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The Chair,
Australian Government Productivity Commission
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Dear Chair

Introduction

WRAP is a global environmental action NGO transforming our broken product and food systems. Our mission is to embed Circular Living – for the benefit of climate, nature and people.

The way we make and use our products contributes significantly to climate change and biodiversity loss, and there is an urgent need for us to act now across nations, businesses, and homes. We need a rapid shift away from the linear 'take, make, dispose' industrial model of the last century. Our aim is to progress the transition to a circular economy by keeping products and materials in use for longer, supporting innovation, adopting new business models and increasing the amount of material that is reused or recycled, as well as minimising waste and reducing the reliance on virgin materials.

For over twenty years, WRAP has delivered programs that reduce CO2 and waste, restore nature, and change people's behaviour. WRAP is on the side of the doers, bringing together businesses, NGOs and governments all over the world to create the systemic change our planet and communities desperately need. We have headquarters in London, Adelaide, and Washington D.C., and projects live in over 50 countries.

We are pleased to share our experiences and learnings from working across the globe. We hope they resonate with the Australian context and highlight the circular economy potential in Australia.

Priority opportunities to progress the circular economy

WRAP identified three key priority actions for accelerating the circular economy:

1. Championing reuse and recycling

   WRAP has worked with governments across the globe to shape policy decisions that can be developed into actions to promote waste prevention and support initiatives that increase reuse and recycling, conserving valuable resources and reducing the carbon footprint of the products we consume. For example, with incoming packaging and waste regulations, the focus is shifting up the waste hierarchy. The Global Plastics Treaty and the upcoming Packaging and Packaging Waste Regulation (PPWR) in Europe both aim for ambitious reuse

targets, so Australian businesses should shape these changes proactively rather than merely comply with new regulations.

Reusable and refillable packaging is essential to creating a circular economy, significantly reducing the environmental footprint of single-use plastics. Through lower resource use, water, GHG emissions, and material consumption are significantly reduced along with citizens engaging in reusable and refillable packaging.

To achieve the scale needed for widespread adoption of reusable and refillable packaging, collaboration across the entire value chain is essential. Businesses must engage with their customers, other brands and retailers, and with the wider value chain to help accelerate the transition. This will achieve design, infrastructure, digital technology and other efficiencies needed to make reuse mainstream. WRAP created a comprehensive guide for businesses in the packaging supply chain. It outlines a step-by-step approach to evaluate their portfolios and identify opportunities for adopting reusable and refillable solutions, and an action plans with key steps and activities that need to happen in the short, medium and long-term by different parts of the value chain. A similar guide and support for industry could facilitate the adoption of reusable and refillable packaging in Australia.

2. Implementing Extended Producer Responsibility (EPR)

   WRAP works with organisations across the globe to provide guidance and expertise relating to existing or potential EPR systems for various problematic waste streams, including packaging and textiles. WRAP has supported and informed the UK Government's consideration and implementation of packaging EPR. This included stakeholder consultation on how to apply the concept of eco-modulated EPR fees in practice; the design and implementation of packaging EPR labelling requirements; and WRAP's Chair, Sebastian Munden, is the Independent Chair of the UK Packaging EPR Scheme Administrator (SA) Steering Group. The purpose of the Group is to make recommendations to support the implementation of the packaging EPR system. Should the decision be made to regulate and implement EPR, consideration could be given to following a similar governance model which allows industry and stakeholders to inform the EPR system.

3. Transition to product circularity

   To transition to a new model of design, make, and reuse we need to change our approach to product creation and consumption. Circular products are products that have been designed, produced, and/or used in ways that eliminate waste, keep resources in use for as long as possible, recover and regenerate products and materials at the end of their useful life. There is an appetite from citizens to buy products designed in this way. Our suite of Circular Living Standards provides a solution for brands and manufacturers to make that transition. The Circular Living Standards are a transparent, science-based, data-driven, comprehensive suite of certification standards tailored to reduce a products impact on the environment, providing confidence that they are:

   - Designed to extend the life of the product (Preloved, Reusable, Refillable, Durable, Refurbished, Repairable).

- Made with circular materials (Recycled, Upcycled, Renewable Content).
- Designed to be recycled or composted at the end of their useful life.

Consideration could be given to adopting consistent circular standards in Australia to support industry to design and manufacture for circularity.

Hurdles and barriers to a circular economy

WRAP identified a key barrier to adopting circular economy practices across the globe is a lack of skills. In WRAP's report for the G7 Seven Steps Towards Net Zero (2022) (https://www.wrap.ngo/resources/report/seven-steps-towards-net-zero). seven strategies are defined, to tackle consumption-based emissions and more towards a more circular economy. The strategies outlined are based on the results of a collaborative resource efficiency modelling project between WRAP and the University of Leeds. It is our understanding that the Australian Government is undertaking similar research to produce a strategy for Australia.

