

Alison Roberts
Commissioner
Productivity Commission
GPO Box 1428
Canberra City, ACT 2601

13 November 2024

Dear Commissioner,

RE: Submission by the Australian Packaging Covenant Organisation to the Inquiry into Opportunities in the Circular Economy

On behalf of the Australian Packaging Covenant Organisation (APCO), I am pleased to submit our response to the Productivity Commission's inquiry into the circular economy. APCO recognises the importance of fostering a circular economy in Australia to achieve long-term environmental, economic, and social benefits. This submission addresses APCO's role in advancing the circular economy for packaging and the importance of government collaboration to support this effort.

As Australia's co-regulator of the packaging system under the National Environment Protection (Used Packaging Materials) Measure (NEPM), APCO has developed a 2030 Strategic Plan to address barriers to circularity. The attached APCO documents – *APCO 2030 Strategic Plan* and *Review of the 2025 National Packaging Targets* – provide detailed insights into APCO's strategies and initiatives in this space. These include a comprehensive approach across the entire packaging lifecycle and the necessary collaboration with government and industry to support Australia's circular economy goals.

1. APCO's 2030 Strategy for Achieving Circularity

The attached APCO [2030 Strategic Plan](#) highlights several key initiatives that align with Australia's circular economy objectives:

- **Eco-Modulated Fees:** The 2030 Strategic Plan replaces, from financial year 2026-27, APCO's turnover-based fee structure with eco-modulated fee model – a financial mechanism that will promote innovation and sustainable design throughout the packaging lifecycle. When fully implemented, the new fee model will incentivise more sustainable and circular packaging design while aligning members' financial contributions with the cost of collecting, sorting, and reprocessing the packaging they place on the market. Additionally, it will recognise and incentivise circular outcomes like reuse systems.
- **Service payments to address economic barriers to recycling and circularity:** The 2030 Strategic Plan establishes that APCO will use funds raised through eco-modulated fees to address economic barriers to collection, recycling and end markets for packaging waste. Simply put, it costs more to collect and recycle some materials than the value of the recycled materials. In the absence of funding for recycling, for example from local governments through kerbside or through container deposit schemes, material is sent to landfill. APCO will deliver funds to the downstream system in the form of service payments under contract with producer responsibility organisations or other operators. If they are to deliver the required

increase in recycling, the payments will need to be sufficient to sustain the required level of operations, ensure recycled materials are competitive at market, and incentivise private investment to close infrastructure gaps.

The most difficult challenge under the 2030 Plan is the establishment of a system to collect, sort, reprocess and market soft plastics. While other materials, such as paper, paperboard and glass have systems in place that allow for incremental improvement, the system, including reprocessing infrastructure, is largely absent for soft plastics. APCO is aiming to divert substantial volumes of packaging from landfill, which over time will be in the order of an additional 400,000 tonnes of soft plastics and 220,000 tonnes of rigid plastics per year. Despite the substantial economic cost to establish and operate a circular system for soft plastics, APCO considers that this is essential to provide brand owners with the social licence they need to keep using soft plastics in the near term, and to enable the potential future value of soft plastics as a packaging material to be realised over the longer term, with reduced environmental and social impact.

Even where systems are in place, vast quantities of packaging are sent to landfill each year, including more than 1.1 million tonnes of paper and paperboard and more than 500,000 tonnes of glass. Under the 2030 Plan, APCO aims to reduce the total amount of packaging sent to landfill each year by 1 million tonnes, even allowing for an increase in packaging placed on the market over that time. Key tools in this effort will include a national consumer education campaign to increase recycling at kerbside and decrease cross contamination between material streams, outreach to businesses to increase on-site recycling and uptake of reuse models and, potentially, working with kerbside operators to increase collection and sorting.

Detailed data on the amounts of packaging materials placed on the market and their fates in the downstream system is available in APCO's report [APCO Australian Packaging Consumption And Recovery Data 2021-22](#).

These investments will help close critical gaps in Australia's recycling capacity, reduce overall environmental impacts, and increase the availability of recycled materials in the domestic market.

- **Data and Accountability:** Collection of data throughout the system, including through surveys and direct reporting, is essential for tracking progress, assessing gaps, and ensuring accountability across the packaging lifecycle. APCO is working to improve data availability and quality to enable evidence-based decision-making and targeted interventions.

2. Advancing the National Packaging Targets and Key Findings from the 2025 Review

The [Review of the 2025 National Packaging Targets](#) underscores the role of ambitious targets as a catalyst for industry change. In pursuing the targets within their own businesses, many of APCO's members have made significant advancements in packaging redesign and retooling production lines for new materials and format. Major challenges remain, especially in meeting the 70% recycling and composting target for plastic packaging. The review findings indicate a need for longer-term targets and a supportive regulatory framework to address infrastructure, economic barriers, and inconsistent collection practices across states and territories.

