

Financial implications of The Environmental Protection (Single-use Plastic Products) (Wales) Bill

October 2022

1. Introduction

- 1.** The Environmental Protection (Single-use Plastics Products) (Wales) Bill¹ (the Bill) and Explanatory Memorandum² (EM), including the Regulatory Impact Assessment (RIA), was introduced by Julie James MS, the Minister for Climate Change (the Minister) on 20 September 2022.
- 2.** On the same day, Mick Antoniw MS, the Counsel General made an introductory statement on the Bill in Plenary³ on behalf of the Minister who was unable to attend.
- 3.** The Bill proposes to make it an offence for a person to supply or offer to supply (including for free) certain “commonly littered and unnecessary single-use plastic (SUP) products”. The proposed Bill will initially target:
 - plates; cutlery; drinks stirrers; drinking straws (including attached straws); cups made of polystyrene; takeaway food containers made of polystyrene; cup and takeaway food containers made of polystyrene; plastic-stemmed cotton buds; sticks for balloons; oxo-degradable products; and plastic single-use carrier bags (SUCBs).

¹ Welsh Government, [The Environmental Protection \(Single-use Plastics Products\) \(Wales\) Bill](#)

² Welsh Government, [Explanatory Memorandum](#)

³ Plenary, [Record of Proceedings, 20 September 2022](#)



4. The Bill also proposes a regulation-making power to enable Welsh Ministers to add or remove products from this list and confers powers on local authorities to enforce offences under the Bill.

5. The Finance Committee⁴ (the Committee) took evidence on the financial implications of the Bill on 29 September 2022⁵, from:

- Julie James MS, Minister for Climate Change
- Gian Marco Currado, Director, Environment and Rural Affairs
- Louise Clarke, Senior Single Use Product Manager
- Richard Clark, Head of Local Environment Quality

6. The Climate Change, Environment and Infrastructure Committee (CCEI) undertook policy scrutiny of the Bill.⁶

7. The Legislation, Justice and Constitution Committee considered the Bill in accordance with matters which fall within its remit.⁷

8. The Welsh Government aims to use the Bill as material to support its case in relation to the Internal Market Act in the Supreme Court and as such wished to progress the Bill through the Senedd quickly and therefore bypassing Stage 1 scrutiny.

9. On 17 July 2022, the Business Committee wrote to the CCEI Committee in relation to a request from the Welsh Government to bypass Stage 1. The CCEI Committee responded stating:

"... a decision by the Business Committee to bypass committee scrutiny would deny stakeholders and the public the only opportunity for them to be consulted on the detailed provisions in the Bill. The CCEI Committee's work, outside the formal Bill scrutiny process, was necessary to avoid a scrutiny deficit. I believe we have succeeded in our aim. However, this approach

⁴ Finance Committee (Jayne Bryant MS, substituted for Rhianon Passmore)

⁵ Finance Committee, draft Record of Proceedings (RoP), 29 September 2022

⁶ Climate Change, Environment and Infrastructure Committee

⁷ Legislation, Justice and Constitution Committee

should not in any way be considered equivalent to, and certainly not an adequate replacement for, formal Stage 1 Committee scrutiny.”⁸

10. Subsequently, the Business Committee agreed not to refer the Bill to a responsible Committee for consideration of the general principles in light of the work that the CCEI Committee had already undertaken.

Committee view

11. The Committee supports the view of the Climate Change, Environment and Infrastructure Committee that bypassing Stage 1 denies stakeholders and the public the opportunity to be consulted on the detailed provisions within a Bill. Furthermore, it denies the Senedd the opportunity to undertake full and robust scrutiny of the policy and financial implications of the Bill.

Conclusion 1. The Committee agrees with the Climate Change, Environment and Infrastructure Committee’s view that Stage 1 (consideration of the general principles of a Bill) should not be bypassed and that Senedd Committees should receive adequate time to undertake this important scrutiny role.

⁸ Letter from the Climate Change, Environment and Infrastructure Committee to the Business Committee.