Each strategy has a set of recommended actions. The key skills considered necessary to successfully implement actions within each strategy are:

- Substituting materials - systems thinking, new business models, project and change management, technical, life cycle assessment of new materials, and carbon literacy
- Recycling more – systems thinking, technical, project and change management.
- Designing lightweight products – systems thinking, life cycle assessments (product design and decision making), project and change management and leadership
- Making better use of existing products (e.g. reuse, repair, refurbishment, remanufacture) – data, technical, materials innovation/design, life cycle assessment, change management and leadership
- Switching from goods to services – systems thinking entrepreneurship, new business models, data (e.g. carbon literacy), change management and leadership
- Sustainable healthy diets - health/food education, change management (including behavioural science), data (e.g. carbon literacy)

To deliver the Government's Environmentally Sustainable Procurement Policy, there will be a growing need for the skills to embed sustainable and circular procurement across both the public and private sectors. Not only within procurement professionals, but amongst those specifying products, to better leverage public spend as a driver for the circular economy. WRAP has supported the Welsh Government to embed sustainable public sector procurement in Wales, which also identified this skills gap. With an annual spend of £8bn, the public sector in Wales drives demand for a sustainable and circular economy. The Australian Government has the same opportunity to model and drive a circular economy by supporting the sustainable procurement skill development.

There are also skill gaps in the reuse and repair sector. WRAP's recent review of repair and reuse skills in Wales (unpublished), identified an increased need for specific skills:

- WEEE: Portable Appliance Testing (PAT); Basic Electrical repairs to household appliances (e.g. wiring, cables and plugs); Engineers and technicians with specialisms in electrical, mechanical, plumbing, electronics or refrigeration; experience using hand and power tools, including testing and diagnostic equipment, driving large vans, IT software, gas safety.

- Furniture: Carpentry and Upholstery, including experience of leather and fabric repairs; skills in taking apart and re-building frames; experience in using different woodworking tools (including circular saws) and power tools safely; assembly of flatpack furniture and 'upcycling'/creativity skills.

- Clothing and textiles: advanced sewing and tailoring, simple repairs (basic sewing).

- Transferable and softer skills: marketing, advertising and promotional activities, including use of social media to raise awareness of activities and support the sale of repaired items. Future need for individuals with leadership and management experience and experience in Human Resources (HR) management, and financial management/accounting.

WRAP's (2022) research about the skills gap and investment mechanisms to support the circular economy in Wales found that a wide range of skills are needed to support circular economy development including technical, sector-specific skills, and more general cross-sector skills. However, the time, costs and resources involved in training and educating staff can act as a barrier to skills development in small businesses. These barriers will be similar to those in Australia.

In terms of citizens engagement with the circular economy, we know that barriers can be grouped into 4 key areas: situational (primarily service related), motivational, knowledge, and behavioural. A different barrier will apply when looking at different parts of the circular economy.

WRAP's report Citizen Insights: Clothing Longevity and Circular Business Models Receptivity in the UK (https://www.wrap.ngo/resources/report/citizen-insights-clothing-longevity-and-circular-business-models-receptivity-uk) notes the main barrier for those who say they are unlikely to consider engaging with textile Circular Business Models (CBMs) is motivational and rooted in self-identity, for example the idea that it is 'not really me'. For those who are receptive to any degree, the barriers are focused on situational and practical considerations, as follows:

- Cost is a potential barrier, with 'too expensive' appearing in the top five barriers for all CBMs - particularly the repair, upcycled and subscription models.
- The key barriers for engaging with both the rental and subscription models are concerns about damaging the items, as well as the size/fit of the items.
- For both the pre-loved and upcycled models, the size/fit and condition of the items are key concerns. Another potential barrier is a perception that it would be more difficult to return items.
- For the repair CBM, a key concern is if the item will still look as good/fit the same after the repair has been done (and therefore justifying the cost of attempting a repair).

In comparison, WRAP's assessment of consumers' receptivity to an eco-label for product durability, recyclability and repairability and the potential of ecolabels to influence purchasing decisions showed the barriers are knowledge based (https://www.wrap.ngo/resources/report/assessing-consumer-receptivity-eco-label-product-durability-recyclability-and). Products in scope were washing machines, kettles, vacuum cleaners, TVs, laptops, smartphones, sofa beds, chests of drawers, pillows, duvets and mattresses. Approximately 5% of respondents were 'extremely receptive' to the concept of an ecolabel, with about 34% 'receptive'. The research revealed that publishing information on a standardised basis would influence purchase choices, particularly in relation to durability. Durability was the most influential attribute, followed by repairability, then recyclability. However, ecolabels are not a standalone solution. To influence more sustainable product choices, as well as use, repair and discard habits, ecolabels must be used as part of a wider strategy. A legal basis for ecolabels would also need to be established, ensuring that adoption of labelling criteria involves consumers, provides trust and clarity, and addresses consumer motivations and concerns, rather than simply presenting product information to them.

