



# SCOTLAND'S CIRCULAR ECONOMY AND WASTE ROUTE MAP TO 2030: CONSULTATION

Issued 15 March 2024

ICAEW welcomes the opportunity to respond to the public consultation on *Scotland's Circular Economy and Waste Route Map to 2030*, details of which are available [here](#).

Our response has been prepared by ICAEW's Sustainability Team, in consultation with ICAEW staff in our Tax Faculty and Corporate Reporting Faculty, and with input from ICAEW members through ICAEW's Scotland Policy Board, Scotland Sustainability Sub-group and Sustainability Committee.

For questions on this response please contact the ICAEW Sustainability team at [representations@icaew.com](mailto:representations@icaew.com) quoting REP27/24.

## WHO WE ARE

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of sustainable economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports, and regulates more than 166,000 chartered accountant members in over 146 countries. ICAEW members work in all types of private and public organisations and are trained to provide clarity and rigour and apply the highest professional, technical, and ethical standards.

ICAEW Scotland provides a local network for members, through our volunteer groups we offer support, help and advice to members across Scotland. We also offer a programme of professional development and business networking events and represent the interests of members to the wider business community.

ICAEW's Sustainability Team supports members and the wider business community, including over 22,000 in ICAEW's Sustainability and Climate Change Community, to play a leading role in the net-zero, nature positive and socially just transition. ICAEW engages with and encourages governments at local, national, and international/inter-governmental levels to accelerate action towards this transition.

ICAEW is represented on the TPT Steering, Delivery and Nature Working Groups of the UK Transition Plan Taskforce (TPT), contributing to development of a transition planning framework and guidance that is relevant to jurisdiction-specific needs, and which we hope will drive meaningful action to shift our economy towards sustainability.

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## ICAEW

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## KEY POINTS

### Shifting to a circular economy is critical to Scotland's future economic prosperity

1. ICAEW strongly supports the intent and ambition set out in the draft Route Map, as a fundamental building block in Scotland's transition to a circular economy. Tackling rising material use and improving circularity is integral to ICAEW's mission to create a world of sustainable economies<sup>1</sup> and we are committed to supporting Scotland on this journey.
2. Whilst Scotland has made progress, there's a long way to go. Analysis commissioned by Zero Waste Scotland<sup>2</sup> shows the country is highly material intensive – with only 1.3% of the resources used cycled back into the economy after use, and >98% of its resources coming from virgin sources (ie, Scotland is only 1.3% circular, with a 'Circularity Gap' of >98%).
3. In 2018, the country's material footprint was 21.7 tonnes per capita (primarily linked to its agrifood, services and manufacturing industries), far in excess of the global average of 11.9 tonnes and close to three times the level considered sustainable.
4. As a resource rich country, domestic extraction is also high at 22.8 tonnes per capita (well above the UK average of 5.5 tonnes per capita). Much of this relates to fossil fuels, 74.5 million tonnes of which (primarily oil and natural gas) are extracted yearly, largely to service the power needs of the rest of the UK. Unsurprisingly, Scotland has a high consumption-based carbon footprint of 75 million tonnes CO<sub>2</sub>e, exceeding the country's territorial emissions by 42%.
5. Rising material consumption is a major driver of the climate and nature crises we now face – 50% of global carbon emissions and 90% of global biodiversity loss and water stress is caused by resource extraction and processing.<sup>3</sup>
6. Much of the cost of our current inefficient use of materials is borne by public bodies. For example, as the draft Route Map notes, Scotland uses ~388 million single-use disposable cups per year, creating >5400 tonnes of waste of which 96% is landfilled. This is costing local authorities >£1.1 million per year on waste collection and disposal for plastic cups alone.
7. Rising material use also doesn't necessarily lead to improved societal outcomes. Despite Scotland's high material footprint, it has the highest rates of fuel poverty and food insecurity in the UK.<sup>4</sup> Resource extraction also affects communities by degrading the natural systems on which people depend, including overseas through supply chains and GHG emissions.
8. However, as ICAEW has emphasised elsewhere, this isn't just a crisis of the environment and people, it is also an economic crisis.<sup>5</sup> Breakdown of the planet's climatic and natural systems poses profound risks for businesses, capital providers, financial systems and economies, and these risks are increasing in severity and frequency.<sup>6</sup>
9. Transforming our economies to both reduce material use and enhance circularity is key to tackling these challenges. It is also urgent – the science shows that we need to halve carbon emissions *and* reverse global nature loss by 2030, or risk breaching dangerous tipping points.
10. As the Route Map also highlights, besides reducing GHG emissions, pollution and environmental damage, a circular transition will also bring new commercial opportunities for Scottish businesses, creating new markets and jobs for resource-efficiency and circular products and solutions. Implemented in the right way it can also help to improve the needs of Scotland's people by enabling greater access to and more even distribution of resources.<sup>7</sup>
11. The accounting profession can play a key role in driving the changes needed and helping businesses to adapt and capture new opportunities. With members working across all areas of the economy, ICAEW knows first-hand the costs of inaction to the businesses and

