From Dan Rogerson MP
Parliamentary Under Secretary of State for water, forestry, rural affairs and resource management

EAC Report on Plastic Bags

Once again thank you for securing the Liaison Committee Debate on the Environmental Audit Committee’s report on plastic bags. During the debate you asked for some further information regarding VAT and Government meetings with the oxo-biodegradable industry.

VAT

Since the Government submitted our response to the EAC in June we have been further developing the details of the charging scheme in England. In terms of reporting we have chosen to go beyond the requirements in Wales and Scotland by asking retailers to report directly to Defra: how many bags they have sold, the reasonable costs deduced from the proceeds, the VAT paid and what they have done with the proceeds. This will allow Defra to publish these details in one place so that consumers can more easily compare retailers’ performance against each other and drive the pressure on retailers to donate the proceeds to charity.

If smaller retailers chose to voluntary charge for a bag it will count towards their revenue stream. The smaller retailers will have to declare VAT on those bags as with any other revenue stream, but importantly the carrier bags regulations will not oblige them to report on how many bags they have sold or what they have done with the proceeds. Neither would they be under any pressure from Government to donate their profits to charity.

The EAC recommended that Government should spend the VAT raised from the charge on new environmental programmes and to cover the costs of monitoring the effectiveness of the scheme. However, as we stated in our response, the Government’s spending priorities are not, in general, determined by the way in which the money is raised.
Allocating revenues to particular spending programmes makes spending decisions inflexible and can lead to a misallocation of resources, with reduced value for money for taxpayers.

**Biodegradable bags**

With regards to Government meetings with the oxo-biodegradable industry; Ministers and officials often meet with industry representatives as part of normal business and to allow them to voice their opinions. The Government remains technology neutral.

The exemption for biodegradable bags from the plastic bag charge aims to stimulate innovation by British industry towards a “super” biodegradable bag. Any bag seeking to qualify for the exemption (irrespective of the technology used), must be capable of biodegrading in multiple settings (for example in marine, on land and in soil). We are not aware that any such bag currently exists. This exemption is not the result of lobbying by, nor seeks to promote the interests of any existing technology or company.

We have arranged stakeholder workshops reviewing existing standards and considering the formulation of the standard for the exemption on an ongoing basis. These workshops are technology neutral and include representatives of the entire plastics industry (including both the compostable and oxo-biodegradable industries) and independent academics.

Government officials have held a number of meetings with the oxo-biodegradable industry and others with an interest in biodegradable bags since May 2010. These meetings have either been

- Discussions concerning the peer review process of a report by the University of Loughborough (commissioned by Defra) on oxo-biodegradable technologies.
- Industry and stakeholder workshops including representatives of the wider plastics industry (including e.g. the British Plastics Federation) to help develop plans for a biodegradable exemption on a technology neutral basis; or
- Focussed on EU processes and particularly the Italian ban on oxo-biodegradable bags in response to which the UK submitted a Detailed Opinion.
- Meetings with unsuccessful applicants to the Small Business Research Initiative to provide feedback.

I have written in similar terms to Barry Gardiner as well.

[Signature]

DAN ROGERSON MP