

Australian Beverages Council

Submission to the Productivity Commission

Inquiry into Opportunities in the Circular Economy



About the ABCL

The Australian Beverages Council Limited (ABCL) has been the leading peak body representing the non-alcoholic beverages industry for more than 75 years and is the only dedicated industry representative of its kind in Australia. The ABCL represents approximately 95 per cent of the industry's production volume and Member companies range from some of Australia's largest drinks manufacturers to small and micro beverages companies whose drinks are enjoyed nationally as well as around the world. These drinks include carbonated soft drinks, energy drinks, sports and electrolyte drinks, frozen drinks, bottled and packaged waters, juice with no added sugar and fruit drinks, cordials, iced teas, ready-to-drink coffees, flavoured milk products and flavoured plant milks.

Collectively, the ABCL's Members contribute more than \$9 billion annually to the Australian economy and support more than 63,000 full time equivalent employees. The industry pays more than \$1.5 billion in tax per annum along its supply chain and for every direct employee in the beverages manufacturing industry, there are 4.9 jobs required elsewhere in the Australian economy to produce and retail our drinks.

In the international arena, we are proud to contribute our sustainability learnings through our leadership in the International Council of Beverage Association's Asia Pacific Regional Group (ICBA APAC), as well as active participation in the ANZPAC Plastics Pact (the Pact), and the sustainability committees of the International Fruit and Vegetable Juice Association and the International Council of Bottled Water Associations, as well as an accredited observer to the United Nations Environmental Programme Intergovernmental Negotiating Committee on Plastic Pollution.

Summary of Position:

We thank the Productivity Commission for the opportunity to present the non-alcoholic beverages industry's perspective on opportunities in the circular economy. As stewards of Australia's most comprehensive and successful extended producer responsibility scheme, container deposit schemes (CDS) we offer a valuable industry perspective on the opportunities for the circular economy in Australia, recommend areas of collaboration between stakeholders, and offer a vision for the future where Australia is rightfully recognised as a world leader in resource recovery and the circular economy.

Beyond simply resource recovery and carbon reduction, participation in CDS generates strong social and economic dividends for the community. Return points, bulk depots and sortation facilities serve as small business opportunities for local entrepreneurs. Charities, sports teams and school groups gain access to new fundraising streams. Critical resources are preserved as materials, such as glass, are kept active in the economy for an extended period. The CDS model remains one of the most economically successful, robust and transparent approaches to resource circularity and we urge other sectors to leverage this model as they seek to enact producer responsibility.

Transitioning to a circular economy is a shared responsibility among all stakeholders including government, civil society, industry, and consumers. It requires the participation of all actors in the supply chain, including importers, designers, producers, sellers, users, recyclers, and reprocessors. Adopting circular economy principles shifts focus from simply managing material disposal to maximising the value, usefulness and length materials stay active in the economy. This approach prioritizes materials that can be repeatedly recovered, recycled, and reused while paying dividends for domestic industry through increased sovereign capability and economic activity.

Despite high material consumption, CSIRO assesses Australia's circularity rate at just 5.4%, leaving significant room for improvement¹. The ABCL believes there is an urgent need to action opportunities that maximise Australian domestic material circulation, including investments in recycling, sorting and processing infrastructure, harmonisation of kerbside recycling inclusions and Material Recovery Facility (MRF) standards, expansion of CDS to other items in the supermarket trolley, workforce development, and support for regional skills and training, among others. These initiatives will bolster resource recovery, create jobs, and enhance sovereign manufacturing capabilities. Efficient resource recovery also plays a pivotal role in carbon abatement, as the extraction and refinement of materials for use is often significantly more resource intensive than reprocessing existing material.

According to the CSIRO, in 2019 Australia consumed 917 million tonnes of materials, while only 39 million tonnes were recycled. Globally, material extraction doubled between 1990 and 2017 and is projected to double again by 2060 due to economic growth. Future policies must ensure that as material use naturally increases with an increasing population, reliance on virgin materials decreases, while recycled material use grows. This approach minimises economic value being lost to landfill, conserves Australia's resources, and strengthens sovereign manufacturing and processing capabilities.