2. The Environmental Protection (Single-use Plastic Products) (Wales) Bill

Purpose of the Bill

12. The Explanatory Memorandum (EM) notes the Bill will help to:

*"...accelerate the shift in consumer behaviour away from single-use products towards greater re-use and will encourage businesses in Wales to lead the way in developing more sustainable alternatives."*⁹

13. The Minister highlighted:

*"the market conditions are such that consumers are starting to demand non-single-use items. It's a behaviour change... and that's what we're looking for here. So, even without this Bill, we think that businesses would be forced into changing their business practices by the rising consumer demand for more reused, recyclable, sustainable products than are currently available in any kind of single-use plastic."*¹⁰

Costs of the Bill

14. The RIA sets out a summary of costs over a ten-year appraisal period 2020/21 – 2029/30. The estimated total cost of the Bill is £18.9 million. The RIA notes there are no additional costs to the business as usual option.¹¹

Table 1 Costs associated with The Environmental Protection (Single-use Plastic Products) (Wales) Bill 2020-21 to-2029-30

Cost description	Cost (£000s)
Administrative costs	
Transitional	500
Recurrent (over 10 years)	1,000
<u>Total</u>	<u>1,500</u>

⁹ Explanatory Memorandum, page 8

¹⁰ Finance Committee, draft RoP, 29 September 2022, paragraph 169

¹¹ Explanatory Memorandum, page 21

Compliance costs	
Additional costs for businesses and customers to replace SUP items with non-plastic alternatives	16,800
Business costs - train staff, change suppliers and ensure compliance	300
Total	17,100
Other costs	
Waste treatment	300
Bill Total Cost	£18,900

Administrative costs

15. The Welsh Government will incur total administrative costs of £1.5 million. The initial transitional costs are estimated to be £500,000, which includes the development of bilingual guidance, communications to support the introduction of the Bill and staff costs associated with its implementation. The Welsh Government also anticipates recurring costs of £100,000 over ten years for staff managing the implementation of the legislation and future policy development.¹²

16. The Minister said that to ensure the legislation is effectively communicated, she is continuing to work with stakeholders and with the Welsh Local Government Association to draw on their expertise of communicating compliance messages to businesses. The Minister said she was applying learning from the implementation of the Public Health (Minimum Price for Alcohol) (Wales) Act 2018, and the Single Use Carrier Bags Charge (Wales) Regulations 2010, adding that “effective communication and guidance improved compliance” in those instances.¹³

Compliance and other costs

17. The RIA notes that compliance costs are likely to be £17.1 million.¹⁴ The RIA states that the general availability and prevalence of non-SUP products has been understated due to the number of countries banning SUP products globally and regulatory action being taken elsewhere in the UK, thus the cost of non-SUP items has been overstated.¹⁵

¹² Explanatory Memorandum, page 22

¹³ Finance Committee, draft RoP, 29 September 2022, paragraph 142

¹⁴ Explanatory Memorandum, page 22

¹⁵ Explanatory Memorandum, page 59

18. The Minister said the cost estimate for businesses switching to alternative non-SUP was based on market research conducted in 2019/20.¹⁶ She suggested that “the announcement of intended legislation is a strong signalling to businesses” and that many businesses had already moved away from SUP products.¹⁷ She also noted this was being led by the “consumer demand” for alternative products.¹⁸

19. The Minister confirmed the enforcement costs are estimated at around £100,000 a year falling to local authorities, which will be incurred every year from year two, which are included in the £1 million administration costs. The Minister highlighted that “effective communication in advance of the legislation really reduces the need for enforcement activities.”¹⁹ She added:

“We'll be working with local authorities to provide guidance on how we expect the bans to be interpreted, and as with the carrier-bag charge, we anticipate enforcement activities will be intelligence led and undertaken with a light touch, focusing on bringing businesses into compliance in the first instance, and not on enforcement.”²⁰

20. The Minister hopes that, similar to the carrier bag charge, “we will have high levels of compliance as people come to understand what's expected of them” and therefore she does not expect “very large” enforcement costs to fall to local authorities.²¹

Unquantified costs

21. The main unquantified costs and disbenefits relate to manufacturers and other businesses, in switching production away from plastic items. The RIA states this is due to a lack of data about the number of manufacturers in Wales.

22. The Minister acknowledged that a quantification of those costs was not possible due to the availability of information about the number of businesses involved. She said that the impact analysis undertaken expected that, if anything, costs for the transition would reduce as bans for similar items in the EU, as well as those planned in England and Scotland, also took effect.²²

¹⁶ Finance Committee, draft RoP, 29 September 2022, paragraph 145

¹⁷ Finance Committee, draft RoP, 29 September 2022, paragraph 145

¹⁸ Finance Committee, draft RoP, 29 September 2022, paragraph 145

¹⁹ Finance Committee, draft RoP, 29 September 2022, paragraph 174

²⁰ Finance Committee, draft RoP, 29 September 2022, paragraph 143

²¹ Finance Committee, draft RoP, 29 September 2022, paragraph 174

²² Finance Committee, draft RoP, 29 September 2022, paragraph 145

23. The Minister's official said that the manufacturing shift towards non-SUP meant that "a lot of those costs are already being incurred" and therefore would reduce "the direct impact of the legislation".

