IOM3 Response: Consultation on proposals for reform to the Packaging Waste Recycling Note (PRN) system

Executive Summary

IOM3 welcomes the opportunity to respond to Defra's consultation on PRN/PERN reform. Our position reflects broad engagement across the packaging value chain and a shared ambition to strengthen the integrity, transparency and long-term resilience of the system. Any reforms must:

- Minimise fraud in the system and increase the chances of detection
- Reduce exports of poor-quality waste especially to non-OECD countries and OECD countries where waste management systems cannot deal responsibly with the waste
- Stimulate investment in domestic reprocessing capacity
- Support the UK's wider circular economy goals.

A key aim should be to retain and reprocess a higher quantity of materials domestically. UK reprocessing capability has declined significantly, with multiple plant closures in recent years, underlining the fragility of the UK reprocessing market. In 2025 alone, several facilities closed - including Yes Recycling's Fife plant[1] and Biffa's plastics reprocessing site[2], further reducing the UK's domestic capacity. Reasons cited for these closures include high energy costs, low PRN values and lack of economic viability.

Currently, around 60% of wastepaper is exported equating to 3.4 million tonnes.[3] Furthermore, reports this year of metals recyclers shutting is a concerning trend.[4] These examples show the widening gap between the volume of material collected and the domestic capacity available to reprocess it, making the UK continually reliant on exports. Reforms are urgently needed to stimulate investment, improve system resilience, and ensure the UK exports only what it cannot process on shore.

While measures such as DRS will improve material quality, the UK still lacks sufficient infrastructure to reprocess what it collects. PRN/PERN reform must therefore incentivise capacity increases, thereby reducing the UK's reliance on waste exports.

We support setting nationally agreed protocols and AAIGs at the lower range, underpinned by real data rather than estimates. This must be accompanied by realistic verification timelines, strengthened export checks, and adequate regulator resourcing. Confirmation of receipt overseas cannot be treated as confirmation of recycling; more robust evidence requirements are essential.

Protocols and AAIGs should be time-limited and reviewed at least every three years, with flexibility for more frequent or emergency reviews where market conditions change or evidence arises which requires out-of-cycle reviews. An independent, material-agnostic working group should support this process. Alignment with pEPR — including consistent material categories and RAM distinctions — will reduce reporting burdens and improve data comparability across the system. In the long term, we would support the PRN/PERNs being incorporated into the pEPR scheme.

We support a duty on regulators to cancel improperly issued PRN/PERNs, provided this is supported by clear processes, timely action (ideally quarterly), and sufficient enforcement capacity. Cancellation powers must be applied consistently and transparently, with clear penalties and prosecution pathways for serious fraud. Preventative measures further up the value chain, such as strengthened broker and trading platform registration and due diligence requirements, will help reduce fraud in the first instance.

Where cancellation results in a shortfall, we support a compliance mechanism in principle, with a preference for a fee-based mechanism that rectifies imbalances in-year rather than carrying them forward. Any mechanism must be tightly governed, based on clear triggers, and designed to avoid perverse incentives. Preventative measures, including improved waste tracking, double-entry material accounting, and alignment between pEPR inputs and PRN/PERN outputs – can support reducing reliance on such mechanisms over time.

Greater transparency on accreditation breaches, including distinguishing between one-off errors and persistent or deliberate misconduct, would support better market behaviour. A public register of offenders and an independently assessed operator performance ranking could further strengthen accountability.

Overall, PRN/PERN reform must deliver a system that is robust, transparent and future-proof, supporting the UK's transition to a more circular economy by:

- Reducing waste exports and increasing domestic reprocessing
- Improving evidence quality and traceability
- Strengthening enforcement and reducing fraud
- Aligning with pEPR and complimenting circular economy reforms
- Supporting investment and long-term system resilience.

With the right interventions, these reforms can help transform the PRN/PERN system into a more trustworthy, efficient and strategically aligned scheme for achieving the UK's recycling ambitions.