There is immense opportunity in the circular economy to enhance sovereign capability. Australia remains heavily dependent on offshore transformation of recycled materials, which are exported to (primarily) Southeast and North Asian countries to return as raw materials or finished packaging. As an industry which must use food-grade materials, this lessens traceability and increases the possibility of sub-standard materials entering Australian homes. Facilities which are key to securing Australia's circular future, such as the [Circular Plastics Australia](#) PET facility in the Albury-Wodonga region were enabled through an partnership between government and the beverage, waste, and packaging industries. This facility, with capacity to process one billion PET bottles into recycled feedstock annually, demonstrates how we can utilise private-public collaborations to create domestic infrastructure for successfully reprocessing materials.

As a share of GDP, Australia's manufacturing sector is the smallest among OECD nations, with domestic manufacturing capabilities at roughly half the OECD average. The COVID-19 pandemic exposed vulnerabilities in Australia's supply chain, highlighting the risks of over-reliance on imports. The increasing frequency of natural disasters, regional geopolitical tensions and trade disputes further highlights the need to fortify domestic supply chains against external disruptions, particularly in a nation like Australia that is overexposed to sea lane disruption risk when compared to similar economies.

Embracing the circular economy offers Australia an unparalleled opportunity to enhance resource efficiency, strengthen sovereign manufacturing capabilities, and build resilience against global supply chain disruptions. By fostering collaboration across industries, government, civil society, and communities, Australia can transition to a model that not only preserves critical resources but also delivers significant economic and social benefits to position the nation as a global leader in circularity and sustainable development.

¹ <https://research.csiro.au/circulareconomy/material-flow-report/>

Priority circular economy opportunities for Australia, including identification of the sectors, products or supply chain segments

The ABCL believes that for applicable food-grade containers, the most viable pathway to quickly embed the circular economy in Australia is through the expansion of scope for container deposit schemes around the country. As the custodians of Australia's oldest and most successfully regulated product stewardship scheme in CDS, the beverages industry is a prime example of business and government coming together to successfully manage plastic pollution. While initially developed as key litter reduction initiative, the industry today views container deposit schemes as strategic assets in driving circularity of beverages packaging while having significant benefits for both land and marine environments.

Container deposit schemes as a source separation mechanism lead to more quality recycle, better yield and a reduction in contamination of comingled recyclables. CDS also lead the pack from a litter reduction perspective, and example of which is NSW seeing a 52% reduction in container litter since the introduction of Return and Earn². With the intense work being done by Australian FMCG companies to design for recyclability, we are quickly approaching a point where CDS can include a variety of other non-beverages.

We enthusiastically support the current proposals to expand CDS scope to large juices, cordials, wine and spirits, among others. At the same time, there is an opportunity for Australia to go even further. Currently, a large volume of high-value packaging such as sauces, tinned foods, glass jars and pet food containers go to landfill and pollute our environment needlessly. This is an overlooked source of high-quality material which could be collected using existing infrastructure, re-used, and kept out of the natural environment, just as many beverages containers are. Additionally, integrating glass jars and bottles from the food sector into CDS could near eliminate the issue of glass contamination downgrading paper and fibre streams in mixed kerbside recycling, without the need for a fourth bin for glass.

Adopting a more ambitious approach to the scope of containers collected by CDS would:

- Reinforce and motivate recycling behaviour by Australian households. The broader the range of containers redeemable for a cash incentive, the more likely businesses and households will accumulate these items and claim a refund.
- Fuel and encourage more investment in the local manufacturing industries which underpin Australia's circular economy. In turn, this would support more employment as the domestic recycling sector generates around nine jobs per 10,000 tonnes of waste compared to only about three jobs for the same amount of waste sent to landfill³.
- Support enhanced sovereign capability. It is crucial that Australia secures its container materials supply amid disrupted supply chains and an uncertain global geopolitical environment.
- Have a positive impact on climate change (by recycling plastic, industry lessens its dependence on the manufacture and transport of emissions-intensive virgin materials). It is

² <https://www.epa.nsw.gov.au/your-environment/recycling-and-reuse/return-and-earn> packaging categories without having to make major changes to product design or recycling infrastructure.

