when selecting, implementing, and scaling effective circularity solutions for the sector.

Ramboll's life cycle analysis study shows that single-use paper-based systems have a very significant environmental advantage over multiple-use systems in real-world conditions. The study findings demonstrate that for dine-in consumption reusables produce 2.8 times more carbon dioxide and consumes 3.4 times more freshwater than single use, paper-based products.

The international evidence in support of a levy on single-use cups is not compelling and does suggest that it is not an appropriate course to pursue.

The RIA (Regulatory Impact Analysis) supporting legislation to introduce a levy on Single Use Disposable Cups (SUDCs) predicts an 18 per cent drop in SUDCs, a 58 per cent increase in reusable uptake and it claims that a subsequent market drop of 5 per cent would be offset by forecast market growth. The reality is that these market predictions are based on incorrect market data. It suggests that reusables account for 25 per cent of the market. Such an assumption has no basis in fact.

If the RIA data is updated to reflect the correct reusables share at 1.7 per cent and the RIA's framework and methodology are still used, then the report's behavioural conclusions would result in a market drop of between 19.1 per cent and 23.1 per cent.

When the RIA data is not adjusted to take account of a more realistic reusable market penetration, the Exchequer will gain €58.8 million (- €18.6 million on VAT returns & + €77.4 million on levy funds). However, when the RIA data is corrected for the reusable market share of 1.7 per cent, the Exchequer will gain only €9.1 million (-€68.3 million on VAT returns and +€77.4 million on levy funds). In addition to the loss of revenue for the Exchequer, if the market drops as anticipated, considerable jobs will be lost; payroll taxes will decline; and some businesses might be forced to close. If the resulting loss of payroll taxes for the exchequer is also included, then this would result in an overall negative return for the Exchequer due to the introduction of a levy.

In the preparation of this report, an extensive survey was conducted with coffee retailers that included coffee shops, quick service restaurants (QSRs), retail premises, plazas and forecourts, and mobile coffee premises. Based on this survey, it is estimated that an 8.23 per cent decline in coffee sales due to the introduction of a 20-cent levy would cost around 4,244 jobs in the coffee retailing sector; it is estimated that a 48.6 per cent decline in coffee sales due to the banning of single use cups would cost around 25,063 jobs in the coffee retailing sector. The survey results suggest a significant increase in costs for coffee retailers. This would include increased expenditure on dishwashing equipment, drying equipment, additional energy costs, and higher employee costs. The survey suggests that for the 2,226 premises captured in the survey, the increased costs involved in reusable cups would reach €197 million. For the whole sector, this is extrapolated to a total cost of €492 million.

The coffee retailing sector believes that the proposed solutions, which initially propose the imposition of a 20-cent levy on single-use cups and ultimately to ban them, is a disproportionate response that will cause significant challenges for the sector and indeed for consumers.

There is a distinct risk that in the face of levies and regulations, vendors of coffee will choose to use the cheapest possible reusable cups made from cheap plastic, which are imported, and which have a short life span.

The proposed levy and the ultimate banning of single-use coffee cups is a disproportionate response to a problem. It will undermine the coffee market; cost significant employment; cause some businesses to close; increase costs for businesses; increase carbon emissions; increase water usage; and not achieve its desired effects.

Single-use coffee cups that contain little or no plastic can be composted or recycled and do appear to be more environmentally friendly than reusable cups, that are very often made of plastic. It is important, that the single-use cups are labelled properly in relation to their composability or recyclability, as there would appear to be considerable consumer confusion about what to do with single-use cups.