



## ACOR SUBMISSION TO APCO “TOWARD 2025” CONSULTATION PAPER

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### *Introduction*

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The Australian Council of Recycling (ACOR) takes this opportunity to provide constructive feedback on the Australian Packaging Covenant Organisation’s (APCO) “Toward 2025” proposed approach to achieve the target of 100% of Australian packaging as reusable, recyclable or compostable by 2025 under the auspices of the Meeting of Environment Ministers (MEM) framework. (ACOR notes the additional targets provided, including 70% of plastic packaging recycled or composted by 2025 and 30% of average recycled content across all packaging by 2025.)

ACOR is the peak body for the recycling sector with some 38 member companies operating across the spectrum of recycling activities of:

- recycle collection, sorting, reprocessing and recycled content product manufacturing;
- recycling supply chains in the municipal, commercial & industrial, and construction & demolition spheres, including packaging from all spheres, and;
- recycle streams from domestic kerbside materials to e-waste materials.

At least two ACOR members are also APCO signatories / members, and ACOR members and ACOR itself serve on APCO’s specialised working groups.

The resource recovery sector in Australia, including value-adding to collected glass, metal, plastic and paper packaging recycle and its remanufacture into new products, represents around 50,000 employees and around \$20 billion of contribution to GDP (while the packaging sector is thought to employ more than 30,000 people and contribute more than \$15 billion to GDP.)

In providing this submission, ACOR notes that opportunities to contribute to the development of the APCO proposed approach have been fairly limited due to what seems to be time constraints. ACOR hopes that greater collaboration, including transparency around the proposed approach and its objectives, will be offered going forward. For our part, we would be delighted for APCO to join us at our upcoming Board meetings and other forms of engagement, which are outlined below.

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## Summary Feedback

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ACOR is strongly concerned that the APCO proposed approach will absolutely not succeed in delivering against the 100% overall target, the 70% plastic packaging recycling target, the 30% recycled content target or other targets because the proposed approach is highly flawed in both practical and policy terms, and could result in an **additional 1 million tonnes of unfunded packaging plastic in the resource recovery system**.

**REASON 1:** While the targets offered by the plan are step-change, the outlined initiatives to achieve them represent **only very minor improvement** on the current voluntary approach that is yielding 'flat-line' performance in packaging recycling rates. Beyond some continual improvement changes to existing programs, **only one new project** is offered by the proposed approach – the Recycling Products Marketplace – and similar Australian projects have not succeeded in delivering substantial change in the past.

**REASON 2:** Moreover, there appears to be no benchmarking data, **no analytical modelling and no quantitative analysis** in the draft approach for why these projects have been selected, what they are likely to substantively deliver, how they will be conducted or how it is even APCO's role or expertise to do even undertake them.

**REASON 3:** The draft plan provides **no funding commitment** – either from APCO, its signatory members, or the packaging supply chain. Simply put, it appears fully unfunded. Unfunded plans do not work, just as unfunded kerbside recycling systems do not work.

**REASON 4:** The major policy assumption of the plan is that voluntary efforts by the packaging supply chain will deliver against the plan's targets; that assumption is deeply flawed. The evidence from Australian and other experiences strongly demonstrates the **short-comings of the voluntary model** in providing optimal environmental, social or economic returns to their societies. Remaining with the voluntary model will put Australia out of step with the majority of developed societies, who are rapidly moving to circular economies in order to claim their benefits.

**REASON 5:** The plan does little to acknowledge or respond to the changed market realities of Australian packaging recycling, including **significantly decreased demand for Australian recyclate**. If the plan's targets were to somehow be achieved, it would result in an avalanche of material – including more than 1 million tonnes of plastic - that cannot actually be recycled on current settings.

ACOR therefore strongly suggests that APCO withdraw this draft of its plan and develop an alternative **Affirmative Approach** that is:

- a) based on rigorous analysis and determination of the true costs and benefits of offered targets;
- b) truly collaborative with the entire packaging resource recovery supply chain, including local government, via a Chairs' & CEOs' roundtable that co-designs a substantive plan to achieve targets;
- c) appropriately funded for both projects and on-going packaging resource recovery activity, such as by local government, and;
- d) based on genuine product stewardship and circular economy principles.

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### *Further Comments*

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#### **LACK OF RIGOUR**

The proposed APCO approach is difficult to have any confidence in as it features virtually no data or evidence or any attempt at applying an analytical framework. It is absolutely impossible to know on what basis the targets provided were determined, beyond some similar targets that currently exist in the UK, and therefore whether they are in any way achievable, especially in an Australian context. Moreover, a “*shared solution*” requires the establishment and agreement around the ‘shared problem’ and its evidence base. The proposed approach is lacking in the intellectual rigour and preparation that is inherent to creating stakeholder confidence and substantive engagement by players along the supply chain.