3. Importance of Government Intervention and Regulatory Reform

APCO supports robust government intervention to address critical regulatory gaps and ensure a level playing field for all participants. Key recommendations include:

- **Addressing Free Riders:** APCO has called consistently for effective implementation by governments of the existing NEPM framework, including enforcement to prevent free-rider behaviour, which undermines industry efforts and the effectiveness of the co-regulatory system. The government's role is vital in ensuring that all brand owners contribute equitably to circular economy initiatives.
- **Incentives and Standards:** Government incentives and recycled content standards will stimulate demand for recycled materials and strengthen market stability. A consistent framework will help Australia meet its packaging recovery goals.
- **Traceability and Certification Standards:** APCO emphasises the importance of traceability and certification standards to verify recycled content claims, particularly within global supply chains. Robust traceability standards, supported by government regulation, are essential to ensure compliance and transparency in recycled content claims, which will increase industry and consumer confidence in recycled materials and ensure Australia's circular economy goals are met (APCO Recycled Content Options Paper).
- **Collaborative Policy Development:** Collaboration across federal, state, and local governments is essential to harmonise recycling standards and infrastructure, particularly for flexible plastics and non-kerbside materials.

4. Recommendations for Further Action

To maximise Australia's circular economy progress for packaging, the following are critical:

- **A clear and effective transition from the current co-regulatory framework to a reformed framework for packaging:** The Commonwealth will implement a regulatory framework for packaging, most likely an extended producer responsibility approach with a non-government administrator with a similar role to APCO's, and similar outcomes as those under APCO's 2030 Plan. This might not be in place until 2028 or 2029. The 2030 Plan requires APCO, its members and downstream operators to invest in packaging design and retooling, operational activity and infrastructure. While it is likely that many businesses will continue this investment, the risk of reform shifting the goal posts is real. A lack of clear signalling will constrain investment, and a significant change in direction risks stranding assets and business models. APCO will be working with DCCEW to ensure APCO can adapt to any new direction taken by government, and to seek the greatest possible clarity on the direction of reform.
- **National coordination and support for infrastructure:** The coordination of increasing collection and sorting of waste, with the expansion of reprocessing capacity, while avoiding excessive stockpiling, is a key challenge. APCO's intended investment in operational activity to increase recycling and incentivise investment will be more effective if it is aligned with support for infrastructure development nationally. This could include coordination of state and territory governments' waste infrastructure plans, and the establishment of national standards for waste infrastructure, for example to enable material recovery facilities to work to clear bale specifications aligned with the needs of end markets. It could also include prioritising and expediting approvals for critical waste infrastructure, and co-investment between industry and governments, for example through the recycling modernisation fund.

- **Enhanced Regulatory Support:** The need for protection from the competitiveness impacts of free-riding under the current framework for packaging has been clearly and repeatedly articulated by governments and industry. The failure of governments to take effective action to implement their own laws, whilst criticising industry for a lack of progress towards targets, is galling. APCO and its members will push ahead with increasingly ambitious action over the next few years. This will ensure the reformed framework commences with industry in a much better position than it otherwise would. This effort is at serious risk if governments do not provide the regulatory support that the framework requires.

5. Conclusion

APCO is dedicated to supporting a circular economy for packaging through innovation, collaboration, and regulatory compliance. The 2030 Strategic Plan and the National Packaging Targets form a cohesive framework that drives progress towards these objectives. However, the role of government remains crucial in managing free riders, establishing incentives, and providing regulatory support to ensure that circular economy goals are realised effectively. APCO looks forward to working with the Productivity Commission and other stakeholders to build a sustainable packaging system that benefits the economy, environment, and society.

Please refer to the documents referenced below for detailed information on our initiatives, strategies, and recommendations. Should you require further information, please do not hesitate to contact me directly.

Yours sincerely,

Chris Foley
Chief Executive Officer
Australian Packaging Covenant Organisation (APCO)

References:

1. APCO 2030 Strategic Plan <https://documents.packagingcovenant.org.au/public-documents/2030%20Strategic%20Plan>
2. Australian Packaging Consumption and Recovery Data 2021-22 <https://documents.packagingcovenant.org.au/public-documents/APCO%20Australian%20Packaging%20Consumption%20And%20Recovery%20Data%202021-22>
3. Review of the 2025 National Packaging Targets <https://documents.packagingcovenant.org.au/public-documents/Review%20of%20the%202025%20National%20Packaging%20Targets>