<sup>1</sup> ICAEW Strategy 2020-2030 | ICAEW

<sup>2</sup> <https://www.circularity-gap.world/scotland>

<sup>3</sup> [scotlands-circular-economy-waste-route-map-2030-consultation.pdf](https://www.circularity-gap.world/scotland) ([www.gov.scot](http://www.gov.scot))

<sup>4</sup> <https://www.circularity-gap.world/scotland>

<sup>5</sup> Open letter to the UK Government | ICAEW

<sup>6</sup> Why nature matters – TNFD

<sup>7</sup> <https://www.circularity-gap.world/scotland>

organisations we lead and advise. We also have the skillsets and knowledge in organisational governance, strategy, risk management and performance, to support sustainable decision-making and reporting through our business analysis, and assurance of both financial and non-financial data.

### The transition must be socially just

12. To succeed, ICAEW strongly believes that the transition to a circular economy must be based on the principles of social justice and equitable sharing of the benefits, in line with the UN Sustainable Development Goals (SDGs).
13. The transition to circularity will inevitably result in changes to the labour market. Estimates suggest that up 59,000 new jobs could be created in the short term, especially in labour-intensive sectors such as waste and material management, repair and maintenance activities, and the production of renewable energy. Localising production has been noted as an important circular strategy and one which could have significant implications for employment distribution.<sup>8</sup>
14. However, all transitions have the potential to generate adverse impacts, with some sectors inevitably experiencing a decline. Restructuring of labour markets will impact workers and skills requirements. Worker mobility, the quality of new jobs and possible gender disparities issues may arise.<sup>9</sup>
15. In our view, it will be vital to fully consider the full range of potential impacts of any new measures, as they are developed further, both to inform their design and – equally importantly – to help inform requirements for other measures to mitigate impacts and enable businesses, labour markets and communities to adapt. Consultation will also be vital to help identify and mitigate potentially undesirable impacts, learning from experience to ensure measures work with (rather than against) the grain of business processes.
16. We therefore also welcome the commitment to develop a more detailed Business and Regulatory Impact Assessment (BRIA) on individual measures where appropriate.<sup>10</sup> In order to alleviate certain undesired impacts – for example, short-term unemployment in industries that will be most penalised by regulation and taxation – there should be an emphasis on training for new skills to support workers in shifting away from declining industry sectors.<sup>11</sup>
17. ICAEW would be pleased to explore how it could support these consultation processes, for example, engaging with our members to help assess the impacts on businesses (eg, in terms of number of Scottish businesses and the sectors likely to be affected, the likely costs/benefits, and impacts on competitiveness) as well as the support that businesses need to mitigate impacts and adapt.

### Bringing businesses on the journey

18. The private sector will play a critical role in realising the ambition in the draft Route Map, which sets out a broad package of actions to transform production and consumption across key sectors in the economy over the next 5-20 years.
19. Some businesses are already taking steps, seeing rising risks from our current resource-intensive economy. Becoming resource efficient can enable businesses to achieve corporate objectives such as value chain resilience, cost reductions, hitting ESG targets (including net zero targets and contributing towards nature positive goals) and complying with new legislation.<sup>12</sup> Others have already started to tap into new commercial opportunities that are opening up in resource-efficiency and circular products and solutions.
20. However, the transition to circularity requires deep, fundamental change across the economy on many fronts, including product design, operating models and enhanced collaboration

<sup>8</sup> [CGR Scotland \(circularity-gap.world\)](https://www.circularity-gap.world)

<sup>9</sup> OECD. (2020). Labour market consequences of a transition to the circular economy: A review paper.