³ Access Economics (2009). Employment in waste management and recycling. Australian Government. Canberra, Australia.

estimated that every 1,000 containers recycled through a CDS will prevent the release of 121 kilograms of carbon dioxide emissions⁴.

Barriers to enhanced materials productivity, prospective approaches to addressing them, and recommendations for government policy

Exportation of post-consumer Polyethylene terephthalate (PET)

The recent decision to declassify recycled PET (rPET) pellets as waste has removed the export controls from this material and, combined with continued licensing approvals for the export of flaked PET, has devolved the circularity of beverage containers. The decision has further decreased the availability of domestic feedstock and cannibalised the circular economy for PET drink bottles recovered via CDS. This is a significant leakage of high-quality clean PET material, much of it purchased directly from CDS auction portals. When this material is sent offshore, it is usually for downcycling into single use products such as textiles, rather than remaining circular when domestically reprocessed into rPET CDS-eligible drink bottles. Unfortunately, there have been facilities funded nationally with the express purpose of preparing our valuable recycled materials for offshoring into other sectors⁵. With the current reporting gap sitting at 3-4 years until waste and plastics data is released, there is almost no ability to understand and intervene in these flows until the material has long left our shores.

A direct consequence of allowing rPET flake (and pellet) exports using materials recovered through CDS is that the domestic PET container recycling sector, which has to date played a significant role in the circularity of beverages containers, is already significantly impacted. Since declassification, the price of baled PET bottles collected via CDS has risen from \$100 per tonne to over \$800 per tonne. A significant quantity of those materials is now being flaked or pelletised and exported. The irony is that now some beverages manufacturers are being forced to import rPET from overseas at a significant increase in both cost and carbon emissions, while at the same time paying for material to be recovered through CDS, only to have that material exported to support other nations' sustainability and circularity goals. In addition, once local materials are exported, it is much harder to trace its supply chain, creating difficulty in meeting the government's traceability proposals.

To support the viability of industry and government funded infrastructure, particularly the PET circular economy in Australia, there is an imperative for government to work with industry to ensure that the recycling facilities which serve local businesses have priority access to the post-consumer food grade materials to keep them operating. It is critical that food grade materials are treated as a national resource to be managed carefully, and for local benefit.

⁴ Life Cycle Assessment of the Return and Earn Container Deposit Scheme, 2021.
https://returnandearn.org.au/wp-content/uploads/2018/05/Return_and_Earn_-_Impact_Calculator_-_LCA_full_report_-_11-10-21-1.pdf

⁵ "According to Chairay Sustainable Plastic Company...the company has established plastics markets, after exporting plastic scrap from several WA material recovery facilities and the container deposit scheme to its existing plastics reprocessing facility in Taiwan. The group has agreements with the Taiwanese textile industry for PET and supplied the Japanese automobile industry with HDPE." -
<https://www.businessnews.com.au/article/WA-builds-capacity-to-recycle-onshore>

In an ideal state, circular systems should be working in a closed loop, where materials are collected, processed, and returned to the industry participants funding the scheme. As more categories and industries seek our high-quality outputs for containers, this should be coupled with a commitment to fund the collection and processing of those materials, through CDS. The ABCL strongly believes that priority access to collected materials should be given to parties who fund the recovery of their packaging through a scheme, which in particular ensures that SMEs are able to benefit from their dedication to the circular economy, without being outbid by external parties.

Capacity of Material Recovery Facilities and Sortation Facilities

Currently within Australia there is a major push to integrate recycled materials across consumer packaging. The existing National Packaging Target of 50 per cent average recycled content, as well as the new recycled content timeframe proposed in federal packaging reform, means that the food and drinks industry must secure a wide range of recycled plastics (primarily PET), aluminium and glass for reintegration. Food grade materials are the hardest to obtain as they must be produced at the highest standards of quality and cleanliness.

