



The Single Use Plastic Bag Charge

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The mandatory five pence charge for plastic carrier bags is an ill-considered and complicated policy which will create significant additional costs for the consumer and is unlikely to meaningfully reduce resource use and waste. There are other measures which have, in the past, been successful in reducing plastic bag use without imposing legislation and attempting to repeat this should have been the priority instead of imposing further financial costs and regulatory hurdles.

Background to the legislation

The introduction of the five pence charge in October 2015 is intended to reduce the littering, household waste and resource use problems associated with single use carrier bags (plastic bags) by cutting down on the numbers given out and by increasing their re-use.¹ It is thought that the cost of plastic bags is currently hidden within the costs of other items, but by making this cost more transparent, consumers will be incentivised to “limit their use to a socially desirable level”.²

It is estimated that 7.64 billion plastic bags were used in England in 2014³ which equates to over 340 per household and the environmental and social aspects of this use are considered unacceptably high. Particularly highlighted as a reason for implementing the charge is the damage done to marine environments, the oil required for their manufacture and the tonnes of bags in landfill sites.⁴

In other nations of the United Kingdom and in the Republic of Ireland, introductions of similar mandatory charges have reduced plastic bag use by 78 per cent and 71 per cent in Wales and Northern Ireland respectively.⁵ Clearly, this measure does reduce plastic bag use, but a question remains over who ultimately pays for this change and whether it reduces resource consumption.

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¹ House of Commons Library, Briefing Paper CBP7241, 24th July 2015, The Single Use Carrier Bag Charge, Everett & Priestly

² DEFRA, Impact Assessment No. DEFRA1809, Plastic Carrier Bags Charge

³ WRAP, WRAP publishes new carrier bag use figures, 24th July 2015

⁴ House of Commons Library, Briefing Paper CBP7241, 24th July 2015, The Single Use Carrier Bag Charge, Everett & Priestly

⁵ Ibid

How does the charge work?

A mandatory five pence charge will come into effect on 5th October 2015 for each single use carrier bag (within certain specifications) used by consumers in large enterprises. The measure was announced by then Deputy Prime Minister Nick Clegg in September 2013.

“Retailers... can receive non-compliance notices and be fined”

The charge will apply to retailers in England and follows the introduction of similar charges in Wales, Northern Ireland and Scotland in 2011, 2013 and 2014 respectively. Unlike some other parts of the UK, the charge will not be applicable on paper bags and enterprises with fewer than 250 employees (although they will be encouraged to take part voluntarily).⁶

The onus is on the retailer to comply with the legislation. They must charge at least five pence per bag (inclusive of VAT), and make every effort to ensure that customers are charged for bags at self-service checkouts. A single use carrier bag is defined as “an unused bag made of lightweight plastic material with handles, other than an excluded bag”.⁷

Retailers that fail to keep or supply adequate records, charge a minimum of five pence per bag or mislead on their compliance can receive non-compliance notices and be fined up to £20,000 by Local Authorities.⁸

Exemptions and requirements of retailers

There are significant exemptions to the charge which variously differentiate the measure in place in England with those in other parts of the UK. The following types of bag are exempt from the charge:⁹

- Returnable multiple re-use bags (bags for life)
- Bags without handles
- Woven plastic bags
- Bags intended solely for unwrapped food
- Bags intended solely for unwrapped goods contaminated with soil (e.g. loose seeds)
- Bags intended for unwrapped blades
- Bags intended for prescription-only medicines
- Bags intended for uncooked meat
- Bags distributed in places of transit (e.g. boats, trains and airports)

Moreover, small and medium sized enterprises (SMEs) are exempt from mandatory charging for plastic bags but they may choose to participate should they wish to do so. The principal reason for this exemption is to avoid placing unnecessary burdens on start-up and growing businesses.¹⁰

Initially, there was also due to be an exemption for biodegradable bags. The Government has subsequently said that it will work with the industry to develop a standard of biodegradable bag that meets the requirements to be considered for exemption.¹¹

Paper bags will also be exempt from the charge.¹²

Proceeds of the charge

Retailers are expected to give the proceeds of the charge to ‘good causes’ although there is no obligation for them to do so. Instead, retailers must report on the number of bags they have charged for and where the proceeds have gone. Retailers are expected to retain a portion of the proceeds to cover the impact costs of this charge – this is referred to as ‘reasonable costs’.