<sup>10</sup> [Business and Regulatory Impact Assessment \(BRIA\)](#)

<sup>11</sup> [CGR Scotland \(circularity-gap.world\)](https://www.circularity-gap.world)

<sup>12</sup> <https://www.circularity-gap.world/scotland>

across value chains.<sup>13 14</sup> This will require a paradigm shift, in which business models will need to undergo significant change in a short period of time. As others have highlighted, this will be particularly challenging for businesses within complex value chains, especially those that lack transparency and traceability, and those where products or services aren't designed for circularity or are inherently non-circular.<sup>15</sup>

21. Business support for sustainability is growing but effective persuasion is critical. To invest in circularity, businesses need to see a reasonable return and a direct pathway to creating and maintaining business value in the long-term. This will require the government to put in place the right incentives to help make circular solutions competitive in the market.
22. As discussed below, this will require a combination of policy instruments, through fiscal reform and regulation, as well as measures to influence behaviour among consumers and the wider public. Investment in training and skills will also be vital, particularly for hard to transition industries or businesses connected to priority or problematic products.
23. Crucially, there needs to be buy-in from organisations and individuals to support these measures. We note that the Route Map (in its current form) is strategic and high-level in nature, and many actions describe proposed processes to prepare for controls rather than introducing controls themselves, with an emphasis on co-development of measures with stakeholders.
24. We welcome this inclusive approach and the commitment to take forward engagement in line with the principles of the New Deal for Business. Creating effective forums so that public-private stakeholders can collaborate across value chains must be central to this process, to help problem solve (especially where solutions don't yet exist) and ensure that measures are practical, cost-effective and create the right enabling environment for businesses.
25. ICAEW would be pleased to explore how it could support such dialogues, for example, by engaging its members across industry, as well as leveraging its expertise in policy, business strategy, financial analysis and sustainability to help determine the incentives needed to drive businesses transformation.

### Creating enabling policy and regulation

26. Businesses need the stability provided by clear, long-term policy signals, which set a direction of travel for the economy and create the enabling conditions to drive business innovation and investment. Uncertainty and changes in direction are highly problematic, undermining the business case for action.
27. As noted previously, transitioning to circularity will require a combination of policy instruments to incentivise businesses, and the government will need to identify the right combination of hard mechanisms (eg, taxes, subsidies, regulation, trading schemes) and soft mechanisms (eg, reporting, ratings, consumer and investor campaigns) that drive corporate and investor behaviour. Taxes and regulations on unsustainable goods, and use of subsidies (or other support mechanisms) for circular goods and services must play a key part.<sup>16</sup> Identifying ways to leverage planning processes to help incentivise circular development and infrastructure will also be important.
28. There is also a need for demand-side solutions, through measures that encourage consumers and investors to make more sustainable choices. Consumers and investors can also put pressure on businesses to be more sustainable, holding them to account to raise ambition and follow-through on commitments.
29. Ensuring coherence with Scotland's wider policy processes to phase out fossil fuel use and meet net zero targets will also be key, to provide clarity and certainty for businesses and a level playing field for renewable/low-carbon circularity solutions. ICAEW's recent manifesto

<sup>13</sup> <https://www.circularity-gap.world/united-kingdom>

<sup>14</sup> Circular Economy Package policy statement - GOV.UK ([www.gov.uk](http://www.gov.uk))

<sup>15</sup> CGR Scotland ([circularity-gap.world](http://circularity-gap.world))

<sup>16</sup> CGR Scotland ([circularity-gap.world](http://circularity-gap.world))

sets out a number of recommendations for governments including a call for a net zero investment strategy in a wider whole economy transition plan for the whole UK.<sup>17</sup>

30. It will also be important for policy and regulation to adapt based on monitoring and evaluation of the impacts during implementation. If the recently introduced Circular Economy (Scotland) Bill passes, it is assumed this can be linked to the duty it will place on Scottish Ministers to publish or refresh a circular economy strategy every five years. ICAEW has called on governments to introduce a net zero delivery racker to assess the impact of budget measures on nature and climate and this could be extended to Circular Economy proposals.

