

Voluntary Report – Voluntary - Public Distribution

Date: May 26, 2022

Report Number: HK2022-0042

Report Name: Polluter Pays Principle Introduces New Levies on Beverage Containers

Country: Hong Kong

Post: Hong Kong

Report Category: Agricultural Situation, Agriculture in the News, Agriculture in the Economy, Beverages, Climate Change/Global Warming/Food Security

Prepared By: Caroline Yuen

Approved By: Jennifer Clever

Report Highlights:

The Hong Kong Environmental Protection Department is in the process of mapping out legislative initiatives coupled with public education to enhance waste management. U.S. food exports to the city could be impacted by the government's adoption of various producer responsibility schemes (PRSs) relating to plastic and glass beverage containers by which manufacturers/importers are expected to pay a levy. In 2021, Hong Kong passed a bill to charge for municipal waste and the implementation date is pending. In addition to legislative measures for waste management, the government is conducting a publicity campaign to educate the public. Hence, the Hong Kong food industry is expected to adapt to the growing trend towards simple and environmental-friendly packaging. In 2021, the United States exported a total of \$96 million worth of juices, wine, and spirits to Hong Kong.

With a clear policy vision to reduce waste, the Hong Kong government has mapped out a holistic series of legislative measures and launched on-going waste reduction and recycling education programs. In 2021, Hong Kong passed a waste charging bill, which provides the legislative basis to charge the public for municipal solid waste. Implementation details including charging scheme and timeframe are yet to be finalized. Simple and environmental-friendly packaging is the growing trend affecting the general food industry and is becoming more appealing to consumers who are mindful about sustainability.

Specifically, the “polluter pays” principle underlines the Hong Kong government’s waste management. In addition to the initiatives to charge for municipal waste, the Hong Kong government is developing two regulations which directly relate to the food industry, namely the Producer Responsibility Scheme on Glass Beverage Containers (GPRS) and Producer Responsibility Scheme on Plastic Beverage Containers (PPRS).

Producer Responsibility Scheme on Plastic Beverage Containers (PPRS)

The Hong Kong government promotes a plastic free culture and discourages the use of plastic packaging particularly polyfoam. While there is no timeframe for the full implementation of PPRS, some pilot schemes have been rolled out such as installing reverse vending machines in the city for collecting plastic beverage containers, launching public consultation on the PPRS and implementing public education on cutting plastic waste.

The following sections highlight the areas of PPRS that will likely impact U.S. exporters in terms of packaging and associated levies.

Coverage

The definition of plastic beverage will cover:

D) A ready-to-serve drink, including

- Alcoholic drink
- Water or water-based flavored drink
- Milk or dairy-based drink
- Soybean-based drink
- Fruit or vegetable juice or nectar
- Coffee, coffee substitute, tea or herbal infusion and
- Cereal grain drink, or

II) A product that is a liquid or consists of liquid; and is commonly served as a drink after being diluted or reconstituted.

The proposed PPRS will cover beverage containers with volume ranging from 100 ml to 2 liters, which account for about 99 percent of the market sales. Plastic containers, be PET, HDPE, PP and PS, will be

subject to the scheme while excluding drink pouches, which are made of composite materials such as laminated aluminum foil.

Components

The PPRS will have four components: to provide rebate to encourage consumers to return containers; to install Reverse Vending Machines for collecting bottles and providing rebate; to require retail stores exceeding a certain operation scale to serve as designated return points for containers and finally; to impose a levy on beverage suppliers to fund the operation of the scheme. To prevent fraudulent action of claiming ineligible rebate, beverage suppliers will need to submit barcode information for registration and approval before distributing beverage products in the local market. Containers that could be recycled should also carry a designated recycling logo.

Rebate

The government is considering a flat rate of 10 Hong Kong cents (USD1=HKD7.8) for rebate regardless of container sizes.

Responsibilities of Manufactures and Importers

In connection with the collection of levies, beverage suppliers (mainly local beverages manufactures and importers) will be required to

- register as “registered suppliers;”
- register the information on plastic-bottled beverage products to be distributed in Hong Kong and provide the required barcodes and designated recycling logos on plastic beverage containers;
- submit periodic returns for the amount of plastic-bottled beverage products manufactured or imported that are distributed in Hong Kong;
- pay the recycling levy calculated based on the total amount of plastic-bottled beverage products distributed on time; and
- engage an independent and qualified auditor to prepare annual audit reports to ensure factual accuracy.

Based on the rebate level set at 10 HK cents (USD1 = HKD7.8) per container, the recycling levy would be around 50-65 Hong Kong cents (less than 10 U.S. cents) per 500 ml container. The HKG is also considering allowing moderate reduction of recycling levy payable based on the number of containers collected and recycled on the suppliers’ own initiatives.

