



**IMPERIAL TOBACCO
CANADA**

Submission on the Policy Consultation Paper
Plastics Action Plan

September 18, 2019

1. INTRODUCTION

Imperial Tobacco Canada Limited (ITCAN) welcomes the opportunity to comment on the Policy Consultation Paper entitled “Plastics Action Plan” of the Ministry of Environment and Climate Change released on July 25, 2019 (the “PAP”).

Our submission focuses on the potential inclusion of cigarette filters containing cellulose acetate within the scope of future regulatory action by the government of British Columbia, including to “add single-use items to the Recycling Regulation”, or to create Extended Producer Responsibility (“EPR”) for the producers of such items. While not referred to in the PAP, we anticipate that the Ministry will be aware of the attempts in other jurisdictions to bring cigarette filters within the ambit of similar single-use plastics regulatory regimes.

Cigarette butt litter is an undesirable environmental phenomenon and preventive measures such as consumer education and awareness, coupled with punitive measures such as consumer fines, are the most effective way to reduce the impact of cigarette butts on the environment. Any attempt to impose EPR on producers of cigarette filters may simply result in the levy of further taxes on tobacco products under another name. Current tobacco taxes are already designed to compensate for the negative externalities induced by tobacco use, not only from a public health perspective but also from an environmental one. Given the existing large contraband tobacco problem in Canada, further tax hikes on legal tobacco products will inevitably result in a greater price differential between legal and illicit tobacco with concomitant increases in the volume of contraband products being trafficked in the provinces. This in turn will lead to all of the negative consequences of a large black market, not least of which is a significant drop in provincial tobacco tax revenues.

For these reasons we recommend against the inclusion of cigarette filters within any aspect of an EPR or in any other proposed amendments to the Recycling Regulation.

2. ABOUT ITCAN

ITCAN, established in 1908, is a wholly owned subsidiary of British American Tobacco plc (“BAT”) - a leading tobacco company and the world’s largest vapour business by market share. ITCAN has expanded its portfolio of available products in Canada with the introduction of our ‘Potentially Reduced Risk Products’ portfolio which, includes vaping and tobacco heating products.¹

ITCAN is dedicated to conducting its business responsibly, in a manner that meets society’s expectations of a 21st century tobacco and nicotine company. ITCAN recognizes the health risks

¹ We use the term ‘Potentially Reduced Risk Products’ (or PRRPs) to cover tobacco and nicotine products that, based on the available science, have been shown to be reduced-risk; are likely to be reduced-risk; or have the potential to be reduced-risk, in each case if switched to exclusively as compared to continuing to smoke cigarettes

associated with tobacco and nicotine consumption. We support constitutional, reasonable and evidence-based regulation.

3. CIGARETTE FILTER TECHNOLOGY

Filters are an important part of the design of a cigarette; they filter and reduce the number of toxicants inhaled by consumers. Modern cigarette filters are made primarily from cellulose acetate which is derived from sustainably sourced wood pulp and makes up more than 90% of a cigarette filter. While cigarette filters biodegrade faster than petrochemical-derived plastics, such as straws and plastic cutlery, which do not biodegrade at all², they currently do not biodegrade quickly enough to avoid short-term littering problems and currently there are no internationally recognised biodegradability standards to which we can work.

For decades the industry has conducted extensive research into alternative materials to cellulose acetate and BAT has commissioned more than 20 different projects exploring the potential development of such alternatives. Given our primary objective is to mitigate the negative impact of smoking on consumers' health by ensuring that toxicants do not increase, cellulose acetate has remained the primary filter material. Thus far, its intrinsic filtration characteristics and efficiency have not been matched. Whilst there is currently no feasible alternative to cellulose acetate for filters, BAT is absolutely committed to finding a solution. We continue to invest and innovate to test and develop alternative materials, both internally and with third party suppliers.

Full removal of cellulose acetate from filters is not currently a viable policy objective for tobacco. Should policy makers insist on a switch to biodegradable or non-cellulose acetate filters before it is possible to do so, it would effectively create a *de-facto* ban on our product. This will inevitably result in increasing illicit trade either from markets where such regulation does not exist or from suppliers who do not observe current laws and regulations for tobacco products.