### Tax and circular economy

31. Taxes can play an **important role in driving behavioural change**, and rightly feature prominently in the draft Route Map.
32. ICAEW recognises that the Scottish Government is limited in its ability to use tax policy as a lever to drive behavioural change to the devolved taxes that can be set by the Scottish Parliament. However, through the use of its power to set income tax rates, and through devolved taxes on virgin resource extraction (eg, the proposed devolved aggregates levy) and waste disposal (eg, Scottish landfill tax), we note that Scotland does have some power to shift the tax burden away from labour towards resource use and pollution. This has been highlighted as a way to potentially generate revenue exceeding €40.25 billion (£35 billion)<sup>18</sup> and should act to encourage a more circular economy.
33. A tax on resource extraction should encourage businesses to move towards the reuse of existing materials while a tax on waste disposal should encourage investment in reducing, reusing, and recycling materials.
34. Taxes can be most effective introduced alongside other measures, such as regulation and investment in infrastructure. For example, the Netherlands has one of the lowest landfill rates in Europe with less than 2% of its municipal waste going to landfill.<sup>19</sup> Although a waste tax has played its part in this, the waste tax rate in the Netherlands (€39.23) is currently around one third that of the UK landfill tax rate (£103.70 per tonne from 1 April 2024). The Netherlands has complemented its tax with a landfill ban, robust recycling infrastructure, and a deposit return scheme for plastic drink bottles.
35. Caution is needed when implementing or changing the rates of devolved taxes (or schemes), to avoid unintended undesirable outcomes. For example, if Scotland were to significantly (and unilaterally) increase its landfill tax rate, the practical effect may be that Scottish businesses transport their waste to England to dispose of it, displacing the landfill impacts elsewhere and potentially increasing transport emissions.
36. To effectively change business behaviour, taxes must provide a clear economic incentive and certainty about their future direction. ICAEW noted in its response to HMRC's consultation on introducing a mass balance approach for plastic packaging tax (PPT) that some members had reported that the cost of complying with PPT was greater than the liability itself.<sup>20</sup> In this instance, businesses cannot demonstrate, or cannot afford to demonstrate, that they are not chargeable to the tax. This represents a policy failure, as businesses no longer have an economic incentive to use recycled plastic in their plastic packaging. A clearly defined 'escalator' for environmental taxes can provide the long-term certainty businesses need to invest in behavioural changes.
37. We recommend that any new taxes are designed with ICAEW's ten tenets for a better tax system in mind, with consultation on its design taking place as early as possible in its conception.<sup>21</sup> ICAEW's Tax Faculty is always available to be consulted, formally or informally, on the design and implementation of any new tax or tax changes.

<sup>17</sup> [Manifesto 2024 | ICAEW](#)

<sup>18</sup> [CGR Scotland \(circularity-gap.world\)](#)

<sup>19</sup> <https://www.eea.europa.eu/publications/many-eu-member-states/netherlands>

<sup>20</sup> <https://www.icaew.com/insights/tax-news/2023/oct-2023/icaew-concerned-by-burden-of-plastic-packaging-tax>

<sup>21</sup> <https://www.icaew.com/technical/tax/towards-a-better-tax-system/ten-tenets-of-tax>

## Investing for the long-term

38. As noted above, targeted government spending will be a key strategy to help stimulate circularity across the economy (eg, in the built environment, agrifood, manufacturing, and consumables industries). This could be in the form of subsidies, grants, and investment in (enabling) infrastructure (eg, in material sorting and recycling services and facilities, adequate energy grid infrastructure and connectivity, sustainable transport).
39. Targeted project investment using fiscal incentives such as the feed-in tariffs has been a substantial attraction to invest in the past (eg, in renewable energy), to help improve financial returns. We strongly support the proposed action around developing public procurement opportunities, so that public spend drives the transition.
40. Transitioning the economy to circularity will require much innovation and experimentation. The government can also potentially support here, exploring opportunities to fund pilot programmes at scale, to help demonstrate proof of concept and scalability, thereby helping to attract further private finance and de-risk investments.

## RESPONSES TO SPECIFIC QUESTIONS

Below we set out our response to questions 1 to 8 in Part A (proposed priority and further actions). Note that we do not cover all proposed actions under all strategic aims.

We have not responded to questions 9 to 16 in Part B (Impact Assessment and SEA). As noted elsewhere in our response, ICAEW would be pleased to engage on these aspects as they are further developed and updated in the future.