Market Response

There is general consensus of reducing the use of plastic. The point of contention is the effectiveness of the proposed measures such as imposing a levy. Some people opine that the government should put the focus on developing the recycling industries rather than imposing a levy. Others say the rebate will not provide adequate incentive to return the bottles. In addition, the PPRS has caused some critics for not including liquid cartons. In Hong Kong there is a recycling plant capable of handling 20 tons of liquid cartons daily. However, the plant operates at 10 percent of its full capacity given the inadequate supply of recycled paper. The plant, therefore, urged the government to include liquid cartons under the “polluter pays” waste reduction measures to increase the recycling level of paper waste. The plant operator said the lack of PRS on paper beverage containers encourages manufacturers to change plastic to carton packaging and add more paper waste to landfill.

Hong Kong is keeping abreast with the global sustainability concept on various fronts. In late 2015, the Hong Kong Stock Exchange amended the Environmental, Social and Governance (ESG) Reporting Guide requiring listed companies in Hong Kong to disclose their compliance with regulations on waste management. Big food corporations have modified their package to adhere to ESG objectives.

For example, large local beverage manufacturers modify their packaging in one way or another trying to alleviate adverse environmental impact, such as reducing the use of virgin PET; using 100 percent recycled PET; reducing the weight of PET used in bottles, using a certain percentage (say 30 percent) of recycled materials in the production of plastic containers, etc. Some greener measures also include using clear transparent PET containers, which carry a higher recycling value, instead of colored PET containers. The market also sees the gradual replacement of polyvinyl chloride (PVC) wraps with greener materials. With the proposed charging levy on plastic beverage bottles, there emerges imported bottled water in cartons. In addition, the Hong Kong government has banned the sale of bottled water in government venues.

Producer Responsibility Scheme for Glass Beverages Bottles (GPRS)

Apart from the proposed levy imposed on plastic beverage bottles, a similar polluter pays principle is applied on glass beverage bottles. A levy is to be imposed on glass beverage containers. The Hong Kong government conducted a consultation on the Scheme in 2013. A general framework of the proposed scheme was provided in [Gain Report: Recycling Fee on Glass Beverages Bottles Proposed](#).

The government recently briefed the Legislative Council that they have delayed the implementation of GPRS due to social unrest in 2019 and the pandemic situation over the past few years. They determined that now is time to launch the Scheme. The government has finished drafting the regulation on GPRS

and it is planning to introduce the regulation to the Legislative Council for vetting in 2022 with a view to full implementation in 2023.

Based on the government’s recent briefing to the Legislative Council, highlights are given below:

- The GPRS bears similarities with the PPRS. Both Schemes share the same definition of “beverage containers” to avoid confusion to consumers and beverage suppliers.
- Beverage suppliers are required to register with the Environmental Protection Department (EPD) as registered suppliers before distributing beverages that are pre-packaged in sealed glass containers. The government indicated that the scheme will streamline the arrangement for beverage suppliers from other countries coming to Hong Kong for short-term exhibitions promoting their businesses. These suppliers will not be subject to full registration if they are providing small number of glass-bottled beverages as gifts. However, these suppliers must give prior notification to the Director of Environmental Protection.
- Registered suppliers are required to report to EBD on the number of glass containers distributed within a set period and pay a levy accordingly. The proposed charging level is around HK\$1 (US\$0.13) per liter-volume.
- Registered suppliers are required to keep record for five years.
- Registered suppliers are required to submit an annual audit report provided by a certified accountant.
- To encourage registered suppliers to make their own arrangement for recycling and reusing recycled bottles, the EPD will provide registered suppliers with an exemption mechanism for certain obligations such as paying the levy and submitting annual audit reports, provided that suppliers have a satisfactory container waste reduction plan approved by the EPD.

Table 1. Container Material In Relation To Beverage Types Sold in Hong Kong Market (2017)

Material Type <i>Million units (mkt share %)</i>	Bottled Water <i>Million units</i>	RTD Teas <i>Million units</i>	Carbonates <i>Million units</i>	Juices <i>Million units</i>	Other <i>Million uni</i>
PET bottles 1,394 (65%)	766	284	125	173	46
Liquid cartons 374 (17%)	0	250	0	118	6
Metal cans 340 (16%)	2	3	198	26	111
Glass bottles 47 (2%)	17	0	12	9	9
TOTAL 2,155 (100%)	785	537	335	326	172

Source: Euromonitor

According to Euromonitor’s data, about 65 percent of beverages in Hong Kong are in PET packaging and the remaining 35 percent are in liquid cartons, metal cans and glass bottles. In 2021, U.S. exports to Hong Kong included \$14 million worth of fruit and vegetable juices, \$79 million in wine, and \$3 million in spirits. These U.S. exports could be impacted by the upcoming recycling levy.

Attachments:

No Attachments.