Additionally, the consultation document has any number of statements and claims that feature no substantiation or further illustration. Crucial among these is the following on page 3: “*Our work will focus on... end-markets to maintain sustainable industries and ensure we buy-back what we recycle.*” On one level, if it were to be truly implemented, this is most welcome. However, due to the paper’s lack of rigor, the statement raises more concerns than confidence. Namely: A) is APCO making this commitment on its part or on the part of those who are signatories? B) what does ‘buy-back’ constitute, including guarantees of purchasing recyclate and in what quantities? Certainly, the revision of SPGs, unidentified “*closed-loop collaboration*” projects and the new Recycled Products Marketplace is a very limited definition of ‘buy-back’ as it has been applied elsewhere.

#### **UNCLEAR VALUE FROM KEY PROJECT**

The proposed Recycling Products Marketplace may be a conceptually welcome initiative in its own right, but, based on the very little detail provided in the consultation paper, it is unlikely to substantially move the dial in terms of demand for recycled content materials or products if it is like past or current attempts. It should be noted that Australia has already significantly attempted similar projects, including the now defunct Buy Recycled Business Alliance and Eco-Buy Victoria. Furthermore, due again to a fundamental lack of any description or detail, it is impossible to tell what the intended scope of APCO’s undertaking will be and how it will be in any way different or better from existing initiatives such as Planet Ark’s Recycled Content Products Directory.

## POOR ROLE DEFINITION

The consultation document puts forward the additional promises that “APCO members purchase recycled content products containing recyclate equivalent to 30% of packaging tonnage sold per annum” and that “100% of Government Departments have implemented a procurement standard that includes the purchase of recycled content”. This raises the question of APCO’s mandate.

It is unclear whether APCO can actually: A) make such a commitment on the part of its members who are voluntary participants faced with few consequences for non-compliance; B) make such a commitment on the part of government agencies presumably across portfolios and Commonwealth, State and local government jurisdictions. It can be likened to ACOR making a commitment on behalf of the Chinese Government that it will continue to import Australian recyclate – which would be treated with the credibility it deserves.

The consultation document also commits to smaller research projects on material flows for packaging waste streams, recycling infrastructure in Australia, and a “review of kerbside co-mingled collection activities to determine current issues and potential alternative models to improve efficiency of collection” and their economic impact. These commitments are: A) in part redundant in that the Commonwealth Department of Environment, presumably at taxpayer cost, has already conducted via extensive consultancies (available from them or ACOR) on the first two aspects; B) outside APCO’s role or skill set in terms of kerbside recycling design, as its membership does not significantly reflect the recycling supply chain. The results of such an undertaking – and it may be worthwhile – will be suboptimal if not conducted through an organisation that is representative and respected by its participants and likely to lead to no reform or change. It’s simply not thought through to drive success.

## RISK OF UNSUBSTANTIATED TARGETS

The lack of rigor in the proposed APCO approach truly comes into view with regard to the 70% plastic packaging recycling target. On some cursory analysis, it appears that – if the target were to be fully implemented and assuming the same rate of growth in Australian plastic packaging consumption – this can result in some 1.2 million more tonnes of plastic packaging recyclate in Australia. At present, Australia collects some 300,000 tonnes of plastics packaging for recycling from some 1 million tonnes of consumption. Until recently, 200,000 tonnes or so (some 60% of this material) was exported to Asia, particularly China, for recyclate reprocessing and remanufacture. That market is in radical decline. Hence, we can assume that real domestic demand for plastics packaging recycle is about 100,000 tonnes. Effectively, on current market settings (e.g., those driven solely by organic take-up and a voluntary policy framework), **there could be an additional 1 million tonnes of material per year being stockpiled** and achieving basically no additional environmental outcome at significant cost to some party in in our society.

Moreover, on current settings, the only available funding sources for collecting this material are local Councils and their ratepayers through **increased rates** or waste

charges, or consumers through the expansion of Container Deposit Schemes and the impact that have on product prices.

	<b>Plastics consumption</b>	<b>Plastics recycling (not reuse or composting)</b>	<b>Domestic recyclate market demand</b>	<b>Export recyclate market demand</b>	<b>Material not accounted for</b>
<b>Now</b>	1m tonnes	31%	100,000 tonnes	200,000 tonnes	None
<b>2025 target</b>	2m tonnes	60%	200,000 tonnes	?	1 million tonnes?

