



Plastic Packaging Tax (PPT) Mass Balance Approach (MBA) – Transfer of credits and definition of site

1. Summary of Issue

- 1.1 With the introduction of MBA for the purpose of PPT, businesses will be allowed to operate a site level mass balance with the option of transferring recycled material credits between sites if the transfer meets the requirements set out in legislation. This paper sets out the proposed requirements for the transfer of credits. The changes to legislation will also need to include a definition of site

2. Background and Context

- 2.1 Section 4 of the [consultation document](#), set out the reasons why the government's proposed approach excluded a group level mass balance. Some respondents to the consultation suggested allowing a multi-site transfer of credits approach as an alternative to allowing a group level mass balance. Unlike the unrestricted group level mass balance, a transfer of credits approach allows a company to allocate recycled material credits between its different sites only if the transfer complies with the scheme requirements
- 2.2 As set out in the government response in [section 4 of the consultation response document](#), the government agreed that there needs to be a physical possibility that the output products contain recycled material and announced that a site level mass balance with the restricted transfer of credits would be allowed. The requirements for when a transfer of credits will be allowed must maintain the integrity of the tax, whilst ensuring the tax meets its aim of encouraging the use of more recycled plastic in plastic packaging components.

3. Detail and Analysis

Existing certification schemes

- 3.1 In the consultation response, we noted the benefits of using existing mass balance certification schemes were possible. ISCC Plus, REDcert, and RSB all have different approaches to the level of mass balance and the transfer of recycled material credits. Only the ISCC Plus certification scheme has a site level mass balance as a mandatory requirement, with the option of transferring recycled material credits in certain circumstances.
- 3.2 The ISCC Plus scheme requires companies to keep a site level mass balance and allows the transfer of credits between sites if following requirements are met:
- The supplier and recipient of credits must be part of the same company/corporate group/joint venture,
 - Sites must be located within national borders, or within neighbouring countries (sharing an inland border),
 - Applicable only for the same kind of outgoing intermediate or final product, and



- ISCC certification must be in place for all sites.

3.3 Whilst the ISCC Plus requirements for the transfer of credits reduces the risk of operating an unrestricted group level mass balance by default, it does not provide physical possibility that the output products contains recycled material as there is no requirement for a physical connection between sites.

Connection between sites

3.4 Allowing the transfer of credits between a company's sites that are connected by pipeline could provide the physical possibility that the output material contains some recycled material, whilst providing some flexibility to companies as the chemical recycling sector grows and maintaining the integrity of the tax. Requiring sites to be connected by pipeline would also address the concerns raised around the practicality of petrochemical companies operating a site level mass balance due to the UK ethylene pipeline network.

Definition of site

3.5 Consultation responses and feedback from the roundtable, highlighted the need for a clear definition of what constitutes a site. There is already definition of site for chain of custody models included in ISO 22095:2020 Chain of custody — General terminology and models.

3.6 Paragraph 3.29 of ISO 22095:2020 states ***a site is a location with geographical boundaries at which defined activities under the control of an organization are carried out.*** The definition also notes that ***Sites may be in one geographical area but need not be contiguous. For example, a road can separate two geographical areas that are operated as a single site,*** and that ***Activities can include material extraction, production, manufacturing, recycling, storage, trade and/or transportation.***

3.7 Both the ISCC Plus and REDcert certification scheme definitions stipulate that the location has precise boundaries which material can be mixed, referencing the activities that take place at the geographical location. Both these definitions align with the definition of site in ISO22095:2020.

4. Proposed Approach

4.1 Companies will be allowed to transfer recycled material credits if the following requirements are met:

- The supplying site and recipient site are both part of the same company/corporate group,
- A site level mass balance is operated at each site,
- The sites are connected by pipeline,
- The sites are covered by certification that meets the government's minimum requirements, and
- The transfer of recycled material credits is for the same kind of outgoing intermediate or final product.



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4.2 We will adopt a definition of site that is aligned with the definition of site included in ISO 22095:2020 Chain of custody — General terminology and models.

Questions

Q1. Are the proposed requirements for the transfer of credits feasible? If not, what requirements would work whilst striking the right balance between ensuring the integrity of the tax and encouraging the use of chemically recycled plastic in packaging manufactured in or imported into the UK? Please provide reasons for your response.

Q2. Are there any other requirements that should be considered for the transfer of recycled material credits between sites?

Q3. Do you agree with the proposed approach of adopting a definition of site that aligns with the definition in ISO 22095:2020 Chain of custody — General terminology and models? Please provide reasons for your response.