² “Unfortunately, the plastic used to manufacture beverage containers (PET) is not naturally biodegradable...”
www.plasticexpert.com/plastic-technology/biodegradable-plastics/

4. CIGARETTE FILTERS AND THE ENVIRONMENT: EDUCATION AND FINES AS EFFECTIVE SOLUTIONS

Conscientious smokers know that cigarette butts should be properly disposed of in waste receptacles after use, but unfortunately there are still those who unthinkingly throw their used filters on the ground or into a body of water. These improperly discarded filters do create an unsightly and potentially impactful environmental problem. Our company supports consumer education campaigns and the use of regulatory fines to discourage the environmental impact of discarded cigarette filters. Fines clearly discourage offending consumers. For example in Singapore, where the fine increases in case of repeated littering and may be as high as S\$5,000 (around CAD4,800), a survey conducted in 2011 showed that 69.1% of the respondents consider that the signage “do not litter, S\$300 fine” is effective and 82.7% of litterers thought that fines were effective to reduce litter.³ Other countries including Switzerland, Belgium and France have introduced large fines for butt littering in order to drive societal change and alter consumer mindset when it comes to littering. In our view, it is worth it for the government to invest in consumer education and increasing awareness of the cost of reckless cigarette filter littering by individuals.

BAT acknowledges that cigarette filters provide a waste issue for regulators. However, it believes that the most appropriate solution is promoting the proper disposal of butts so that they don't pollute the environment.

5. CIGARETTE FILTERS AND THE ENVIRONMENT: EPR AS A TOBACCO TAX

Any form of EPR imposed on tobacco manufacturers would inevitably result in a financial levy being imposed upon the products themselves. Tobacco manufacturers possess no expertise or facilities to handle waste collection themselves so all an EPR could accomplish would be to force them to pay some notional portion of the “costs” associated with the clean-up of butt litter. These costs will in turn be passed on to the consumer in the form of price increases on their purchased cigarettes.

There is already a vehicle for paying for externalities caused by tobacco use – excise and tobacco taxes. The creation of a parallel vehicle risks reducing overall government revenue from tobacco products given the tendency for illicit trade to grow when tobacco taxes are too high. We estimate that Canadian governments collect approximately 8 to 9 billion dollars in tobacco taxes annually.

³ Straughan, P. T., Ganapathy, n., Goh, d., & Hosein, E. (2011) Towards a cleaner Singapore: Sociological study on littering in Singapore. Research Collection School of Social Sciences. Paper 2195.

Tobacco products are unique: The tobacco industry is – unlike all other industries that are the subject of potential single-use plastics legislation – already subject to very high excise taxes worldwide. In British Columbia, taxes already represent over 70% of the retail price of cigarettes.⁴ Unlike other products where EPR schemes are applied, governments already apply high excise to tobacco products. These taxes are designed to compensate for the negative externalities induced by tobacco use, not only from a public health perspective but also from an environmental one. This is a key difference with other products which are not subject to similar taxation from public authorities.

An additional EPR levy may reduce total government revenues from tobacco. Canadian governments already set the rate of excise taxation to maximize revenues. Should an additional tax be levied that increases the retail price of cigarettes, there is a risk that it will reduce total tax revenues generated from tobacco products. Raising extra revenues from tobacco to pay for EPR schemes could reduce existing tobacco tax revenues due to consumers switching to alternative forms of tobacco or illicit. This consideration must be included in any impact assessment conducted before any new taxes are applied. Such assessment should include consultation with all relevant stakeholders. It is, therefore, critical that any plastics taxes are levied in a way that is joined-up with broader tobacco fiscal policy and in consultation with other relevant government departments, notably the Ministry of Finance and with the federal government.

We note that the PAP recognizes that federal government has recently announced its intention to ban harmful single-use plastics as early as 2021 to reduce pollution from single-use plastic products and packaging, such as shopping bags, straws, cutlery, plates, and stir sticks. We urge the Ministry to consider carefully the impact of any hasty conclusions on the potential extension of single-use plastic EPR to cigarette filters while this matter is still under consideration at a federal level.

6. CONCLUSION

Cigarette butt litter may have a negative environmental impact and the best methods to minimize the impact of such litter are preventive measures such as consumer education and consumer fines.

There is currently no viable alternative material to cellulose acetate and any mandated switch to an alternative would result in a *de facto* ban on our product. Imposing an EPR scheme on producers of cigarette butts is likely to take the form of a financial levy on manufacturers which will in turn lead to an increase in the price of legal tobacco products. Given the existing large contraband tobacco problem in Canada, a greater price differential between legal and illicit tobacco will lead to an inevitable rise in the volume of contraband products, which in turn will cause a decrease in provincial tobacco tax revenues.

⁴ Non-Smokers' Rights Association/Smoking and Health Action Foundation (See https://nsra-adnf.ca/wp-content/uploads/2018/03/180329_map_and_table.pdf).

For these reasons we recommend against the inclusion of cigarette filters within any aspect of an EPR or any other proposed amendments to the Recycling Regulation. While we discourage the inclusion of filters in the Regulations, we very much stand by our commitment to educate consumers on the proper disposal of cigarette filters. As a Group, BAT also stands by its commitment to continue to invest in innovation and research to reduce the Group's environmental footprint, both in the manufacturing process but also in relation to the materials we use in our products.