When the waste export bans were put in place, it became unacceptable for plastic and glass resellers to bundle substandard materials together for shipment overseas. MRFs and sortation facilities were expected to raise the quality of their product to enable processing and sale in the domestic market. While multiple facilities have opened or are coming online to process this recovered PET, HDPE, and glass for reintegration into food and drinks products, overall we have not seen this industry raise to the standard required to perpetuate a thriving domestic circulation of materials.

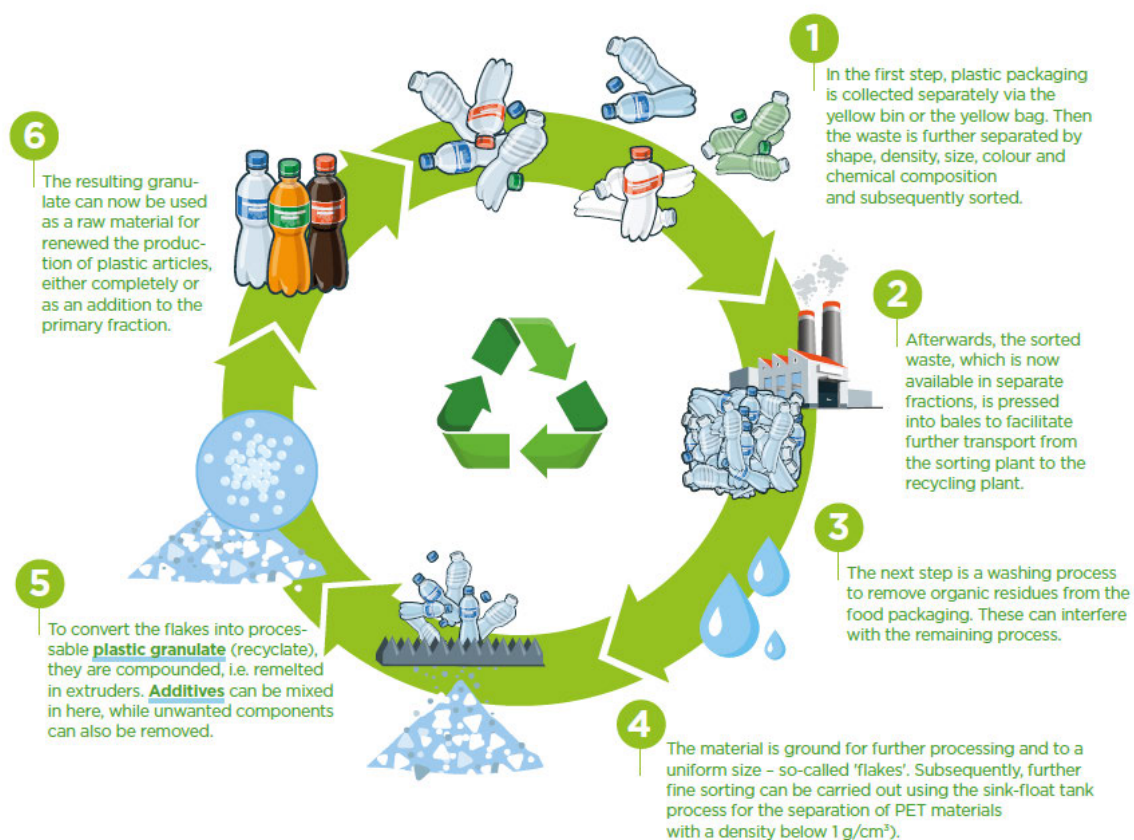
Fortunately, this is not expected to be a charitable exercise for the waste and recycling industries. The need for increased quality comes with a significant increase in the resale price that these facilities can get for their recyclate. PET for example, which is in very high demand and the second most collected plastic by weight in Australia⁶, has seen domestic prices as much as tripled.

