

UK Internal Market Act: The Deposit Return Scheme in Wales

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Key Questions:

- 1. Will Welsh Government or UK Government review the terms of the UKIMA exclusion if unique identification from October 2027 becomes an effective requirement?**

[The Internal Market Act exclusion](#) to allow glass in a DRS in Wales states that in the transition period for glass (October 2027-October 2031) ‘a 0p deposit applies and **no labelling requirements or targets apply**’. Whilst labelling for glass containers in Wales is required by the regulations from October 2031 (i.e. scheme labelling barcode for Reverse Vending Machines and scheme logo), unique identification or labelling of products placed on the Welsh Market may be required from day one in October 2027. This is because glass containers subject to a DRS in Wales (reporting and registration fees, even with a 0p deposit), must be identified from those subject to EPR in the rest of the UK. There is no clarity from Welsh Government or UK Government on how this will be avoided in the transition period.

- 2. Did the Welsh Government request independent advice from the Office for the Internal Market (CMA subsidiary and UKIMA watchdog) as to their views, such as the economic impacts of an exclusion for a DRS with single-use glass containers in scope?**

The OIM provides independent advice to UK and devolved Governments on the impacts of policy on the functioning of the UK’s Internal Market. As the first exclusion agreed under the new UKIMA exclusions process (in operation since July 2025), business is seeking confirmation that the Welsh Government requested independent advice from the watchdog.

- 3. Is it the view of the Welsh Government that the exclusion agreed for glass in DRS reflects a balance of economic impacts, and environmental protection impacts?**

Alongside our members, the WSTA estimates that 97% of wine and spirits SKUs will be withdrawn from the Welsh market due to costs and operational changes associated with unique labelling. However, DRS with glass in scope risks regressing on environmental outcomes. Current kerbside collection for glass in Wales delivers world-leading collection rates (over 90%), whilst the targets for DRS are just 80% by 2030.

4. Why did the Welsh Government wait until November 2025 to submit a UKIMA exclusion request for their DRS scheme?

This was over a year following the announcement of Wales's intention to include glass and exit from the UK-wide approach. A UKIMA exclusion was sought when draft regulations had already been notified to the WTO and has required both the UKIMA exclusions process and Senedd scrutiny of draft regulations to be considered at pace.

5. Why does the Explanatory Memorandum and Regulatory Impact Assessment laid alongside the regulations include arrangements for the implementation of reuse for glass, when this was explicitly not permitted under the UKIMA exclusion decision?

The terms of the UKIMA exclusion decision by UK Government state *Any future exclusion request for reuse will be considered by the UK government and devolved governments in the relevant Common Framework*

Background:

The WSTA was clear since the Welsh Government exited the UK-wide approach for implementing DRS in November 2024, that a UK Internal Market Act exclusion would be required to implement a DRS in a devolved nation that not include the same containers in-scope as other UK nations. This clearly undermined the UKIMA's Market Access principles of Mutual Recognition and Non-Discrimination, and the equivalent intention of the Scottish Government to introduce a DRS with glass in-scope was subject to [a UKIMA exclusion request in 2023](#). Whilst appearing at the Environment, Food and Rural Affairs Committee [in March 2024](#), former DEFRA Secretary of State Steve Barclay stated that UK Government would apply the UKIMA in the same way to any exclusion request for glass from Wales, as the exclusion process was applied to Scotland – i.e. to require all UK schemes to have common containers in-scope to ensure interoperability. The Welsh Government did not propose an exclusion under UKIMA for Welsh DRS until 27th November 2025 – almost 10 weeks after draft regulations were notified to the World Trade Organisation. The WTO notification was also made during the public consultation period on the scheme, undermining stakeholder confidence that the scheme's design, and draft regulations, were subject to meaningful input from the consultation process. The Welsh Government's decision to delay seeking an exclusion request required the request to be considered at pace and has also left a short timetable for Senedd scrutiny of draft regulations (just 6 weeks). Given that this is the first UKIMA exclusion to be agreed under the new exclusions process active since July 2025, and that this requires unique labelling for the Welsh market, this is a relatively short period for adequate scrutiny.

Unique Identification and Terms of the UKIMA:

[The UK Internal Market act exclusion](#) for the Deposit Return Scheme in Wales included a requirement to extend the *'proposed transitional period for single use glass (where a 0p deposit applies and no labelling requirements or targets apply) to October 2031 – this will provide industry with additional lead-in time to prepare for the introduction of glass in the Welsh DRS'*. Unique labelling for Wales will be required from October 2031 as per the regulations (DRS scheme labelling for glass, such as scheme logo and barcode). In the Welsh Government's Regulatory Impact Assessment, it is claimed that *'There will be a one-off cost to producers to re-design labels to incorporate a DRS logo and a barcode capable of being read by an RVM'*. This is not a one-off cost, but recurrent. Re-labelling will require year-on-year separation of stock (or whenever new products are placed on the Welsh market). The Welsh Government appear to give no calculation for the separation of stock and cost of additional warehousing (across the supply chain, i.e. by producers, wholesalers, and retailers and in shipments), or the likely market withdrawal as a consequence. **However, the WSTA and our members also see a requirement for unique identification from day one in October 2027.**

Despite the zero-rating of the deposit for glass between 2027 and 2031, **it is the WSTA's view that unique identification of products placed on the Welsh market will still be required from day one in October 2027. This will be to ensure differentiation between the requirement for glass containers to pay DRS registration fees in Wales, and EPR fees in the rest of the UK.** Neither UK Government or the Welsh Government has provided no solution to this, and the [Regulatory Impact Assessment](#) laid alongside the regulations states: *'Many products will undergo relabelling before 2031'* (p.27). Furthermore, where an exemption for dual-use packaging has been sought, to exclude hospitality packaging from EPR, after 2 years, no solution has been found.

