



'Opportunities in the circular economy'

IKEA Australia submission to the Australian Government

28 October 2024

This submission from IKEA Australia ("IKEA") is made in our capacity as a values-driven business with a vision to create a better everyday life for the many people. As a leading retailer in home furnishings in Australia, we believe we have a responsibility to play an active role in society advocating for, and promoting, positive change based on our values, which include caring for people and planet.

Thank you for the opportunity to provide a submission to this important topic.

Overview

At IKEA, some of our main priorities are:

1. Drastically reducing greenhouse gas emissions
2. Phasing out fossil fuels across the IKEA value chain and
3. moving toward the use of only renewable or recycled materials by 2030.

To do this, we must decouple our growth from resource use and strive to become a just and regenerative business. We see this as both a responsibility and a business opportunity.

More than 80% of IKEA's climate footprint is currently driven by material extraction and use, operational waste, and product end-of-life (IKEA Climate footprint, FY23).

Transitioning towards a circular business presents the dual opportunity of harnessing new revenue streams and attracting new customer segments while decreasing the risks linked to new legislation, resource scarcity and environmental impact.

We are committed to transforming into a circular business, that takes a lead in the transition to a circular economy. We aim to minimise resource use and waste in line with circular economy principles – where resources are continually reused, regenerated and recycled in a sustainable way.

The global resource scarcity is already impacting the IKEA business and, more importantly, the lives of people throughout the IKEA value chain. So we must further develop responsible sourcing programmes, continue to improve resource utilisation and dramatically reduce greenhouse gases in absolute terms, independent of how much we grow the IKEA business.

For IKEA, we see our role in the circular economy as three pillars:

1. transforming our business: through our product range and operations:

Materials make up the largest part of our climate footprint. As part of our circular ambition, we aim to give products and materials a longer life through the four circular loops:

1. reuse
2. refurbishment (including repair)
3. remanufacturing, and

4. recycling, generating as little waste as possible.

One way we aim to reach this is by developing our products using the IKEA circular product design principles - Democratic Design. This is a method we use to develop products that are more sustainable, beautiful, functional and high quality, at the lowest price possible – good design that's accessible to the many people. The consequences of decisions made at the design stage determine around 80% of environmental impacts. That is why designing products from the beginning to be reused, refurbished, remanufactured and recycled is essential.

More than 9,500 products ranging from furniture to home furnishing accessories, have been assessed for their circular capabilities so far, and circularity is now firmly embedded in the design process.

A key enabler to prolonging the life of products is built-in, easy-fix flexibility.

- For example, the wedge dowel, a click-technique that eases the assembly, disassembly and eventual reassembly of IKEA furniture so the customer can take it with them when they move.
- Extendable beds are designed to grow with your child for many years.

FY24 BILLY – One of our best sellers, was redesigned to improve its circular capabilities. The design reduces the use of plastic and shifts from veneer to paper foil. It has snap fittings on the back panel instead of nails, which makes it easier to repair and possible to disassemble and reassemble, so it's easier for customers to bring BILLY with them as their life and needs change.

IVAR shelves are made from untreated solid wood, which is a durable and natural material that becomes even more durable and easier to maintain when oiled or waxed.

A chair like **GRÖNSTA** would contain glass fibre for added stability. Since glass fibre is not recyclable, the **GRÖNSTA** chair has been developed without glass fibre. Its stability instead comes from the form of the seat.

We also want our customers to **love the furniture they already own**. For many of our product ranges, we sell different components separately. This means customers can purchase a single pillow insert and cover for an existing sofa, extra shelves for a bookcase or new inserts for a storage unit.

Our modular and extensive ranges allow for IKEA furniture to evolve with life, rather than requiring our customers to replace with new items.

To inspire others in circular approaches, we have shared our insights through an online, easy-to-use interactive tool created for designers, companies, and anyone who wants to assess the furniture and home furnishing products they already have at home.

[Designing for a circular future – IKEA Global](#)

2. inspire and enable our customers:

Our ambition is to inspire and enable as many people as possible to live healthy and sustainable lives, and to make doing so easy, attractive and affordable. Most people do not know what the

circular economy is¹ and we see it as our role to make it tangible; such as extending the life of our products with free spare parts and with circular services, such as our Buy Back offer.

3. Collaboration with government, industry, business and society

This transformation is one of our biggest ambitions and challenges for the future and we cannot do it alone. Key to achieving our big goals is our work with like-minded organisations, government and the broader community, and we actively welcome the opportunity to collaborate and co-create solutions to our shared challenges.

¹ [The Fifth Estate, 2022](#)

Information request 1: Circular economy success stories

Buy Back service

People are realising the many benefits to buying second-hand products, where they can save money and lighten their load on the planet.

Buying back, and reselling pre-loved IKEA products is a way for us to give these products a second life and offer our customers a chance to save money, as they never pay more than half of the original price on these products. IKEA customers have the unique opportunity to return their eligible pre-loved IKEA products to the Buy-back service. In return, customers are offered an IKEA refund card of up to 50% of the returned product's original value.