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⁶ DEFRA, Impact Assessment No. DEFRA1809, Plastic Carrier Bags Charge

⁷ House of Commons Library, Briefing Paper CBP7241, 24th July 2015, The Single Use Carrier Bag Charge, Everett & Priestly

⁸ Gov.uk, Guidance, carrier bag charges retailers responsibilities, accessed 02nd September 2015

⁹ House of Commons Library, Briefing Paper CBP7241, 24th July 2015, The Single Use Carrier Bag Charge, Everett & Priestly

¹⁰ Ibid

¹¹ Ibid

¹² Ibid

Ultimately, the cost is borne by consumers

According to official figures, over ten years the present value cost to consumers is £907 million for the five pence plastic bag charge.¹³ The cost of additional bag for life purchases is expected to cost consumers a further £260 million and the cost of additional bin liners (plastic bags no longer being as commonly used as a substitute) is a further £39 million. Additional burdens to taxpayers include £4 million of financing for implementation and enforcement costs for Local Authorities.¹⁴ The total cost to consumers and taxpayers is £1,270 million or £57 per household (based on the number of households in 2013-14).¹⁵

In nominal cash terms the cost is even greater, totalling £1,495 million. This is made up of £1,072 for the five pence charge, £348 million for substitute bags for life, £70 million of additional VAT and £5 million of taxpayer enforcement costs. This equates to £67 per household in England. See appendix B for full details.

The full savings made by retailers are unlikely to be passed on to the consumer

The Government's impact assessment assumes that all savings made by retailers (who theoretically no longer pass on the hidden costs of providing plastic bags for 'free') will be passed on to the consumer. On this basis it is forecast that the consumer will save £1,009 million over a ten year period through reductions in the prices of other goods.

The impact assessment acknowledges that the costs of plastic bags are currently hidden and go unnoticed by the consumer. So if these costs have gone unnoticed, there will be little pressure on retailers to amend their prices, especially considering how low profit margins of some large retailers (such as supermarkets) are.¹⁶

Furthermore, retailers are expected to pass on any proceeds from the sale of plastic bags, retaining only reasonable costs (which does not include the existing cost of the bags). This means that there is little real cost reduction for the retailer and consequently few savings to be passed on to the consumer.

Charities are forecast to receive £730 million from retailers.¹⁷ Yet if proceeds are given to charities, they will not also be passed on to consumers.

The Treasury will end up with more taxpayers' money

The Department for Environment, Food and Rural affairs (DEFRA) argues that the charge is not a tax,¹⁸ although it does acknowledge that this is not true of the VAT charged on the cost of the plastic bag. It is expected that this will total £151 million from the plastic bags plus a further £60 million for the purchases of additional bin liners and 'Bags for Life'.¹⁹

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¹³ DEFRA, Impact Assessment No. DEFRA1809, Plastic Carrier Bags Charge

¹⁴ Ibid

¹⁵ ONS, The Effects of Taxes and Benefits on Household Income, Financial Year Ending 2014, June 2015

¹⁶ Moody's, Big Four UK grocery retailers' profit margins shrink further, 17th October 2014, accessed 25th August 2015

¹⁷ DEFRA, Impact Assessment No. DEFRA1809, Plastic Carrier Bags Charge

¹⁸ House of Commons Library, Briefing Paper CBP7241, 24th July 2015, The Single Use Carrier Bag Charge, Everett & Priestly

¹⁹ DEFRA, Impact Assessment No. DEFRA1809, Plastic Carrier Bags Charge

This legislation is poorly targeted

If the ultimate goal of the policy is lower consumption of plastic bags and resources there are other methods besides mandatory charges which have been shown to be successful which should have been tried before a mandatory charge.

Between 2006 and 2009, thanks to a concerted effort by the various devolved administrations, the British Retail Consortium and its supermarket members, the usage of plastic bags fell by 48 per cent.²⁰ This shows that significant usage reductions can be achieved without imposing mandatory charges.

Moreover, attitude surveys show that concerns are widely held about the environmental and waste issues associated with plastic bags. Of the 57 per cent who were in favour of the policy, 64 per cent were most motivated by the damage plastic bags do to the environment and environmental/litter-reducing motives were the top seven most popular responses.²¹ Such support indicates that there would be significant opportunity to reduce plastic bag demand without having to impose a charge.