In March 2024, during an appearance at the Environment, Food and Rural Affairs Committee, then Secretary of State Steve Barclay confirmed the Government would not have permitted a UK Internal Market exclusion for glass in Wales ([p.26](#)). In 2023, an [exclusion request for DRS in Scotland was approved conditional on interoperable schemes \(alignment of in-scope containers across the UK\)](#). Following discussions with industry businesses on the costs (and operational challenges) of supplying the Welsh market with a glass-in DRS, **initial estimates suggest that a significant number (up to 97%) of all SKUs (stock-keeping units) could be withdrawn from the Welsh market.** Wales is a relatively small market for many suppliers in our industry, given they currently apply one label to cover most of the EU. Therefore we are keen for more clarity as to whether market withdrawal (and the impact on consumers in Wales) was considered in reaching the UKIMA exclusion decision.

Role of The Office for the Internal Market:

The WSTA and our members have engaged with the Office for the Internal Market (The independent CMA watchdog for UKIMA) since early 2025, to communicate our concerns over a DRS including glass in Wales, and our view that an UKIMA exclusion request would be required. The OIM has been actively monitoring the development of a DRS in Wales since early 2024, and the WSTA issued a notification of the draft regulations under the OIM's internal market barriers reporting function in early November 2025. The submission is attached for reference.

As the first exclusion agreed under the new UKIMA exclusions process (July 2025 onwards), we are seeking clarity as to whether UK Government or Welsh Government requested independent advice from the Office for the Internal Market on the impacts of agreeing an exclusion. Indeed, in the 2025 review of the UK Internal Market Act, UK Government stated: *'we will take steps to work with the devolved governments to ensure that the OIM's independent expertise is engaged and considered earlier and in a more structured and consistent way within policy discussions to inform better decision making'* ([p.25](#))

UKIMA Exclusion Factors:

The Review of the UKIMA in July 2025 agreed a new exclusions process whereby environmental protection impacts/benefits and public health impacts/benefits were assessed alongside economic impacts when considering exclusions. In addition to the impact of unique labelling (estimated 97% market withdrawal rate), what is the Welsh Government's view of the environmental impacts of a DRS including glass? Wales has world-leading collection rates for glass existing kerbside collection (exceeding 90%). However, the regulations specify a target collection rate of 80% for glass by 2030. Introducing a glass-in DRS could jeopardise progress on glass recycling. It could additionally undermine environmental aims by increasing vehicular emissions and incentivising a shift from sustainable glass to less recyclable packaging formats. Is the Welsh Government aware that by permitting this exclusion request for single-use glass containers in Welsh DRS, businesses are required to label separately for the Welsh market, whilst risking no improvement in Environmental outcomes?

Explanatory Memorandum/Regulatory Impact Assessment: UKIMA Impacts:

The WSTA and our members have concerns that the Explanatory Memorandum and integrated Regulatory Impact Assessment (RIA) do not accurately reflect how the scheme will be implemented. Within the Explanatory Memorandum and the RIA for the regulations there are multiple references to a transition glass re-use as a core feature of DRS in Wales. For example, describing the *'phase in of reuse of drinks containers'* as one of the purposes of a DRS scheme in Wales (p.2), stating that the DMO will have a 'duty' to make arrangements for reuse of drinks containers from year four of the

scheme, and even that amendments to these regulations will be required in the next Senedd for reuse elements (p.3). This is despite the UK Internal Market Act exclusion stating that *'The UK government has been unable to agree a UKIM Act exclusion for this part of the proposal. Any future exclusion request for reuse will be considered by the UK government and devolved governments in the relevant Common Framework as set out in the review of the UKIM Act in 2025'*. Why are these references included when a glass re-use scheme has not been permitted under the terms of the UKIMA exclusion?

WSTA Background:

The Wine and Spirit Trade Association (WSTA) represents c.350 businesses, covering the full route to market from the point of production/import to the point of retail. WSTA members include multi-national brands, importers, bulk bottlers/packers, logistics firms, warehouseers, glass manufacturers, and retailers (including major supermarkets, BWS specialists, and DTC retailers). Over 60% of WSTA members are SMEs, and over 40% are micro-businesses. The vast majority of WSTA members are onward suppliers to both the on-and-off trade, often via indirect supply chains (such as wholesale).

In 2022, the UK wine and spirit industry contributed c.£76 billion in economic activity. The UK is a global hub for the trade – as the largest exporter of spirits and second largest importer of wine (by volume and value). In 2024, the UK exported the equivalent of 1.5 billion bottles of spirits (70cl) and imported the equivalent of 1.7 billion bottles of wine (75cl). The WSTA represents c.70% of all drinks industry glass placed on the UK market.

The WSTA and our members support the introduction of UK-wide Deposit Return Schemes for PET plastic and aluminium containers, and we have worked closely with DEFRA and the Devolved Administrations to deliver this. We believe that Wales's existing method of kerbside collection is the most effective for glass. This is highly successful (c.92% collection – [WRAP Cymru, 2023](#)), and at a relatively low cost to taxpayers. The WSTA and our members long advocated for glass to remain under the kerbside system, and to be included in EPR over DRS when delivering the 'polluter pays' principle. Including glass in DRS is unlikely to improve on this collection rate – and includes additional environmental challenges (such as vehicular emissions in transporting glass).

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