Governments' role in the circular economy

WRAP's report for the G7 Seven Steps Towards Net Zero (2022) (https://www.wrap.ngo/resources/report/seven-steps-towards-net-zero) outlines several key actions government can take to tackle consumption-based emissions and more towards a more circular economy, including:

- Switching from goods to services:
    - Policies such as Extended Producer Responsibility can incentivise investment in business models that promote durability, re-use and recycling of products.
    - The public sector can also support markets for more sustainable business models by specifying contracts that enable the provision of a service rather than a product
- Make better use of products:
    - consider the role of minimum standards in supporting product longevity. This could include mandatory or voluntary use of standards that address key elements of the design and manufacture of products, such as how they are fixed together.
    - Communication on repairability: In 2021, France introduced a mandatory repairability index for some home appliances and consumer electronics products. The index is reported on a new label on the packaging of products, showing a value from 0 to 10 to indicate how repairable a product is.
- Lightweighting: promote product lightweighting through resource efficiency requirements in product legislation, in the same way that energy efficiency is promoted.

    - Introduce a minimum whole-life carbon standard for both buildings and infrastructure, with differentiated targets by function and usage. Countries such as Finland are in the process of adopting carbon standards.

    - Integrate carbon metrics into decision-making, including requirements in procurement for public sector projects to adhere to these standards.

- Recycle, reuse and repair more:

    - To support industrial competitiveness, policies on industry, resource security and waste management must encourage the use of recycled materials, considering the infrastructure required to enable new markets and sectors to develop. This could include producer responsibility.

    - Statutory targets must be appropriately designed to incentivise reuse, facilitate industry's preparation for reuse, as well as promote collaboration across the public and third sectors. This needs to be underpinned by sound systems and methods to ensure accurate reporting of waste/reuse data.

    - Fiscal incentives such as a plastic packaging tax could also be used to drive demand for recycled content or to incentivise producers to prevent products or materials from becoming waste, and to promote re-use and recycling of products or materials.

WRAP recommends all governments measure and act on the emissions from imported goods generated along their global supply chains (consumption-based emissions), as well as put in place consumption-based accounting methods: CO2 inventories based on emissions arising from imports and exports of goods and services that directly or indirectly involve CO2 emissions and reveal 'carbon leakage' beyond national borders. WRAP believes that the risk of carbon leaking is occurring now and is likely to increase. Other countries, including the USA and some in the European Union, have introduced investment incentives for their domestic industries to reduce their emissions, and to protect their industries from imports associated with environmental impacts higher than domestic production. If Australia does not strengthen its attractiveness for low carbon investment, there is a risk that Australia will not be able to maximise the full potential of such investment.

We strongly advise governments accelerate action to tackle their consumption emissions and to do so in a way that supports a just transition with their supplier nations. This could include adopting consumption-based targets and agreeing to measure and act on them; implementing carbon border adjustments; strengthening consumption-based carbon accounting; engaging in voluntary cooperation with trading partners to allow for higher ambition in their mitigation and adaptation actions and to promote sustainable development and environmental integrity; and providing financial support to supplier nations.

An example of successful government interventions is Wales. In the late 1990s Wales had recycling rates as low as 5%, which was amongst the lowest in the European Union. The Welsh Government recognized the need for action and set an ambitious, multi-year, multi-faceted system

transformation programme. The evidence from Wales shows that effective policy levers, such as statutory targets, implementation of residual restrictions, separate collections, enforcement, combined with local council support, national behaviour change campaigns and grant funding to unlock barriers, are successful at reducing costs, carbon emissions and waste. Today, the UK Statistics on Waste (https://www.gov.uk/government/statistics/uk-waste-data/uk-statistics-on-waste) show that the household recycling rate in Wales continues to increase, while the rate of the UK (total) and England, is decreasing. This year when Wales was announced as the second best recycling nation in the world (https://www.gov.uk/government/statistics/uk-waste-data/uk-statistics-on-waste), the First Minister outlined that the success was in part due to their long-term, system transformation:

> "It's fantastic news that Wales has climbed to second in the world for recycling. This shows what we can achieve when people across Wales work together to deliver against ambitious targets, backed up by investment in our infrastructure. We have transformed from a nation with very low rates of recycling at the beginning of devolution to one of the leading nations in the world and far ahead of the rest of the UK."

Australia has all the building blocks, and willing stakeholders, needed to embed the circular economy and make circular living the norm, not the exception. It is hoped this short overview of international insight and best practice informs the consideration of how to make the change we need.

Yours sincerely

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