There have been further criticisms from the Packaging and Films Association over the mandatory charging for plastic bags. In written evidence to DEFRA they suggest the term ‘single-use plastic bag’ is misleading as it does not reflect the reality that many plastic bags are re-used, often finally as bin liners (which is noted in DEFRA’s impact assessment). In a survey by YouGov, 84 per cent of respondents said that they always or often re-use plastic bags.²² Bin liners (which are expected to replace plastic bag for this use) are typically more resource intensive than the plastic bags and are far less likely to have multiple usages. The Association cites the example of the Republic of Ireland where plastic bag taxes “had no overall impact due to the increase of less resource efficient alternatives that were not subject to a tax ... combined with the increase in consumption of bags to replace those uses that had once been fulfilled by the secondary uses of so called single use plastic carrier bags”.²³

A UK Environment Agency study showed that the potential substitute bags would in some cases have to be used a very significant number of times in order to be below the “global warming potential” of the plastic bag it replaced (see appendix C). For example, a bag for life is more resource intensive than plastic bags and so must be used at least four times in order to be more resource efficient (assuming the plastic bag is not re-used). Appendix D shows the resource use in England in 2014 for plastic bags and bags for life, and indicates that the latter is around three times more resource intensive than a plastic bag.

The case for mandatory plastic bag charges on the grounds of environmental impact is inherently weak as it does not reflect the realities of plastic bag use and the impact of their substitution. Likewise the argument that they represent an overwhelming waste burden is difficult to substantiate.

In 2007 (when plastic bag use was significantly higher than it is now²⁴), Friends of the Earth found that refuse sacks and carrier bags comprise less than 2 per cent of UK household’s residual waste.²⁵ And another study has suggested that plastic carrier bags could represent just 0.3 per cent of total UK waste.²⁶ So the argument that mandatory plastic bag charges will reduce “waste generation and the associated costs of waste treatment”²⁷ is weak because any fall in plastic bag use will have a minimal effect on total UK waste.

Mandatory charges for plastic bags will largely fail to achieve the policies aims. While the evidence does suggest that the number of bags bought will decrease, but the substitution of these for other more resource intensive bags will offset environmental gains. And even if the plastic bag component of household waste halves, this equates to less than a percentage point of total household waste. Superficially the aims of the policy will have been achieved, but the underlying factors are unlikely to change significantly.

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²⁰ House of Commons Library, Briefing Paper CBP7241, 24th July 2015, The Single Use Carrier Bag Charge, Everett & Priestly

²¹ WRAP, Carrier bags usage and attitudes: Consumer research in England, August 2014

²² YouGov, Symphony Environmental Technologies plc – Carrier Bags, July 2015

²³ Packaging and Films Association, Written Evidence submitted to DEFRA, accessed 25th August 2015

²⁴ WRAP, WRAP publishes new carrier bag use figures, 15th July 2014

²⁵ Friends of the Earth, Residual Waste Research, June 2007

²⁶ INCPEN, Irish Carrier Bag Tax Factsheet, July 2008, accessed 26th August 2015

²⁷ DEFRA, Impact Assessment No. DEFRA1809, Plastic Carrier Bags Charge

Further considerations

The large number of exemptions currently in place indicates that this policy is poorly considered. For example, if a supermarket were to switch to carrier bags without handles they would not be obliged to charge the customer. Exemptions also create the potential of legislative creep, where further mandatory charges are introduced to cover products retailers have substituted for traditional plastic bags such as in the example above.

Having so many exemptions creates potential for confusion, and this is not helped by poor levels of understanding and awareness of the impending charge. In surveys for WRAP in 2014, 37 per cent of respondents were ‘not at all aware’ of the charge, and of the 33 per cent who were ‘slightly aware’, the majority were ‘effectively not aware’. 59 per cent of respondents considered the exemption for SMEs to be ‘confusing’ and 61 per cent thought it was ‘surprising’.²⁸

Likewise price creep could occur as the charge is raised to encourage further behavioural change. In the Republic of Ireland, the levy was initially set at 15 cents but in 2007 it was raised to 22 cents and in Northern Ireland, the doubling of the charge to 10 pence was considered although not undertaken because of the success of the five pence charge.²⁹

There is further analysis shown in appendix A of the potential cost to consumers if the charge were increased to ten pence in 2020. This would indicate that the cost to the consumer just for plastic bags could be up to £1,471 million over ten years, roughly £66 per household. This is the same rise that was proposed in Northern Ireland (but not implemented) and is roughly in line with the €0.07 rise that was implemented in the Republic of Ireland in 2006. This analysis has included a reduction in plastic bag usage that this caused based on the change in use seen in the Republic of Ireland.

Further confusion can be expected over what retailers define as retainable ‘reasonable costs’. This lacks clarity and may lead to further confusion as to what can be retained by the retailer. Equally poorly defined is the expectation that retailers give the proceeds to good causes. If there is no legal obligation to give away proceeds there is little reason (other than a social pressure) to do so, and it must be asked whether retailers would be punished if they were to refuse to do so. Moreover, while retailers have freedom to choose which cause to give the proceeds to consumers may not necessarily support those particular aims.