### ***Question 1: To what extent do you agree with the priority actions proposed within the Reduce and reuse strategic aim?***

#### **Responsible consumption, production and reuse**

41. We strongly agree with the priority action to develop and publish a **Product Stewardship Plan (PSP)** by 2025/26 to identify and tackle the environmental impact of priority products (PPs).
42. We also support the intent to take “a robust evidence-based approach” to the way PPs are determined and hope that the new research being commissioned this year will explore the evidence to support a considered set of proposals, through an inclusive process involving consultation with businesses and other stakeholders.
43. To be effective, the PSP should incorporate best practices and voluntary activities such as reporting as well as regulation (including bans). Banning single-use plastic products will be helpful in encouraging innovation and bringing more sustainable products to the market, including across the EU.
44. To roll-out the PSP in a systemic manner, product design requirements should be considered first (eg, as per the EU Eco-design Directive). Accompanying regulations would accelerate circular economy adoption, such as requirements for sustainable materials and recycled content, which will depend on the categories in scope of the PSP. Whilst the lifecycle approach is highlighted, it is not fully reflected in the 'Further actions' sections.
45. We would also urge the Scottish Government to draw on international experience where relevant, noting Scotland’s specific context and culture. In New Zealand, PPs are selected (under the Waste Minimisation Act 2008) based on the following criteria: (a) either the product will or may cause significant environmental harm when it becomes waste, or there are significant benefits from reduction, reuse, recycling, recovery, or treatment of the product; and (b) the product can be effectively managed under a product stewardship scheme.<sup>22</sup>

<sup>22</sup> [Regulated product stewardship | Ministry for the Environment](#)

46. The Route Map notes that mattresses, tyres and textiles are being considered as PPs. Based on the EU Circular Economy Action plan,<sup>23</sup> it may also be useful to consider packaging, plastics, cars and electronics/ICT from an environmental impact perspective. In New Zealand, the initial suite of PPs includes: plastic packaging; tyres; electrical and electronic products (e-waste including large batteries); agrichemicals and their containers; refrigerants and other synthetic greenhouse gases; and farm plastics.

### Food waste

47. We also strongly agree with the proposed priority action **to develop with stakeholders the most effective way to implement mandatory reporting for food waste and surplus by businesses (by 2025/26)** (page 41-43). Mandatory reporting can be an effective lever in helping to drive behaviour change (in this case, encouraging businesses to reduce food waste), especially if combined with other measures. A voluntary approach is unlikely to lead to action at the scale and pace needed. Carefully designed and implemented, it would also help the Scottish Government to assess and monitor against food waste across industry sectors, generating new insights to guide future action.
48. Defining the purpose is key, and we have regularly commented about ensuring that new or amended reporting regulations are purpose-led. Once the purpose has been clearly established, decisions around specific reporting requirements, location of reporting and scope of entity required to apply the requirements are more straightforward.
49. To generate more insights on the causes of waste, it would be helpful to have more granular reporting from businesses, because the levers to reduce or repurpose waste differ. Mandatory and more granular reporting per category based on the Enterprise Resource Planning (ERP) systems would be helpful to identify specific correction actions across the value chains. Current food waste reporting focuses mainly on donations and waste to landfill, with only a minority of companies preparing reports based on food waste per category (eg, produce, meat, processed foods etc).
50. We would recommend the information is reported in an appropriate location outside of the annual report, such as the company website or a central government reporting portal. We have commented on this recently in our response to the UK Government's Call for Evidence on non-financial reporting.<sup>24</sup>
51. It is crucial to consider alignment with other reporting initiatives, and we urge the Scottish Government not to consider food waste reporting in isolation (which could lead to a fragmented and confusing reporting landscape for businesses).
52. Another key consideration is proportionality. It should not be assumed that the benefits of preparing and disclosing food waste information will outweigh the associated costs. Smaller businesses are likely to feel a greater burden and the benefits associated with their disclosures may be less significant (though this will vary in accordance with the specific information being requested and also the nature of the company).
53. Regardless of the size of the business subject to mandatory reporting, we would urge that the requirements for businesses are as simple, clear and concise as possible (to enable businesses to focus on taking action to tackle their sustainability issues, rather than spending excessive resources to navigate reporting requirements).
54. We also support the intention to **review mandatory reporting for other material waste**, such as clothing, textiles, and construction waste. We would also urge an 'evidence-based' approach here, to explore if other categories should be included and over what time-horizon (eg, certain electronics categories), or if already covered by existing reporting regimes. It is important that any regulations or processes are future-proofed to enable wider reporting requirements to be incorporated later.
55. We are pleased to see the Scottish Government intends to engage with stakeholders. We suggest this should include consultation across businesses (as report preparers) and report users (eg, environmental agencies such as SEPA, investors), as well as waste experts, to

<sup>23</sup> [Circular economy action plan - European Commission \(europa.eu\)](https://european-council.europa.eu/media/e300042c-3250-4f00-b962-c0401307090c/en/document/section/circular_economy_action_plan)

<sup>24</sup> [UK Government's Call for Evidence on non-financial reporting](#)

establish set methodologies and metrics that can be measured and reported in a consistent and comparable way.