[1] https://www.bbc.co.uk/news/uk-scotland-edinburgh-east-fife-65379894
[2] https://www.letsrecycle.com/news/biffa-closes-sunderland-plastics-recycling-plant/
[3] https://www.innovationnewsnetwork.com/why-is-the-uk-still-exporting-recyclable-waste/63331/#:~:text=Paper%20and%20paperboard%20waste:%20In%202023%2C%20the,with%20the%20main%20destinations%20being%20Turkey%2C%20Egypt
[4] https://www.letsrecycle.com/news/why-are-so-many-metals-recyclers-shutting-down/

Q8. Do you agree or disagree nationally agreed protocols and AAIGs should be set at the lower range?

a. Agree

b. Disagree

c. Neither agree nor disagree

We agree that the recyclable proportion of nationally agreed protocols and AAIGs should be set at the lower range. This approach should be supported using real data rather than estimates, thereby improving accuracy and reducing opportunities for overclaiming tonnages.

However, several conditions must be met for this to work effectively:

- Reporting and verification timelines must be realistic to avoid excessive time lag, for example in-year verification. Importantly, the whole value chain must be consulted ahead of any decisions taken to ensure buy-in from stakeholders and that the approach is robust and can be implemented with minimal effort.
- It is essential that the regulatory body is sufficiently resourced to deliver consistent and effective oversight.
- There is a need to consider what additional data is required from exporters and how feasible it is to collect it accurately. Confirmation of receipt by the receiving party does not guarantee recycling[1], therefore checks and balances must be put in place.

Since its introduction in 1997, the PRN/PERN system has raised over £1 billion[2]. Yet a report conducted by Anthesis, on behalf of Viridor, found that a £1 billion of investment in plastics recycling is needed to end exports[3]. This underlines the need for the system to work harder to enable better infrastructure not just for plastics, but for all packaging materials.

Q9. Do you agree or disagree with the proposal to make national protocols and AAIGs time limited?

a. Agree

b. Disagree

c. Neither agree nor disagree

We agree that nationally agreed protocols and AAIGs should be time-limited. This ensures they remain current, reflect real-time material flows as much as is practicable and enable a shift away from estimates. Time limiting would also encourage regular scrutiny of data quality, leading to an actual reflection of market conditions and continuous improvement.

Q10. Do you agree or disagree that protocols and AAIGs should be reviewed at least every 3 years?

[1] https://www.greenpeace.org/international/press-release/47759/investigation-finds-plastic-from-the-uk-and-germany-illegally-dumped-in-turkey/

[2] https://www.isonomia.co.uk/is-the-prn-past-its-sell-by-date/#:~:text=The%20PRN%20is%20not%20a,PR%2C%20local%20authority%20targets%20etc.

[3] https://www.viridor.co.uk/news-and-insights/anthesis-report/

a. Agree

b. Disagree

c. Neither agree nor disagree

We agree that protocols and AAIGs should be reviewed at least every three years, but this should be treated as a minimum rather than a default. For some materials, (e.g. aluminium), a 3-year review cycle may suffice. However, other materials with a more volatile market history, (e.g., plastics) may require updates every 1–2 years.

To accommodate this, we recommend the following:

- An emergency review mechanism where evidence shows protocols and AAIGs are no longer fit for their intended purpose
- The formation of a material agnostic industry working group with members like the Institute of Materials, Minerals and Mining (IOM3) and the Recycling Association, to provide expert advice.

A further consideration is how the PRN/PERN system will interact with other packaging policies and with wider UK circular economy ambitions. Additionally, while not a critical aspect, understanding how the system interacts with the EU's PPWR, given that PRNs do not exist within their system.

Q11. Do you think regulators should have discretion to shorten this period?

a. Agree

b. Disagree

c. Neither agree nor disagree

We agree that regulators should have discretion to shorten review periods as per the above response to question 10. This flexibility is essential for materials with more volatile markets or to accommodate advancing recycling technology solutions. Any decision to shorten the period should be informed by:

- Industry working groups including organisations that keep abreast of market movements
- Real-time market intelligence
- Material-specific considerations

Q12. Do you agree or disagree with the proposal to place a duty on regulators to cancel improperly issued PRN/PERNs?

a. Agree

b. Disagree

c. Neither agree nor disagree

We agree with placing a duty on regulators to cancel improperly issued PRN/PERNs and welcome this clarity on the role of the regulator and the strengthening of enforcement activity to deliver greater system integrity.