Lastly, it is inappropriate for the government to define the price of a good, or indeed demand that a private enterprise must charge for an item if it doesn’t wish to. Although retailers already charge for plastic bags through other purchases, insisting that each good must be paid for directly is a significant government intervention in the market. It also sets a significant premium on social desirability and behavioural change. The cost of a plastic bag including transport and storage is just 1.9 pence³⁰, but a five pence charge is mandated which is over 150 per cent mark up.

Conclusion

The single use carrier bag charge is a flawed policy which puts further costs onto consumers. While the sums involved appear to be relatively small, this policy represents all that is wrong with the government’s desire to legislate problems out of existence without giving full consideration to the consequences of its actions. It is an unnecessary imposition on the free market and places a hefty premium on social desirability.

There are significant questions which remain unanswered surrounding the legislation and what should happen if the spirit of the law is not followed by retailers who could choose to keep the proceeds. The potential for the charge to be increased or extended to other packaging is extensive considering the number of exemptions that are currently applied. The policy is little known, and there is a significant lack of understanding regarding some of the exemptions, particularly for SMEs.

The legislation’s aims – to reduce resource use and litter and waste issues – are unlikely to be significantly improved even if its headline aim (plastic bag use reduction) is achieved.

“it is inappropriate for the government to define the price of a good”

“The single use carrier bag charge is a flawed policy which is highly likely to put further costs onto consumers”

²⁸ WRAP, Carrier bags usage and attitudes: Consumer research in England, August 2014

²⁹ House of Commons Library, Briefing Paper CBP7241, 24th July 2015, The Single Use Carrier Bag Charge, Everett & Priestly

³⁰ DEFRA, Impact Assessment No. DEFRA1809, Plastic Carrier Bags Charge

A. Indicative cost of plastic bags to consumers if the charge is increased to ten pence per plastic bag

Year (Millions)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total cost
Cash cost - 5 pence charge (£)	22	111	112	113	115	117	118	120	121	123	1,072
Implied total bags used (no.)	440	2,220	2,240	2,260	2,300	2,340	2,360	2,400	2,420	2,460	21,440
Bags used based on ROI reduction from 2020	440	2,220	2,240	2,260	2,330	1,950	1,967	2,000	2,017	2,050	19,443
Cost - 10 pence charge from 2020 (£)	22	111	112	113	115	195	197	200	202	205	1,471

N.B. In the analysis in appendix A, the additional 10 pence charge is only added from 2020. It factors in reduced plastic bag usage based on the effects of the increase in the charge in the ROI to €0.22. This a cautious estimate of the increase in cost to the consumer. This is because the proportional rise in England is much greater than that in ROI (100 per cent in England versus 50 per cent in ROI). Thus the decrease in use suggested in this analysis may be larger than if this were to actually be implemented, indicating a lower increase in costs than may actually occur.

B. The total additional cost to the consumer of the plastic bag charge³¹

Charge	Cost (NPV) (£ millions)	Cost per household (NPV) (£)	Cost (nominal) (£ millions)	Cost per household (nominal) (£)
Five pence charge	907	40.71	1,072	48.11
Substitute bags for life	260	11.67	348	15.62
Substitute bin liners	39	1.75		
VAT on Bags for life and bin liners	60	2.69	70	3.14
Taxpayer enforcement costs	4	0.18	5	0.22
Total	1,270	57.00	1,495	67.09

C. Number of re-uses required for various bags to be below the global warming potential of plastic bags³²

Type of Bag	Plastic bag not re-used as bin liner	40.3 per cent of plastic bags re-used as bin liners	100 per cent of plastic bags re-used as bin liners	Plastic bag used 3 times
Paper Bag	3	4	7	9
LDPE bag (bag for life)	4	5	9	12
Non-woven PP bag (heavier and more durable plastic bag)	11	14	26	33
Cotton Bag	131	173	327	131

³¹ DEFRA, Impact Assessment No. DEFRA1809, Plastic Carrier Bags Charge

³² Environment Agency, Lifecycle assessment of supermarket carrier bags: A review of the bags available in 2006, February 2011

D. Resource use for plastic bags and bags for life³³

2014	Usage (millions of bags)	Weight (thousands of tonnes)	Resource intensity (usage/weight)
Plastic bags	8,529	58.0	0.007
BFL	439	10.5	0.024

³³ WRAP, WRAP publishes new carrier bag use figures, 15th July 2014