



The Plastic Bag Levy in Ireland

International Waste Management Conference *Taxation on Products*

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Presentation Structure

- Economic Instruments
- Background to plastic bag levy
- Consultancy study
- Policy options identified – recommendation
- Challenges associated with introduction
- Legislation
- Implementation and enforcement
- Concluding remarks



Economic Instruments

OECD defined economic instruments as
“*Policy instruments which may influence environmental outcomes by changing the cost and benefits of alternative actions open to economic agents. They aim to do so by making the environmentally preferred action financially more attractive.*”



Economic Instruments contd.

- Increasingly used to achieve environmental objectives which often can be achieved at low cost
- Part of an integrated range of measures – legislation, producer responsibility initiatives etc.
- Introduction sometimes premised on the existence of negative environmental externalities
- Take account of environmental degradation caused by production/consumption of goods or services with view to influencing more positive environmental behaviour by producers/consumers



Economic Instruments contd.

OECD Report on Environmental Taxation (2001) identified criteria for success:

- **Environmental Effectiveness** – will it reduce or change environmental impact?
- **Economic Efficiency** – will it save resources?
- **Political Acceptability** – will it win broad public/political support?
- **Administrability** – is the programme feasible?
- **Innovative Advancement** – will technological advancement and managerial improvements be encouraged?
- **Directness** – is it applied on the polluter and will it change behaviour?



Environmental taxation (2)

Examples –

- landfill levies, differentiated taxation favouring unleaded over leaded petrol, carbon taxes, subsidies for good environmental practice – farmers
- Similar analogy – ‘fat taxes’ now being proposed to counter obesity: influence positive behaviour in favour of healthy foods
- In Ireland: plastic bags/landfill levies (March 2002), Pay as You Throw - rolled out in 2005
- Irish plastic bag levy is a case study/example of the practical application of an environmental tax.



Background to levy

- Plastic bags – significant visibility as litter
- Increasing consumption
- Growing public awareness of environmental issues
- Litter countering Ireland's clean, green image
- 1997 – Priority for Incoming Government
- Programme for Government – commitment to examine means of discouraging use of plastic bags



Consultancy study

1998 - Consultancy study commissioned

“to identify and assess possible fiscal, regulatory or other measures that might be undertaken to minimise the use and environmental impact of plastic bags”.



Consultancy study (2)

Plastic bags in context

- Estimated consumption - **14k** tonnes per annum
- **1.26** billion plastic bags dispensed free of charge at retail outlets per year
- **340** per inhabitant per year - excessive



Consultancy study (3)

Sources of plastic bags

- domestic producers (20%)
- imported (80%) (55% UK/EU; 25% Far East)

Employment by home producers – circa 200

82% of plastic bags consumed in grocery sector



Consultancy report

Policy options

Fiscal instruments

- levy on production/importation
- supply side levy
- levy at point of sale

Producer responsibility instruments

- take-back scheme
- deposit and refund scheme



Policy options (2)

Other regulatory measures

- prohibition on certain types of bags
- public awareness campaigns
- voluntary initiatives
- street cleaning



Consultancy outcome

- Consultants reported 1999 – recommended **5 cent** levy as appropriate and effective
- Consultants silent on whether 'supply side' or 'point of sale' levy would be best – further analysis required
- Public consultation process undertaken late 1999
- Very strong public support for levy
- Principle opposition from plastic industry, packaging importers/distributors, retail sector
- EU legal advice – levies allowable in principle subject to –
 - environmental justification & levy amount should not be disproportionate



Challenges post consultancy

First preference was for a supply-side levy - considered simplest and administratively more cost-efficient option.

- Limited to 4 producers, 50 importers/distributors
- Further reflection re levy amount - 15 cent more effective
- Government approved 15 cent supply-side levy - December 2000.

Difficulties subsequently encountered with relevant stakeholders re implementation mechanisms of supply-side levy

- Revised Government approval obtained March 2001 for point of sale levy to be applied on customers by retailers (circa 30,000)



Challenges post consultancy (2)

Political

Producers/importers/distributors opposed – 1500% tax

Retailers – supportive; worries about customer refusal to pay

Consumers – supportive; concerns re. effects on low-incomes

Technical

Devising arrangements to ensure that all levy collected by retailers from consumers was returned to the tax collection authority



Legislation

- Enabling provision for plastic bag levy and establishment of new Environment Fund was provided for in primary legislation - i.e. Waste Management (Amendment) Act 2001 – enacted June 2001
- Plastic bag defined as “a bag –
 - (i) made wholly or in part of plastic, and
 - (ii) which is suitable for use by a customer at the point of sale in a supermarket, service station or other sales outlet,other than a class of bag exempted in regulations.”.



Legislation (2)

2001 Act also –

- provided enabling provision for new landfill levy,
- stipulated that proceeds of both levies would accrue to new Environment Fund and could only be used for specified environmental purposes,
- provided that plastic bag levy could be extended to other articles deemed appropriate by Minister



Legislation (3)

Draft regulations – i.e. secondary legislation – was circulated to relevant interests for consultation September 2001

Final regulations – entitled Waste Management (Environmental Levy)(Plastic Bag) Regulations 2001 – signed into law December 2001

Commencement date specified as 4 March 2002



Legislation (4)

Regulations – detailed legislative provisions, as follows

–

- re-inforced that levy is to be applied at point of sale in retail outlets
- amount of levy – levy of **15 cents** per bag
- exemptions from levy
- obligation on retailers to charge customers and to itemise no. of bags/amount charged on till receipts
- designated Revenue Commissioners as collection authority for levy
- obligation on retailers to keep necessary records, and to submit returns and payments on quarterly basis



Legislation (5)