### **FUNDING GAP FOR PACKAGING RECYCLING**

It is worthwhile to continue to focus on plastics for the purposes of this submission. According to a 2018 OECD report, the international recycling rate for all plastics is around 15%; Australia is around 11%. Europe's packaging plastic recycling rate is around 40%; Australia's around 31%. In considering how to improve the situation, the OECD recommends statutory – not voluntary – targets for recycling and more Extended Producer Responsibility schemes.

This is a clear recognition that internationally – as well as in Australia – the cost of the collection, sorting, transport, reprocessing and remanufacturing of plastic packaging (primarily through kerbside recycling) is not 'covered' by the revenue from the commodity value of plastic recyclate, and that plastic recyclate it is generally not cost competitive to 'virgin' plastic. By collecting more material as a result of a voluntary 70% target – without additional revenue either in the form of commodity value or direct funding injection – we will actually expand the already existing and growing funding gap for kerbside recycling and make it in an increasingly marginal and risky commercial activity. Players will look to drive down costs and mitigate risk, including reducing capital investment (which is precisely what is needed in Australia); players who cannot secure contracts with local government that sufficiently cover their operational and reinvestment costs through adequate gate fees will look to exist the market.

Other developed societies have long recognised this dynamic and constructed their policy frameworks accordingly – be it Extended Producer Responsibility provisions on brands and manufacturers in Europe or agreed cost distribution models in societies such as Ontario. All of these societies feature better recovery rates than Australia.

### **LIMITED REFERENCE TO REALITY**

The APCO approach seems not informed by a whole series of contextual factors that any reasonable approach should consider and in part be shaped by. For example, while urging more recycling, the proposed approach does nothing to acknowledge and address declining markets for recyclate. APCO has separately estimated that the value of a commingled tonne of kerbside packaging recyclate has recently declined by up to \$80 per tonne. Given that is the case, any legitimate plan for the

future would put forward substantial undertakings to keep the kerbside recycling system sustainable – before even offering new targets. Now and into the future, only a funded packaging recovery and recycling system is sustainable for all its stakeholders – including brand owners, packaging companies, APCO members, the recycling supply chain, Councils and consumers/ratepayers. For its part, ACOR via MRA Consulting has modelled that a one-off injection of \$150 million is currently necessary to keep 50% of the tonnes currently being exported in Australia and reprocessed / remanufactured here. This includes infrastructure investment for materials such as paper and pulp, glass and plastics.

Nor does the proposed approach seem to consider factors that are specific to packaging's on-going role and likely evolution. For example, EuroMonitor International, a respected industry report, notes the following trends:

*“Convenience was among the main packaging trends in several food categories in 2017, including baby food, dairy, ready meals and sauces, dressings and condiments. This has led to increases in the use of thin wall plastic containers, plastic pouches and various convenient types of closures.”*

*“The popularity of craft beer and craft RTD tea continued to increase in Australia throughout 2017 and this boosted interest in 330ml aluminium cans, the favoured packaging format for many craft beer brands, and small glass bottles, which are used by many craft RTD tea brands. These products focus more on quality than quantity and are thus offered mainly in small pack sizes.”*

*“Packaging is increasingly being used as a point of differentiation in beauty and personal care as companies and brands seek to add value, achieve visual impact and excite consumers.”*

Hence, if packaging is following consumers' desires toward more complex packaging, including a variety of plastic components and colours, this is more than likely to lead to great net cost to an already overly complicated packaging recovery and recycling system. Indeed, if this is in fact the consumer and industry trend, significant more thought needs to go into how to affect behavioural change and design a packaging design, manufacture, use and post-use approach that is aligned with a circular economy.

Additionally, the consultation paper fails to acknowledge and factor for rapid change in the packaging recovery and recycling process itself. Namely, there are now active Container Deposit Schemes operating in South Australia, the Northern Territory, New South Wales and the Australian Capital Territory – with Queensland and Western Australia likely to come on line in the next two years. This is having a substantial effect – in some examples positive and some examples negative depending on perspective and position – on kerbside recycling and conventional away-from-home recycling in terms of material flows, stream compositions and certainly system financial arrangements. Again, any legitimate attempt to nominate a 70% target or related targets would need to demonstrate how this major structural shift has been accounted for.

Finally, the consultation paper fails to acknowledge current public policy processes that are material to packaging and its recovery. These are primarily: MEM's April commitment to developing domestic recycling capacity; MEM's commitment to update the National Waste Policy according to circular economy principles, and; the review of the Product Stewardship Act. The approach put forward in no way attempts to even reconcile itself with these important initiatives, which is of great concern with regard to competency given that APCO states that it "*acts as the delivery arm for government in regard to packaging sustainability*" (while the MEM April statement says simply that "*Government will work with APCO to deliver this [70%] target*").