24. The RIA notes that companies in Wales will incur costs where investment is needed to transition from SUP to alternative products. The Minister again highlighted the challenges faced in identifying these companies and estimating the potential investment costs involved:

*"Of the market leaders identified, only one manufacturing facility was identified in Wales and a further 12 manufacturers can produce plastic or non-plastic products within the scope of these proposals... They were all invited to participate in the research alongside us, and their insight helped us to inform the impact assessment process. The research does acknowledge that there are challenges in engaging with the companies, and we look to address those during the public consultation. But, I specifically invited comments from industry group representatives, and the research also noted that the businesses interviewed were often not in a position themselves to share detailed information about costs. So, the estimates were calculated using the modelling off the back of the information that we did have."*²³

25. The Committee asked if further research will be completed on the products planned to be banned, for which the costs/benefits are unknown. In response the Minister stated:

*"...we are continuing to conduct research on a range of products, both the products involved in the initial ban...And during the consultation, we had 60, I think it was, more products that people brought forward for consideration for banning. So, we'll be conducting research on all of those on an ongoing basis."*²⁴

26. The Minister highlighted the reporting mechanism under section 4 of the Bill that requires the Welsh Ministers "each year to report on whether or not we're going [to] include anything else in the ban...and then, if we are going to include something, what the research base for that will be".²⁵ She added that will have "an ongoing financial impact consideration to go with it".²⁶

²³ Finance Committee, draft RoP, 29 September 2022, paragraph 176

²⁴ Finance Committee, draft RoP, 29 September 2022, paragraph 179

²⁵ Finance Committee, draft RoP, 29 September 2022, paragraph 179

²⁶ Finance Committee, draft RoP, 29 September 2022, paragraph 179

27. The RIA suggests that the economic analysis is based on banning nine products, whereas the Bill proposes to ban 11 products. The Minister confirmed that the “initial model” was based on nine products but that since commissioning the study:

“we anticipate that the use of the nine single-use plastic products in the Bill will have decreased, as bans, or the signalling of bans, have taken effect elsewhere in the UK and, indeed, globally. So, we think it's reasonable to assume that the additional costs of the other two products will be balanced by a cost reduction on the initial nine for that reason.”²⁷

Cost savings and benefits of the Bill

28. The RIA notes there are unlikely to be cost-savings of significance as a result of introducing the legislation.²⁸ However, the RIA notes that benefits to the:

“...environment, nature and human health by reducing the risk of ecosystem, climate and human health problems resulting from plastic pollution have not been estimated and are not known. The reduction of these risks is the prime reason for bringing in the bans.”²⁹

29. On this point the Minister’s official stated:

“what we've not really been able to give a monetary value for is the environmental benefits of all this, and I think that's really quite important to remember and take a step back. The costs we've assessed for this kind of intervention are not huge, I would say, but there is this unknown, which is likely to be quite large, of what the environmental benefits are from what we're trying to do, and I think that's quite an important thing to always bear in mind when looking at the cost-benefit balance for this type of legislation.”³⁰

30. The RIA includes benefits from revenues, totalling £8.6 million from manufacturing, if the sector switches to non-plastic, which accounts for UK manufacturing as a whole. The RIA states:

²⁷ Finance Committee, draft RoP, 29 September 2022, paragraph 186

²⁸ Explanatory Memorandum, page 22

²⁹ Explanatory Memorandum, page 22

³⁰ Finance Committee, draft RoP, 29 September 2022, paragraph 228

*"The impacts on revenues to manufacturing are estimated for the UK, but the specific impacts in Wales could not be estimated due to a lack of data."*³¹

31. However, in reference to the £8.6 million, the Minister said "we've used a population basis to try and extrapolate the figures from the UK-wide data".³²

Inflation

32. In relation to how inflation is taken into account in RIAs, the Minister said that "costs are estimated in a real base-year price", so the effects of general price inflation are removed from estimates, in line with HM Treasury Green Book guidance.³³

33. However, there was recognition of the "uncertainty about prices and cost", in the current economic climate. The Minister highlighted from an "affordability perspective" both SUP and non-SUP would be subject to inflation. Although she felt that some plastic products would be "even more expensive to make" due to rising oil process and therefore it "would be a real business benefit in swapping to things like bamboo and wooden products, away from very expensive oil-based products."³⁴

34. The Minister said "we haven't got a mitigation package in this Bill, but obviously the Welsh Government continues to support SMEs with £160 million targeted non-domestic rates support."³⁵ She also added "we have a Business Wales advice service that offers a wide variety of support to help businesses with more general financial pressures over the coming months".³⁶

35. The Minister confirmed that she intends to update the estimated costs "in light of the current price increase".³⁷

Committee view

36. The Committee welcomes and supports the aim of the Bill to accelerate the shift from SUP towards developing more sustainable alternatives and greater re-use. We are pleased to hear that consumer demand is driving change for alternative products and that the shift already taking place in manufacturing to alternative products may reduce the financial impact of the Bill.