Despite a clear domestic value opportunity, codified export restrictions, and significant co-investment in reprocessing from the beverages industry, we still see significant gaps between the quality of material that is put into waste and recovery facilities and the recyclate that is returned to industry. The ABCL contends that it is paramount the materials placed on market are actually captured, and do not become “sustainable” packaging in landfill. If through proposed federal packaging reform, industry is to expend the resources, both human and capital to redesign packaging in line with a standard that increases its recoverability, it must be recovered at that level of quality, without exception.

Materials are only technically recyclable if there is recycling infrastructure operating “in practice and at scale” in the jurisdictions in which they are used. Secondly, a true circular economy is only operating if materials are returned to industry in a form which is suitable for reintegration into more product. If we as a nation are to achieve ambitious circular economy goals, all parties throughout the value chain must raise the quality of their production and outputs simultaneously, including MRFs and sortation facilities.

⁶ [https://documents.packagingcovenant.org.au/public-documents/Australian%20Packaging%20Consumption%20and%20Resource%20Recovery%20Data%202017-18%20Executive%20Summary#:~:text=Of%20the%205.45%20million%20tonnes,and%20metal%20packaging%20\(3.9%25\).](https://documents.packagingcovenant.org.au/public-documents/Australian%20Packaging%20Consumption%20and%20Resource%20Recovery%20Data%202017-18%20Executive%20Summary#:~:text=Of%20the%205.45%20million%20tonnes,and%20metal%20packaging%20(3.9%25).)

In Australia, the current circular economy is not operating as a fluid circle. There is an unofficially accepted break between steps 4/5 and 6 (image, next page), creating uneven responsibility. Industry is expected to design products to enable the highest level of recovery, but there is no imperative for the waste and recovery industries to return those materials back at the same level of value, or to return them at all. Instead, our industry's materials disappear into a complex web of private contracts, with little to no accountability on whether they contribute to domestic circular economy outcomes.



This break in responsibility and accountability impedes multiple circular economy objectives including recycled content traceability, recycled content integration, recycling labelling, and design standards. Redesign efforts by brands are significantly impeded by uneven collection, processing infrastructure, Council waste contracts and local regulation.

Simply put, our circular economy has a black hole.

As the stewards of CDS, we see the positive results a shift to a true circular economy system creates. Multiple container deposit schemes in Australia either have or are about to enact commitments to only sell recycled PET outputs to sources which will keep materials in the domestic circular economy. We hope there will be encouragement, including via this Inquiry's recommendations, for other jurisdictions and kerbside recycling, to follow suit. In some parts of the country, CDS collected

materials are processed, remanufactured and are placed on retail shelves in as little as eight weeks. A closed-loop, domestic circular economy is possible, but only if all parts of the supply chain come to the table with an equal dedication to transparency and accountability.

The non-alcoholic beverages industry is a strong, continuous, established domestic market for recovered food grade PET, glass, and aluminium. Multiple national companies have made pledges to domestically manufacture product lines in 100 per cent recycled PET bottles. With government assistance providing upgrades to local sortation and MRF facilities, local council commitment to harmonise kerbside recycling, and consumer commitment to return their containers, Australia could capitalise on this economic opportunity by optimising domestic recycling facilities for reintegration into home-grown Australian beverage, food and personal care products. The quality of material that typically comes from CDS (food-grade and able to withstand remanufacture into pressurised containers) is perfect to create a closed loop “bottle to bottle” circular economy. With targeted investment, kerbside collection could produce to this standard for other industries as well.