56. It will be important to ensure that the reporting regime provides useful and relevant information and can be performed efficiently and affordably by businesses at all sizes. Reporting is more effective when used in the context of a wider package of measures. We recommend that the Scottish Government consult businesses on what support for food waste should be included within the enhanced support package (eg, specific food waste reduction targets and plans for business, as indicated in the draft Route Map).

### Embed circular construction practices

57. ICAEW strongly agrees with the proposed priority action to **develop regional Scottish hubs and networks for the reuse of construction materials and assets**. To increase the reuse of construction materials, the design of buildings and construction methods may need to be reviewed and mandated in the same way as for other products but tailored for the sector. The sector will have a longer lead time for the reuse of materials to increase due to the long life-span of real estate, so it is imperative that the sector is prioritised. Examples of cities with circular design (eg, Amsterdam)<sup>25</sup>, circular economy action plans (eg, section 3.6 in the EU Circular Economy Action Plan<sup>26</sup>) and toolkits<sup>27</sup> could be used as a starting point.
58. The measures listed seem in line with this strategy, however, it would be helpful to include mandatory steps, policies, and best practices. Perhaps a taxation measure that is mentioned on page 49, point 6, of the consultation paper should be included as there is evidence that taxes influence behaviours, subject to the correct pricing point (ref point 1 on page 34 concerning plastic bag taxes reducing usage by 80%).

### **Question 2: To what extent do you agree with the further actions to 2030 listed across the Reduce and reuse strategic aim?**

#### Responsible consumption, production and reuse

59. We strongly agree with the proposed further action to **deliver a prioritised approach to the introduction of environmental charges for problematic products by 2025/26**. A clear definition for problematic products will be essential for businesses to understand what is in scope and what effect charges will have through their own product range or their supply chain (this also applies to the need for a clear definition of priority products to make the Product Stewardship Plan workable).
60. We agree with the concept of introducing a charge for single-use disposable cups by 2025. However, as noted above, we would urge careful consideration of the VAT implications of this, among other aspects.
61. We agree with the continued commitment to delivery of a successful **Deposit Return Scheme (DRS)** for single use drinks containers in Scotland, with the UK Government committed to launch a UK-wide DRS by October 2025. We note that Scotland has already tried to introduce its own DRS and, as noted in ICAEW's response to the consultation on the draft VAT provisions of the original DRS proposals, there was a concern that the VAT regulations could make the scheme unviable, as the VAT burden appeared to fall on the wrong party in the chain.<sup>28</sup> As the options for a new DRS are re-examined, we would urge the Scottish Government to fully consider the tax implications earlier in the design and ensure the scheme is as simple as possible for businesses.
62. Regarding the development of **measures to improve the reuse experience for consumers**; this is important, as each use is critical for consumers to buy into the Circular economy. Strengthening rights-to-repair provisions may be an opportunity to explore.

<sup>25</sup> Developing a Roadmap for the First Circular City: Amsterdam - Insights - Circle Economy ([circle-economy.com](https://circle-economy.com)).

<sup>26</sup> A new Circular Economy Action Plan ([europa.eu](https://europa.eu))

<sup>27</sup> The circular design of buildings | European Circular Economy Stakeholder Platform ([europa.eu](https://europa.eu))

<sup>28</sup> Draft regulations: VAT provisions for drink deposit return schemes ([icaew.com](https://icaew.com))

63. We strongly agree with **educating consumers regarding making more sustainable choices**, aligned to Let's Do Net Zero communications.<sup>29</sup> Reducing demand for unsustainable products is vital, and we would encourage the Scottish Government to work widely with stakeholders on this aspect. ICAEW Scotland would be pleased to explore how we could help, such as amplifying messages through our Net Zero Accountancy Initiative,<sup>30</sup> and generating insights on customer behaviour and attitudes to re-use through our members, to support the research being done by Zero Waste Scotland.
64. We agree with the plan to explore ways to **expand business models that prolong product lifespan**. These tend to be an outcome of the regulation requiring recycled/reused content and statutory rights to repair products. Incentives to support the new business models are critical as they tend to be more labour-intensive and harder to make commercially viable than the linear economy business models. However, to increase the take up of circular economy models, a better starting point would be a requirement in design / materials content / extension of a product life.