³¹ Explanatory Memorandum, page 37

³² Finance Committee, draft RoP, 29 September 2022, paragraph 221

³³ Finance Committee, draft RoP, 29 September 2022, paragraph 230

³⁴ Finance Committee, draft RoP, 29 September 2022, paragraph 209

³⁵ Finance Committee, draft RoP, 29 September 2022, paragraph 167

³⁶ Finance Committee, draft RoP, 29 September 2022, paragraph 167

³⁷ Finance Committee, draft RoP, 29 September 2022, paragraph 213

Whilst the RIA notes there are unlikely to be cost-savings of significance as a result of the Bill, the Committee acknowledges the huge benefits of this legislation to the environment, wildlife, health and wellbeing by reducing plastic pollution.

Conclusion 2. The Committee is broadly content with the financial implications of the Bill as set out in the Regulatory Impact Assessment, subject to the comments and recommendations in this report.

37. The Committee is pleased to hear that the Minister continues to engage with stakeholders and is applying best practice from the implementation of similar legislation including the minimum price for alcohol and single use carrier bags, to ensure that this legislation is effectively communicated. We are pleased that guidance will be provided to local authorities on how to interpret the ban and that enforcement activities are expected to take a light touch approach, focusing on bringing businesses into compliance in the first instance rather than enforcement. We note the Minister's view that, as a result of effective communication, enforcement costs are not expected to be significant to local authorities.

38. However, we are concerned that cost estimates for businesses switching to alternative non-SUP were based on research and data from 2019/20. Furthermore, the initial model for estimating the costs was based on nine products rather than 11 as included in the Bill. Whilst we note the Minister's view that the costs of the nine SUP products may have decreased because of the shift already taking place to alternative products and the effect elsewhere in the UK and globally from countries banning SUP, this information should have been included in the RIA.

39. We welcome the Minister's commitment to continue to conduct research on the products identified in the Bill and other products under consideration that may be banned in future. In addition, we welcome the Minister's commitment to consider the estimated costs in light of the current financial climate, with rising inflation costs and the pound at an all-time low against the dollar, as this could have a significant impact on costs. We reiterate our expectation that RIAs should contain the most up-to date relevant information on introduction, to allow us to effectively scrutinise the financial implications of Bills.

Recommendation 1. The Committee recommends that the Welsh Government reassesses the costs for businesses switching to alternative non-single use plastics as a result of the bill and that this information is included in an updated Regulatory Impact Assessment following Stage 2 proceedings.

40. We are also disappointed that the RIA was unable to quantify costs and disbenefits relating to manufacturers and other businesses switching production away from plastic items.

Recommendation 2. The Committee recommends that the Welsh Government undertakes further work to assess the cost and disbenefits to manufacturers and other businesses in switching production away from plastic items. This information should be included in an updated Regulatory Impact Assessment following Stage 2 proceedings.

41. The Committee seeks clarity on whether the £8.6 million identified as benefits from manufacturing is on a UK or Welsh basis. If it accounts for UK manufacturing as a whole, this should not be included as a benefit for Wales and the Welsh Government should calculate the benefit to Wales specifically.

Recommendation 3. The Committee recommends that the Welsh Government clarifies whether the £8.6 million identified as benefits from manufacturing relate to the UK or Wales, and, if the figure relates to the UK as a whole, calls on the Welsh Government to calculate the benefits specifically to Wales. This information should be included in an updated Regulatory Impact Assessment following Stage 2 proceedings.

42. Whilst we appreciate the difficulties faced due to the lack of available data on manufacturers in Wales and the lack of engagement with businesses, we believe the Welsh Government needs to do more to engage with the sector especially as this Bill contains regulatory powers to ban further products. Furthermore, we expect that any future regulations to ban additional products should be accompanied by a full and robust RIA.

Recommendation 4. The Committee recommends that the Welsh Government improves its level of engagement with manufacturers and affected businesses in Wales. In particular, it should focus its efforts in the first instance on providing guidance and support to encourage compliance within the sector, rather than rely on the Bill's enforcement powers.

Recommendation 5. The Committee recommends that the Welsh Government commits to providing full and robust Regulatory Impact Assessments to accompany any relevant subordinate legislation made under this Bill that bans further single-use plastic products not already covered within the scope of the legislation as drafted.