However, the key details must be established and the following questions must be addressed:

- How has the regulator become aware of the improperly issued PRN/PERN? If via a system actor e.g. producer, compliance agency, broker or trader, should this be treated differently to evidence arising from audit?
- What would be the frequency of audits and does the regulator have sufficient resource to be effective? Current gaps in enforcement must not be carried forward.
- Would there be penalties or even prosecution for serious fraud cases? We acknowledge these would be followed-up outside of the PRN system, for example by HMRC or the CPS.
- Would joint and several liability apply where there is evidence of deliberate fraud? Could a chain of custody approach be adopted, especially with exports?
- How can proposed digital waste tracking measures support the regulators in identifying non-compliance or system abuse?

Critical to success is the regulator's ability for timely action. As a minimum, cancellations should occur quarterly to avoid an accumulation of shortfalls resulting in year-end shocks.

Q13. Would you still support this duty if it required a compliance mechanism?

a. Yes

b. No

c. Don't know

In principle, yes, we would support a compliance mechanism. However, this depends on its design. A well-designed mechanism could improve system robustness, particularly given global market volatility in recent years. Therefore it needs to drive efficiency and not compound system failures.

We would recommend that the mechanism is co-designed via cross-sector consultation.

- Be developed through cross-sector consultation
- Avoid penalising good faith actors
- Be framed as a tool for efficiency, not a workaround for system failure

Having both a duty on regulators and a compliance mechanism could strengthen the system but there must be a reality check to ensure both elements drive real improvements overall and do not become too burdensome to be effective.

Q14. Do you agree or disagree with giving regulators discretionary powers to cancel improperly issued PRN/PERNs?

a. Agree

b. Disagree

c. Neither agree nor disagree

We disagree with these powers being discretionary. A key reason for this response is due to the risk of these powers being inconsistently applied. System abuse must be eliminated and discretion could lead to powers being inconsistently applied. However, clear guidance must be

available on how powers will be used (e.g. adopting the precautionary principle) and they must be a credible deterrent alongside penalties and potential prosecution.

Additionally, conditions outlined in question 8 – timely action, sufficient regulator resourcing, clarity on data requirements – also apply here. These powers should be designed to avoid introducing unnecessary delays or lengthy appeals that undermine enforcement.

Q15. Would you still support these powers if they required a compliance mechanism?

a. Yes
b. No
c. Don't know

In theory, a compliance mechanism could incentivise system improvements and inform where there might be deviations from the process – an early warning system of sorts. However, the mechanism should not be overly onerous on system actors (producers, reprocessors etc).

Conversely, the case for not introducing a compliance mechanism includes minimising stalling on behalf of system actors and not allowing them any "wriggle room".

Gaining support for a compliance mechanism from stakeholders will depend on its design and its ability to mitigate the risk of perverse/unintended consequences.

Q16. Do you foresee any unintended consequences if improperly issued PRNs/PERNs are cancelled?

a. Yes
b. No
c. Don't know

We believe there may be unintended consequences of both a positive and negative nature resulting from the cancellation of PRN/PERNs.

On the positive side, the ability for regulators to cancel PRNs/PERNs, if accompanied by follow-up penalties and the prospect of prosecution, could be the incentive "good faith" stakeholders need to apply greater due diligence throughout the system. And the identification of "bad faith" actors may be easier due to their consistent failure to prove their credibility. It may be the blunt instrument required to tackle fraud in the system. Less favourable unintended consequences which may arise would likely be a result of regulatory inefficiency. For example, an accumulation of cancelled PRNs/PERNs due a lengthy and inefficient regulatory process – e.g. unresolved audit follow-ups - could lead to an unmanageable shortfall which would undermine the system. This could then lead to greater PRN/PERN price volatility.

However, we acknowledge that even where best practice due diligence has been carried out, some good faith actors may end up purchasing PRN/PERNs from unscrupulous actors, such is

the level of sophistication of fraud in the system that evidence of this may be undetectable e.g. apparently credible trading platforms[4].

Mitigation measures should include:

- Time limits on cancellation
- Additional penalties for fraudulent actors
- Clear and timely appeals processes
- Preventive measures such as further strengthening of broker registration requirements
- Material category alignment between PRN/PERN and the pEPR scheme, to enable greater data comparison, thereby making it easier to detect fraud where there are noticeable data anomalies. This would also reduce the reporting burden on producers.

Q17. What costs or additional requirements would your organisation expect if the duty to cancel PRNs/PERNs was implemented? Please tick all relevant options below and provide further detail explaining your response.

a. Staffing
b. Training
c. Familiarisation
d. Other (please give further detail)

We envisage there would be an impact on staffing, training, familiarisation costs and requirements. We also anticipate the need for technology and system upgrades which would support organisational management of other Government waste measures, e.g. digital waste tracking and pEPR.

