


|  <b>Regulatory Policy Committee</b>  | <b>Opinion</b>   |                     |
|---|--|---------------------|
| <b>Impact Assessment (IA)</b>   | Amendment to the Environmental Permitting (England and Wales) Regulations 2010 - new schedule for materials recovery facilities (MRFs) |                     |
| <b>Lead Department/Agency</b>   | Department for Environment, Food and Rural Affairs   |                     |
| <b>Stage</b>  | Final  |                     |
| <b>IA Number</b>  | DEFRA 1481   |                     |
| <b>Origin</b>   | European   |                     |
| <b>Expected date of implementation (and SNR number)</b>   | 2014 (SNR7)  |                     |
| <b>Date submitted to RPC</b>  | 5/12/2013  |                     |
| <b>RPC Opinion date and reference</b>   | 21/01/2014   | RPC13-DEFRA-1625(3) |
| <b>Overall Assessment</b>   | <b>GREEN</b>   |                     |
| <p><b>RPC comments</b></p> <p>The IA is fit for purpose. The IA addresses the comments in our previous opinion, dated 20 August 2013. It now provides evidence for the figures used to estimate the proportion of businesses already undertaking the elements of testing that will be required by the regulations. As a result, the RPC can validate the estimated annual net cost to business (EANCB) of £0.8 million for this measure which is out of scope of One-in, Two-out as it is European in origin.</p>   |  |                     |
| <p><b>Background (extracts from IA)</b></p> <p><b>What is the problem under consideration? Why is government intervention necessary?</b></p> <p><i>Our approach to collecting recyclate needs to generate material of sufficient quality to meet the needs of reprocessors (a requirement of the EU Waste Framework Directive (WFD)) and comply with international rules on waste shipments. Market signals regarding quality are not working in the way they should, partly because MRFs are not measuring the quality of their output material or making this information transparent. This is causing inefficiencies in the market and MRFs [materials recovery facilities] delivering recyclate of sub-standard quality in some cases. Government intervention is needed to address the market failure of imperfect information, and demonstrate to the Commission where co-mingling is capable of supporting the WFD objective of high quality recycling.</i></p> <p><b>What are the policy objectives and the intended effects?</b></p> <p><i>We want all MRFs to monitor the quality of their output material streams in a robust manner and to make this information transparent. This will help stimulate the market conditions needed to improve recyclate quality and so supports both the objective in the WFD to promote high quality recycling and compliance with the Waste Shipments Regulation. Delivering high quality recyclate is important because it can help support the economy and growth of the recycling industry by maximising the economic value</i></p> |  |                     |

*of the material collected. By minimising the amount of recyclate collected that ends up in landfill it also helps increase public confidence and participation in recycling and maximise the environmental benefits of recycling.*

**Identification of costs and benefits, and the impacts on business, civil society organisations, the public sector and individuals, and reflection of these in the choice of options**

Materials recovery facilities (MRFs) recycle mixed materials with a view to their output being sold and reused. The revised Waste Framework Directive requires the government to undertake steps to “*meet the necessary quality standards for the relevant recycling sectors*”. The quality standards refer to volume of target material compared to other material. There are currently insufficient incentives within the system for all MRFs to routinely check and report the quality of their output, with the subsequent effect that those purchasing the material have very poor or no information on the quality of the product they are buying.

The regulations will require MRFs to monitor the quality of their input and output. The direct costs to business are transition costs, such as the purchasing of IT and sampling equipment, equivalent to £0.08 million per year, and ongoing monitoring and auditing costs of £0.72 million a year. The changes are expected to bring benefits for businesses purchasing recyclate from MRFs, as well as providing incentives to improve the quality of recycling. These benefits have not been monetised.

*Justification for assumptions.* The IA now provides a clearer justification for the estimates of the extent to which MRFs already undertake sample measurements. The revised distribution of organisations already undertaking different levels of testing is now based on data gathered through a programme of visits instead of departmental estimates. As a result of the more accurate distribution, the estimated EANCB of the proposal has been revised from £0.87 million to £0.80 million.

**Comments on the robustness of the Small & Micro Business Assessment (SaMBA)**

The proposals regulate business but are European in origin and therefore the SaMBA is not applicable.

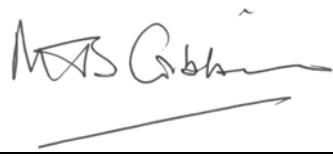
Even so, we note that the IA includes a small firms impact test, which discusses elements of the proposals that will mitigate the impacts on small and micro businesses, such as the inclusion of output thresholds within the scope of the regulation.

**Comments on the robustness of the OITO assessment.**

As this proposal is of European origin and there is no evidence that the increase in regulation would go beyond minimum requirements, or of a failure to take available derogations, it is out of scope of One-in, Two-out (Better Regulation Framework Manual - paragraph 1.9.8. ii). As the IA now takes account of the comments in our opinion of 20 August 2013, the estimated EANCB of £0.8 million is now justified

sufficiently to be considered robust.

**Signed**

A handwritten signature in black ink, appearing to read "Michael Gibbons". The signature is written in a cursive style with a long horizontal stroke at the end. There is a small mark above the 'i' in "Gibbons".

**Michael Gibbons, Chairman**