The Buy Back service is part of our 'As-is' hub, which is also home to: products previously on display, discontinued, returned items and products with minor cosmetic damage.

In 2021 we worked with the Product Stewardship Centre of Excellence to develop a case study that can be found [here](#).

Free spare parts

We also offer free spare parts – online, with free delivery, and in all our stores – so customers can keep the IKEA items they love in use for as long as possible, whether a part may be missing, broken or needed to renew a product – such as when moving house.

32,280 orders for spare parts were made online for IKEA Australia in 2023.

Product Recovery & Quality

We also have a Product Recovery & Quality department within all IKEA stores dedicated to preventing product waste, which in turn generates cost-savings.

Starting with prevention – avoiding damage to our products, and using customer feedback to minimise returns – we then work to recover IKEA products that have been 'written off' – either damaged, returned or ex-display stock

The Product Recovery & Quality team will assess the condition of the product and then take action to recover the product:

- Repacking: where only the packaging is damaged, they will repack into a saleable condition
- Alternatively, the product is built and sold in our 'As-is' department, or broken down for spare parts if this isn't possible

Unfortunately, not every product can be recovered or kept as a spare part. The team will ensure product waste is handled in a sustainable way, breaking down products to recycle through waste streams. When we have large volumes of excess products, we work with our charity partners to support local communities. IKEA is working with Good 360 to find a home for discontinued, ex-display or excess products for people who need them. Good360 is a charitable organisation that connects business with societies most vulnerable. Since our partnership with

Good360 Australia began in June 2023, IKEA has donated close to 8,000 items, with a value of more than \$485,000 (RRP) to 42 different charities. Over 4,850 people have been supported across Australia.

Over 640, 000 IKEA products were given a second chance at life last year at IKEA Australia, avoiding landfill.

Partnerships

We are always looking for innovative partners to work with us to meet our big goals. A good example of this is our partnership with Worn Up - an Australian textile upcycling start-up business. In 2022 we worked with them to recycle IKEA Australia uniforms.

To upcycle, Worn Up processed IKEA uniforms into a prototype for a new, waste-based fibre composite called FABtec. Testing by the CSIRO has confirmed that this material can be recycled up to two times without losing any integrity and the material can then be turned into a different product.

We've since expanded the scope to cover other textile waste in the business, however for Worn Up to be able to provide this service for us with our required volumes, they need to scale up.

We believe innovative solutions like Worn Up is pioneering is what we need to make impact at scale, so we will continue to support where we can to make this happen - but we also encourage governments to make further investment to spark innovation to these complex challenges.

Investment

We are always on the lookout for good investment opportunities, through Ingka Investments, the investment arm of our business.

In the Netherlands, IKEA is one of the biggest manufacturers of mattresses. Ingka Investments has invested in RetourMatras - a company which has the capacity to recycle all the 1.8 million mattresses being disposed of in the Netherlands on an annual basis. It converts the foam from discarded mattresses into repolyol, the main building block for new foam, with up to 90 percent of the material from a mattress able to be reused. It was able to make this investment commitment based on the 'Extended Producer Responsibility' for mattresses shifting from voluntary to mandate by the government, to provide the certainty of material inputs for recycling.

In addition to lowering the climate footprint, the cost of recycling for IKEA Netherlands was lowered while at the same time making it easier for customers to return and recycle their disposed mattresses, no matter if they originated from IKEA or elsewhere. RetourMatras continues to work with IKEA on material development.

This is a great example of how economically viable mattresses recycling can be achieved. Ingka Investments is now exploring how they can roll out mattress recycling to our other European retail markets, with a focus on France, Sweden and Switzerland.

Information request 2: priority opportunities to progress the circular economy

Behaviour change: shifting the 'throwaway' culture mindset

While single-use packaging will have a role in the consumption of takeaway food and beverage items, there is a big opportunity to reduce the volume that is used if there's a shift to using reusable items or other solutions by consumers where possible. This could include reusable coffee cups, utensils, bags, containers. While this is a harder change to make, it can be catalysed by governments, schools, not-for-profits and businesses through incentivisation and inspiration. More investment in this focus is encouraged by governments and we invite collaboration in this respect.

Information request 3: Hurdles and barriers to a circular economy

Current and future recycling infrastructure requirements.

Often single-use items are being replaced with materials with supposedly less environmental impact. However, if these materials have specific requirements to be recyclable or compostable the infrastructure requirements should be available before these replacement materials are approved by governments. Recycling infrastructure, as well as market demand for recycled content, needs to be considered for these alternatives to be effective. For example, the replacement of compostable coffee cups in place of plastic-lined coffee cups is not yet effective as there is no effective widespread recycling infrastructure in place to support this in the states that have mandated this.