### Embed circular construction practices

65. We agree with the proposed further action to **develop new and promote existing best practice standards and assess the options for both voluntary and mandatory compliance (ongoing)**. The circular economy requires a system-wide change that impacts end-to-end value chain activities, and it therefore requires primarily mandatory requirements across key points of the value chain (design, requirements for recycled / reused content, right-to-repair, etc). It also requires adequate investment in the infrastructure, for example, in platforms for recovered materials, platform sharing information and access to repair services.
66. We strongly agree with the proposed action to **consider how devolved taxes can incentivise the use of recycled aggregates and support circular economy practices**. To enforce, encourage and enable circular economy activities, taxes that curb consumption and penalise undesirable behaviours are an essential implementation tool alongside regulations, incentives and reporting.
67. We note Scotland already has its own landfill tax and there are proposals for it to introduce its own aggregates tax to replace the UK-wide aggregates levy in Scotland. A tax on resource extraction (ie, a Scottish aggregates tax) should encourage businesses to shift away from use of virgin materials to the reuse of existing materials, while a tax on waste disposal (ie, Scottish landfill tax) should encourage investment in reducing, reusing, and recycling materials.

### **Question 3. To what extent do you agree with the priority actions proposed within the Modernise Recycling strategic aim?**

68. We strongly agree with the proposed priority actions to **facilitate a co-design process for high quality, high performing household recycling and reuse services (2024/25 and 2025/26)**.
69. Co-designing services is critical because it will help to raise awareness of recycling, what is recycled, and the importance of collecting and recycling different categories of waste in households, thereby helping to enhance participation. It will also help to generate insights regarding the barriers to the sorting, collection and recycling (as required to meet targets), especially as it has already been identified that 'one size fits all' approach does not work.
70. It is critical that the process is mandatory for local authorities, to help ensure consistency in the volume and categories of collected materials. Lack of consistency may render the recycling activity unfeasible (ie, more sorting at the pre-recycling stage or different categories collected) and non-economically viable (eg, insufficient recycling materials).
71. The Route Map notes the importance of waste composition analysis to the co-design process. Besides the reasons outlined, it is also a critical starting point for identifying the

<sup>29</sup> Let's Do Net Zero

<sup>30</sup> Net Zero Accountancy Initiative

most resource- and GHG-emission-intensive waste, and for analysis of whether and how recycling can be undertaken.

72. The co-design process should consider recycling targets (for different categories), and their contribution to reducing GHG emissions, resource use and pollution. It would also be helpful to be explicit on what types of recycling are planned (eg, mechanical, chemical, etc.). The material flow analysis should also provide a strong basis for future regulations on the design requirements and materials used, so that the recycling (as well as reuse) targets could be increased in the future.
73. We strongly agree with the proposed priority action to **undertake a review of compliance with commercial recycling requirements (2025)** We would urge the Scottish Government to engage widely with businesses to identify the underlying reasons or barriers to compliance including, among other aspects, whether they have reasonable access to facilities that make sustainable waste decisions practical and cost-effective, and if not, why not and what is needed. ICAEW would be pleased to support this effort through engagement of its members.
74. We also strongly agree with the proposed priority action **co-design measures to improve commercial waste service provisions (From 2026/27)**. Overall, the proposals do appear to mirror the EU Circular Economy Action Plan approach, which is also based on an ecosystem-wide approach and aims for similar overall outcomes. As per our comments for household waste, the process should be underpinned by a robust waste composition analysis to determine waste volumes by category and information on pollution and GHG emissions impact. This is typically followed by introducing mandatory requirements for design, materials composition and percentages of recycled/reused content on a sectorial basis. Measures should also align with the development of Product Stewardship Plans (PSPs), providing a holistic, end-to-end and strategic perspective of waste reduction for certain problematic products.

**Question 4. To what extent do you agree with the further actions to 2030 listed across the Modernise Recycling strategic aim?**