However, these costs should be minimised through alignment between pEPR and PRN/PERN data requirements.

Q18. Which compliance mechanism would you support?

a. Fee mechanism
b. Year extension mechanism
c. Neither
d. Both

Should the decision be taken to introduce a compliance mechanism, on balance, a fee mechanism would be more favourable as an immediate signal that behaviours – from poor due diligence to serious fraudulent activity – are unacceptable and potentially liable to heavy fines or prosecution in the most egregious cases. Penalties would have to be sufficiently punitive to act as a disincentive for exploiting the system.

Other suggestions include:

[4] https://www.letsrecycle.com/news/environment-agency-dramatic-rise-in-waste-export-fraud/

- Introduction of a system whereby repeat offenders, such as brokers and traders, would be prohibited from operating after a certain number of compliance failures. Creating a public register of these offenders could drive better due diligence in the system.
- Initiate an independently assessed operator performance ranking assessment to drive quality service provision throughout the system.

Q19. If only one mechanism were implemented, which would you prefer?

a. Fee mechanism
b. Year extension mechanism
c. No preference

We would prefer a fee mechanism. This balances the system in-year rather than carrying imbalances into the next compliance period, which risks cumulative distortions including pricing volatility. However, clarity on what the fee mechanism delivers and how that can be delivered efficiently is essential.

- Preventative measures must be fully explored to avoid reliance on the mechanism e.g. further strengthening of broker registration requirements as mentioned in question 16 above.
- Clear evidence requirements so stakeholders understand what data/information is needed to prove they are compliant.

In the long term, we would support the PRN/PERN system being merged into pEPR. Further, all measures must link into the UK's wider circular economy ambitions and be leveraged to their full potential to transform the whole system.

Q20. What criteria should trigger the use of either mechanism? Please provide the reason for your response:

The triggers would be best informed by what irregularities are most frequent in the current system, such as those targeted by these reforms. A 2024 report from the Environmental Investigation Agency[5] exposes these, concluding that weaknesses in the system allow for persistent fraudulent activity and market manipulation. Irregularities could be categorised and prioritised according to severity based on persistent offending, value of non-compliance and potential larger scale fraud.

As a minimum, exceeding specific thresholds could raise a flag to prompt an investigation. These thresholds could be differentiated by material and be variable according to market conditions. This variability warrants independent oversight by industry experts and non-vested interest actors such as the Institute of Materials, Minerals and Mining (IOM3), INCPEN and the Recycling Association.

Q21. What criteria should apply to the operator of the mechanism? Please provide the reason for your response:

[5] https://eia-international.org/wp-content/uploads/2024-EIA-Dirty-Deals-Part-One.pdf

Criteria suggestions include:

- Well-defined operating targets to ensure application of the mechanism within defined timescales to avoid unintended consequences arising in the system.
- Eventual reporting harmonisation with the pEPR requirements to maximise efficiencies for producers.
- Flexibility to account for shocks in the system (e.g. global supply chain disruption).

Q24. If the year-end extension was implemented, what costs or requirements would your organisation expect? Please provide the reason for your response:

No additional costs anticipated beyond those already noted above.

Q25. Do you agree or disagree with providing further information on the nature/severity of accreditation breaches?

a. Agree

b. Disagree

c. Neither agree nor disagree

We agree and believe greater transparency would:

- Help identify repeat offenders.
- Distinguish between one-off errors and persistent fraudulent activity.
- Incentivise better behaviour across the system.
- Enable earlier detection of bad actors.

As per our response to question 18, we would also propose creation of a public register of offenders and an independently assessed operator performance ranking assessment. An offence severity scale would also be informative.

Q26. Do you agree or disagree with requiring brokers and trading platforms to register?

a. Agree

b. Disagree

c. Neither agree nor disagree

We welcome the recent strengthening of this area, however, it could introduce even more stringent assessments and require granular operational information to acquire registration approval. This may disincentivise exploitation of the system, thereby reducing fraud. Suggestions include:

- Upfront disclosure and ongoing review of trading partners.
- Annual reporting, with exceptional reporting for breaches.
- Development of an accreditation system.
- Greater transparency without compromising commercial confidentiality.