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### *Real Solutions and Real Collaboration*

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ACOR advocates an alternative and affirmative approach to the delivery of the 70% reusability, recyclability and composability target that has been adopted by MEM, and the other targets put forward in the discussion paper by APCO.

An **Affirmative Approach** would have three elements: Process, Principles, and Projects.

#### **PROCESS**

1. Use the opportunity of the update of the National Waste Policy (to be renamed and extended into 2019 for completion) to optimise packaging resource recovery in Australia in a circular economy context.
2. In the context of the new National Resource Efficiency Policy, create and service an on-going Chairs' and CEOs' Roundtable that is representative of multiple stakeholder perspectives in the packaging resource recovery chain, including its government, industry, and community components.
3. Use the Roundtable process to evaluate evidence about the economic, social and environmental performance of the current policy settings for packaging resource recovery and the likely performance trajectory of the current voluntary policy framework and alternative options to it, such as Extended Producer Responsibility and the "hybrid" models prevalent in Canada.
4. Use the Roundtable process to assess the materials flow and recycling infrastructure studies already undertaken by the Commonwealth Government.
5. Use the Roundtable process to then co-design policy principles and implementation plans around the 70% target and other targets, and to drive accountability on MEM's behalf across all stakeholder groups for their achievement.



## PRINCIPLES

- Waste disposal levies by States have a limited positive impact on the recovery of packaging – which is light and heterogenous – for recycling. Additional policy measures are necessary.
- Packaging resource recovery should be optimised in a circular economy context.
- Packaging resource recovery should be based on evidence of preferred practices.
- Packaging resource recovery policy should be co-designed by multiple stakeholders along the packaging resource recovery supply chain.
- Packaging resource recovery can only be optimised when it is fully funded as a distinct activity rather than reliant on commodity returns in unstable global markets. This involves either reducing the system's costs or increasing revenue into the system. Measures to reduce cost or improve efficiency can include: standardisation of material collection scope; community education on collection presentation; industry accreditation; improved strategic planning for resource recovery facilities. Measures to increase revenue can include: compulsory EPR arrangements with brand owners and retailers; negotiated 'hybrid' funding arrangements underpinned with true consequences for 'free-riders'; one-off investment in recycling infrastructure including domestic reprocessing capacity; mandated recycled content quotas.
- The true, whole-of-life costs of packaging resource recovery need to be made transparent and then distributed in the most efficient and equitable manner through a process of stakeholder cooperation and negotiation.
- Packaging resource recovery in Australia can only be optimised with the development of domestic demand and infrastructure for collected recycle.

## PROJECTS

The following list is put forward as an example rather than as recommendations (which should flow from a genuine, multi-stakeholder process as outlined above). It presumes the current 'voluntary' and continual approach that APCO is enshrined in. ACOR stands ready to work with APCO on each of these projects and to provide resources to them.

- **National anti-contamination education campaign.** The NSW EPA has agreed to fund Project Yellow in NSW as developed by ACOR and as 'signed off' by a broad spectrum of national stakeholders, including local government and the Australian Food & Grocery Council.
- **Standardisation of kerbside recycling** boundaries. E.g., what's in and what's out in terms of materials and products to be collected at Council level. To keep



admitting more items into the system will only add to its already unfunded cost. The UK and others have developed

guidelines: <http://www.wrap.org.uk/collections-and-reprocessing/collections-and-sorting/kerbside-collections/reports/recycling-guidelines>

- **Regular auditing to determine average quantities and quality** from technically different collection/sorting arrangements. This used to happen in Australia through the National Garbage and Recycling Bin Audit (that the beverage industry funded and conducted). Such a tool shows what the preferred practices are - both in terms of how much is collected and the quality of what's collected - from different bin variations (2 bins v 3 or 4 or 5 bins; with FOGO and without; commingled versus segregated; weekly or fortnightly etc). Auditing helps determine - in a contract - what results should be expected in terms of recovery rates and loss rates, and what obligations the parties have for improvement over time.
- **MRF fees benchmark** (such as this example); <http://www.wrap.org.uk/collections-and-reprocessing/recovered-materials-markets/reports/gate-fee-report-2016>
- **Recycling commodity price index.** Self-explanatory. They exist either in the 'private' or 'public' domains in several other societies.
- **Kerbside recycling 'unit cost' analysis.** These have been done in Australia in the past, but there is no contemporary Australian equivalent (while it is believed that the Commonwealth is working on a related internal study).
- **Industry accreditation.** Voluntary but verified by third parties and to have standing in EPA site licensing considerations.