- power of collection authority to estimate liability and collect amounts of levy due in event of non-payment
- extension of comprehensive Revenue Commissioners tax collection powers re other forms of tax to new levy

Exemptions from levy

- in-store bags used to hold meat, poultry, fish
- in-store bags used to hold fresh fruit and vegetables
- long-life reusable bags sold for not less than 70 cents



Implementation and enforcement

Period pre commencement:

Service level agreement with Revenue Commissioners

Extensive multi-media public information campaign

Clear distinction between enforcement and collection –

Local authorities – responsible for enforcing application of levy at point of sale (spot-checks) – existing powers

Revenue Commissioners responsible for collection of levy due from retailers



Impacts

- Dramatic change in consumer behaviour re shopping practices i.e. change to using reusable bags
- Immediate circa 94% reduction in plastic bag consumption
- Corresponding positive impact on problem of visual nuisance litter
- Pre levy consumption – **340** bags/inhabitant/year
- Post levy consumption – **20** bags/inhabitant/year
- **€55m** proceeds to date (landfill levy has generated **€96m**) – all for environmental purposes. Proceeds used for - waste infrastructure (capital & operational costs), stepped-up enforcement, intensive waste awareness campaigns etc



Conclusions

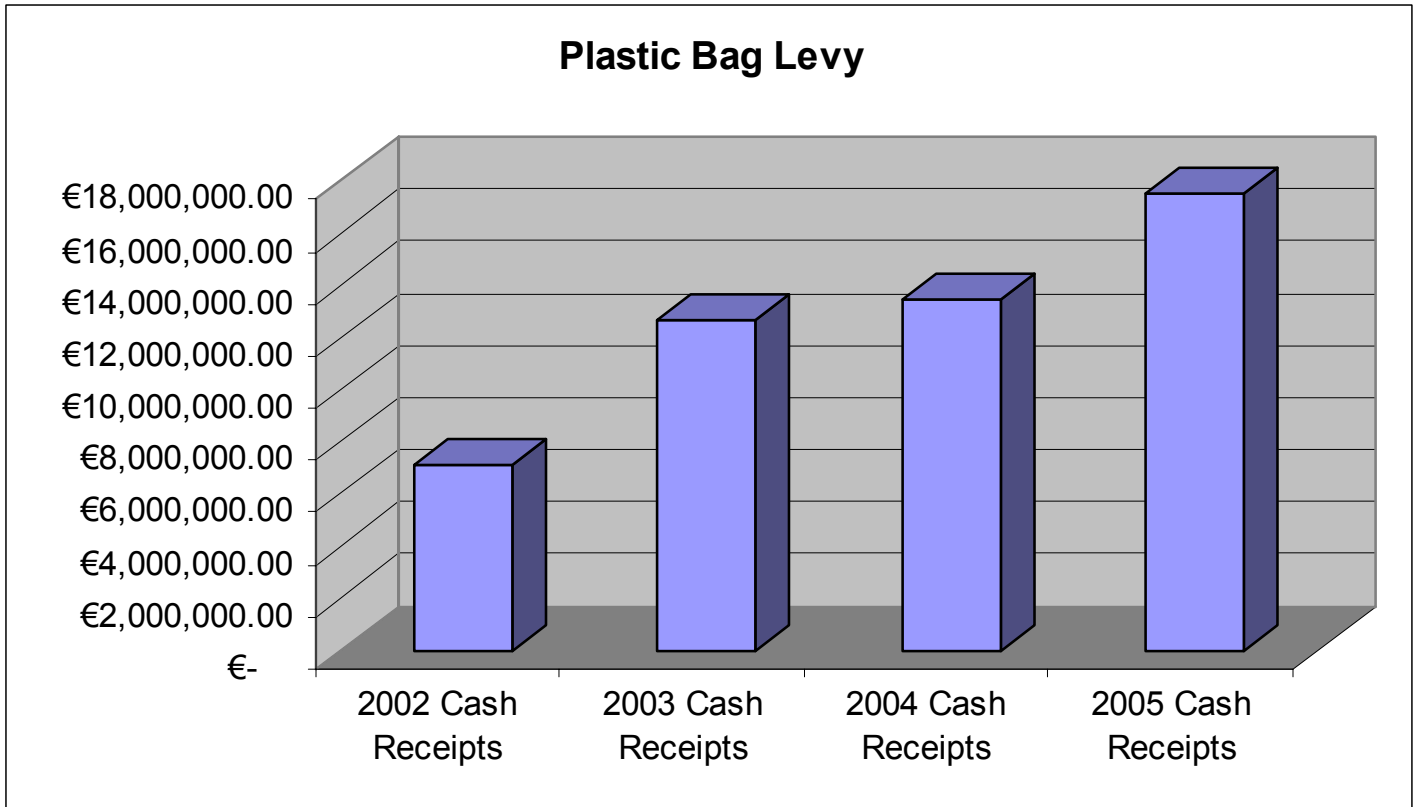
- Ring-fencing of proceeds has assisted in public acceptance of measure
- Levy has been major help in raising awareness of waste management and other environmental issues
- Success assisted by available substitute – reusable bags
- Advance consultation with stakeholders and clear indications of implementation arrangements were critical in winning support
- Experience with levy shows that well targetted and designed economic instruments can be used to provide incentives for certain desired environmental behaviour
- Has caught public imagination



Recent Trends

- Anecdotal evidence of a slippage
- Need to step up enforcement
- Sharp increase in revenues from tax in 2005
- Consumption up from 20 bags per inhabitant per year to 28

Trends contd.





Current Position

- Separate Study to apply tax in other areas – chewing gum, ATM receipts and fast food;
- Report recommended levies or negotiated agreements;
- Agreement reached with chewing gum industry – 3 year programme costing industry €7m;
- Plastic bag levy remains popular;
- Calls for it to be increased.



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