Container Deposit Scheme Disharmony

Container deposit schemes, in some format, are operational in all Australian states and territories except Tasmania (expected to be online in 2025) and are subject to varying regulatory settings in each jurisdiction. The current breadth of differing regulatory requirements presents an unsustainable burden to Australian businesses, particularly SMEs, and acts as a significant disincentive to expansion of CDS-eligible product lines and participation in the Australian circular economy. The resulting growth in CDS compliance consultants, resulting from multiple jurisdictional registration and reporting systems, and a variety of different, often contradictory definitions in each scheme, has created not insignificant financial burdens on the beverages sector, particularly SMEs, to comply with mandated regulations. While elements of a nationally harmonised CDS registration and audit portal are being explored by the HEPA CDS Subcommittee of the Environment Minister’s Meetings, the ABCL believes the scope is too narrow. We have repeatedly shared our idea of a portal that would reduce the burden on industry while providing governments with vital data on a wide variety of CDS circular economy metrics, in a much faster distribution timeframe than the existing data sources mentioned above.

There is an opportunity to harmonise a wide array of administrative and operational functions, reducing the burden on beverages SMEs and enabling transparency across materials recovery data nationwide. These reduce time spent by business inputting data into multiple platforms across multiple CDS. Many SME beverage companies must currently outsource CDS compliance due to lack of resourcing, a cost to business which is not usually accounted for.

A national portal with streamlined back-end functions, single platforms and protocols should encompass:

- container registrations
- supplier registration
- sales reporting and invoicing
- auditing
- the transferring of containers interstate (without having to undertake the separate processes of export and re-registration)

Further cost reduction can be realised through administrative efficiencies, delivered via alignment between schemes and integration with GS1's national product catalogue, Australia's main barcode and product data repository. We see particular potential in the newly launched FSANZ and GS1 Branded Food Database. If integrated into CDS, this database would give manufacturers one place to register their product and packaging information to satisfy a wide variety of regulatory and voluntary requirements.

Collection of bottle caps in CDS and kerbside

Bottle caps are the second most littered item in the Australian environment today, particularly in and around Australia's otherwise pristine waterways. Australians want these caps collected, both in kerbside recycling bins and via CDS. Drinks caps are made from primarily from HDPE plastics, which have strong domestic demand and reprocessing infrastructure.

Caps are a high-value plastic that can be remade into items such as bollards, roads, surfboards and wheelie bins. It's not just plastic caps, metal caps and crown seals are also recyclable so should be collected and recycled.

Facilitating upgrades to sortation and MRF facilities (such as sink-float tanks and bottle perforators) would allow for sortation of this material for resale, enabling collection in CDS and kerbside. This will allow the best economic outcome for recycling businesses and the best environmental outcome for Australians.

The push to 'caps on' across kerbside and CDS is one which has had a considerable positive response on a state, territory and national level and is supported by the Australian Packaging Covenant Organisation (APCO). We anticipate that this will be a position which is adopted across Australia in the near future.

Conclusion

The ABCL believes that CDS offers a unique opportunity beyond simply resource recovery and carbon reduction, generating strong social and economic dividends for the community and Australia. The tremendous opportunity to enhance the circular economy through CDS is not without challenges requiring greater collaboration between government and industry coupled with targeted policy settings:

To achieve these outcomes, government policy should prioritise:

1. **Expanding CDS Scope** to include additional high-value materials, such as food jars and tins, to maximise resource recovery and reduce landfill.
2. **Harmonising MRF standards, kerbside inclusions, and CDS Regulations Nationwide** to streamline compliance, reduce administrative burdens for businesses, and improve transparency.
3. **Strengthening Recycling Infrastructure** to ensure high-quality recycle for reuse, particularly in food-grade applications.

4. **Enhancing Traceability and Accountability** across the supply chain to close the loop on domestic material use and prevent the export of valuable recyclables.
5. **Circularity Enabling Policy** that prioritises participant access to EPR collected materials in the domestic market.

By adopting these measures, Australia can address its low circularity rate, strengthen domestic supply chains, and reduce environmental impacts, while positioning itself as a global leader in resource recovery and sustainable manufacturing. The beverage industry remains committed to collaborating with government and stakeholders to ensure a robust, transparent, and inclusive circular economy for all Australians.

Further Enquiries

Should you have any queries regarding the positions detailed in this submission, please contact:

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