75. We agree with the proposed further action to **give local authorities more tools to ensure that households are properly using their recycling containers and to reduce recycling contamination by 2025/26**.
76. We would emphasise the importance of regulation to ensure that products on the market are recyclable in the first place (to ensure, for example, they have a certain level of recyclable content). Without the certainty that regulation provides, investment in collection and sorting will be less likely to yield the targeted outcomes. An evidence-led approach will also be important, for example, identifying the areas most impacted by contamination and the levers to reduce contamination.
77. We strongly agree with the proposed further action (household measures) to **undertake a review of waste and recycling service charging by 2024/25**, which should consider all options.
78. Whilst penalties may continue to be an enabling instrument, awareness and voluntary participation of households are the likely most effective measures. Awareness takes many forms: promotions of the new collection and recycling requirements / schemes via social media, television, advertising, and promotions in local communities. Alongside societal awareness, education sessions could be included in schools, helping to further build awareness in younger generations as another route to help shift household behaviour.
79. We strongly agree with the proposed further action to **investigate further steps to promote business-business reuse platforms by 2027**. The Scottish Government has an essential role to play in bringing businesses together and helping create ecosystems for the reuse system, overseeing the platform and its operations. The Government may consider incentives or tax breaks for businesses/product lines using reused content, even if for a limited period.

**Question 5. To what extent do you agree with the priority actions proposed within the Decarbonise disposal strategic aim?**

80. We strongly agree with the proposed priority actions to develop a **Residual Waste Plan to 2045** and a **Sector-Led Plan to minimise the carbon impacts of the Energy from Waste Sector**, both by 2025/26.
81. One of the central aims of the shift to circularity is to produce less waste. The proposed measures are in line with the established principles of the waste hierarchy, which prioritises waste prevention, followed by reuse, recycling and other forms of recovery, with disposal (including landfilling) being the last resort.
82. However, there will be residual waste materials that cannot be avoided, reused or recycled. As is noted in the Route Map, it is important to ensure that these are managed in a way that minimises environmental and climate impacts, encourages management of materials further up the waste hierarchy, and minimises broader societal impacts.
83. It will be vital to consult widely with industry and other stakeholders during development of these plans. We support the proposal to establish a Residual Waste Advisory Panel to guide its development. ICAEW would be pleased to explore ways it can support this process, for example, engaging its members in the industry to help shape the vision/targets, identify the infrastructure required, explore the role of emerging technologies, and consider the implications not only for their own business but for other businesses using their services.

**Question 6. To what extent do you agree with the further actions to 2030 listed across the Decarbonise disposal strategic aim?**

84. We agree with the proposed further action to support the inclusion of energy from waste in the UK Emissions Trading Scheme (ETS). The ETS creates a direct cost for carbon emissions, which provides a strong incentive for operators to invest in decarbonising the generation of energy from waste.
85. However, we note that inclusion of energy from waste in the UK ETS is ultimately not within the control of the Scottish Government. Furthermore, the ETS is not a perfect solution as the ETS price can fluctuate. Alternative fiscal measures may provide more stable incentives. We therefore strongly agree with the proposal to **investigate other fiscal measures to incentivise low carbon disposal from 2028**.

**Question 7. To what extent do you agree with the priority actions proposed within the Strengthen the circular economy strategic aim?**

86. We strongly agree with the proposed priority action to **develop a Circular Economy strategy every five years (from 2025) and set new circular economy targets (determined from 2025)**.
87. Delivering a circular economy is not a simple task. As has been highlighted, it will require transformational change driven by clear long-term targets, a strategic approach, and a suite of coordinated actions to ensure the right structures and support are in place to enable innovation and action across all actors in the economy. Thus, a Scotland Circular Economy Strategy is much needed.
88. We also note that the recently introduced Circular Economy (Scotland) Bill sets out a proposed legislative framework for Scotland's circular economy by placing requirements on, or enabling further action by, central and local government, businesses, and householders. This includes placing a duty on Scottish Ministers to publish or refresh a circular economy strategy every five years.

**Question 8. To what extent do you agree with the further actions to 2030 proposed within the Strengthen the circular economy strategic aim.**

89. We agree that further actions are needed (to complement the proposed priority actions) and broadly support the intent of the elements described. For example, action to address the

skills shift that will be required will be vital. Identifying priority and problem products may help to indicate where new skills will be needed and production jobs may disappear.

90. However, the further actions listed are not extensive enough to fully support the strategic aim. We suggest that the 'Research, data and evidence' theme is expanded to include innovation in technologies that support transparency and traceability of supply chains, products and materials, as well as other aspect of the circular economy plan. It would also be helpful to expand the 'Evidence' component to also include monitoring of the circular economy activities against specific targets.
91. For 'Skills and training' theme, an assessment of the impacted industries, positively or negatively, by the circular economy plan, would be a helpful starting point. The assessment could be followed by a gap assessment between the current and envisaged end-state of the skills requirements in the impacted industries that would be developed into a short/medium term implementation plan.