Additionally, this packaging should meet appropriate standards/definitions that suit the infrastructure available and be clearly labelled to a specific requirement. Compostable items in landfill are considered potentially more negatively impactful than disposable items² and contaminate recycling facilities if incorrectly recycled. Furthermore, we welcome the mandate of packaging product stewardship and urge this to include contribution to infrastructure development.

The location of consumption also should be considered for effective recycling and to reduce pollution. For example, a takeaway coffee would be most often consumed outside the home, and packaging disposed of in a public location. Therefore, a collection point for compostable packaging kerbside might not be the right solution to deal with takeaway packaging, but rather in public areas where local councils might be supported to deliver this service.

Finally, the unintended consequences of any regulation should be thoroughly explored. For example, the banning of light weight plastic bags has led to their replacement being a heavier weight plastic bag. It may be regulatory compliant but not achieving the intended environmental impact because it is not shifting behaviour.

Information request 4: Governments' role in the circular economy

For any linear businesses taking steps towards circularity, operational waste and soft plastics, particularly in retail, present a significant challenge to divert from landfill. As a business

² [Compostable coffee cups causing FOGO confusion as WA transitions to plastic-free - ABC News](#)

operating nationally with retail operations across NSW, ACT, QLD, VIC, WA and SA, it is becoming increasingly more challenging and costly to implement plastic bans on a state-by-state basis. We strongly urge the alignment and consistency in policy and regulation on packaging from a national standpoint. This will make it easier, more cost effective and less resource intensive for businesses to be compliant – time we can spend dedicated to other environmental challenges.

Consider how the Australian Government can work with other governments to ensure that demand can be driven for recycled content from a resource stream and how it is balanced in relation to the supply. Taking the learnings from the collapse of REDcycle where the supply of soft plastic content far eclipsed demand for recycled content, supporting regulation to mandate the use of recycled content in packaging would secure the demand.

Co-funding of infrastructure, and supportive policy for private investment will also be important levers for the government.

The government has a critical role to play in the catalysation of the circular economy. Recycled content must be more appealing for businesses to use above virgin materials, either through subsidisation of recycled materials or a mandate for its use; alternatively ban on virgin materials. The free market cannot expect to take this up without incentivisation or regulation, especially with so little infrastructure in place.

As a business, we welcome stronger government regulation on packaging including the mandate of recycled content and restriction of virgin materials that is fully aligned from a national perspective. Furthermore, we welcome government action to support the appropriate infrastructure development through policy and budget action. This should include clarity and regulation for businesses to contribute to this infrastructure through product stewardship mandates.

Closing statement

As a multi-national business [committed to a circular transition](#), we welcome the opportunity to share our learnings and insights from our work around the world on this challenge in Australia. Please get in touch if you need any more information on this submission.

About IKEA

IKEA offers well-designed, functional and affordable, high-quality home furnishing, produced with care for people and the environment. There are several companies with different owners, working under the IKEA Brand, all sharing the same vision: to create a better everyday life for the many people. IKEA was founded in Sweden in 1943. www.ikea.com.

The first IKEA store in Australia opened in 1975 and has evolved from a 'cash and carry' business to become an omnichannel retailer. As of July 2024, we employ approximately 3,700 co-workers who meet the needs of thousands of customers across Australia each day in-store, online and over the phone.

We currently operate **10 stores** in Australia, across 6 states and territories, and **3 plan and order points** (one in each Perth, Sydney and Greater Melbourne) which are bespoke planning studios to support customers with more complex home furnishing purchases, such as kitchens or wardrobes. These are referred to as "customer meeting points" in this document.

Customers can also **shop online** through our website and IKEA app, place their orders with one of our IKEA specialists over the phone, online chat or book a virtual planning appointment for personalised design advice for almost any room in their homes through **remote shopping**. For our **small business customers**, we have a range of personalised services and design tools through "IKEA for Business."

Ingka Group

With IKEA retail operations in 31 markets, Ingka Group is the largest IKEA retailer and represents about 90% of IKEA retail sales. It is a strategic partner to develop and innovate the IKEA business and help define common IKEA strategies. Ingka Group owns and operates IKEA sales channels under franchise agreements with Inter IKEA Systems B.V. It has three business areas: IKEA Retail, Ingka Investments and Ingka Centres. Read more on www.ingka.com.

IKEA is committed to the Paris Agreement and to contribute to limiting the global temperature rise to 1.5°C. This includes a commitment to reducing absolute GHG emissions from the value chain by at least 50% by FY30, compared to a FY16 baseline, and to reach net-zero emissions by the latest FY50, without relying on carbon offsets to meet this absolute reduction target. In addition, IKEA will remove and store carbon through forestry, agriculture, and products, along with contributing to additional reductions in society by going beyond our value chain. As we enter a pivotal decade for climate action, Ingka Group, through Ingka Investments, is significantly boosting its renewable energy investments to EUR 7.5 billion, targeting 100% renewable energy throughout its value chain. Since 2009, Ingka Investments has allocated around EUR 4 billion to wind and solar