Submission to the Senate Standing Committee on Environment and Communications: Inquiry into Waste Reduction and Recycling Policies

Australian Beverages Council Limited

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About the Australian Beverages Council

The Australian Beverages Council Limited (ABCL) is the leading peak body representing Australia's non-alcoholic beverages industry. For over 75 years, the ABCL has been the only dedicated advocate for this industry, representing approximately 95 per cent of the industry's production volume. Our members range from Australia's largest drinks manufacturers to small and micro beverages companies whose drinks are enjoyed nationally as well as around the world. These beverages include carbonated soft drinks, energy drinks, sports and electrolyte drinks, frozen drinks, bottled and packaged waters, 100 per cent juice and fruit drinks, cordials, iced teas, ready-to-drink coffees, kombuchas, 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 and every direct employee in the beverages manufacturing industry creates 4.9 jobs elsewhere in the Australian economy to produce and retail our drinks.

Internationally, the ABCL is proud to contribute its sustainability learnings through leadership in the International Council of Beverage Association's Asia Pacific Regional Group (ICBA APAC), and through active participation in the Australian, New Zealand and Pacific Islands (ANZPAC) Plastics Pact. The ABCL also contributes to international sustainability policies through participation in the sustainability committees of the International Fruit and Vegetable Juice Association and International Council of Bottled Water Association. The ABCL is an accredited observer to the United Nations Environmental Programme Intergovernmental Negotiating Committee on Plastic Pollution.

1. Introduction

The ABCL and its members appreciate the opportunity to present the non-alcoholic beverages industry's perspective on waste reduction and recycling. As stewards of the nation's container deposit schemes (CDS) - Australia's most comprehensive and successful extended producer responsibility scheme – our sector offers a valuable industry perspective on the opportunities for a thriving domestic circular economy. This submission also recommends areas for improvement and offers a vision for the future where Australia is rightfully recognised as a world leader in resource recovery and the circular economy.

2. Container Deposit Schemes (CDS)

As custodians of Australia's oldest and most successfully legislated set of product stewardship schemes in CDS, the beverages industry is a leading example of business, government and consumers working together to successfully manage plastic pollution. While schemes at launch often have litter reduction as a key objective, the beverages industry today views the CDS network as a strategic asset in driving the circularity of beverage packaging first and foremost, while having significant benefits for both land and marine ecosystems.

For decades the non-alcoholic beverages industry has led the shopping trolley in taking responsibility for its packaging with good results. The most utilised plastic in our sector's containers, PET, enjoys an almost 60 per cent recovery rate across CDS, a percentage far beyond any other plastic type or domestic recovery pathway.

CDS as a source separation mechanism leads to more quality recyclate, better yields and a reduction in contamination of comingled recyclables. CDS also leads the pack from a litter reduction perspective, an example of which is NSW which has seen a 52 per cent reduction in CDS eligible container litter since the introduction of its scheme[1].

Since their inception, state- and territory-led CDS have evolved from a litter reduction strategy into an extended producer responsibility and resource recovery mechanism, supporting Australia's growing circular economy. Our members further invest in the future, contributing to facilities like the Circular Plastics Australia PET recycling facilities in Albury-Wodonga and Altona North, developed through beverages, waste, packaging and government co-investment. Additionally, the growth in glass container recovery is only matched by the investment in new glass beneficiation facilities, such as ABCL member Orora's plant in Gawler, SA. These initiatives help to ensure that materials remain on shore and are recycled into new containers, closing the loop on beverage packaging.

[1] https://www.epa.nsw.gov.au/your-environment/recycling-and-reuse/return-and-earn

2.1 Expanding Scope

Given the clear success CDS has as a litter reduction and resource recovery mechanism, we believe the program could go much further. Currently, a large volume of high-quality PET, aluminium and glass packaging such as wine and spirit bottles, pickle jars, tomato tins, sauce bottles, and pantry item containers needlessly go to landfill. These materials represent an overlooked source of high-quality recyclate that could be collected using existing infrastructure, reused, and kept out of the natural environment, just as many beverages containers already are. Expanding CDS to include glass packaging from other sectors would also reduce contamination from mixed kerbside recycling, eliminating the need for a fourth bin for glass.

Adopting a more ambitious approach to the scope of PET, aluminium and glass containers collected by CDS would:

- Drive packaging reform
  - When most of the supermarket trolley can contain CDS-eligible containers, consumers adjust purchasing behaviour, seeking items they can redeem. The result is a switch by manufacturers to packaging that is CDS-eligible.
- Secure a steady supply of food-grade recycled materials
  - This would directly support the achievement of the National Packaging Targets.
- Drive investment in local manufacturing
  - Strengthening Australia's circular economy, enhancing sovereign capability, and creating more local jobs.
- Reduce emissions and combat climate change
  - Recycling plastic reduces reliance on the production and transport of emissions-intensive virgin materials.

Expanding CDS beyond beverage containers presents a significant opportunity to not only increase the collection of recyclable material but also support the expansion of the domestic recycling and remanufacturing industry, delivering local manufacturing jobs and opportunities for both metro and regional communities.

However, the success of CDS is the ability to maintain the integrity of materials captured in the process and any changes must recognise the criticality of this to the circularity of materials. Currently, the economic and operational model of plastics collected in CDS is based on specified plastics, primarily PET and HDPE, with only a small capture of other plastics, which is gradually diminishing over time. Further, these plastics are of a grade and formulation that ensures food safety and the secure transportation of carbonated and pressurised products.

For materials like glass jars, aluminium and steel cans, adding them to the scheme is relatively straightforward, as these materials are largely standardised and do not require significant changes to packaging design, collection infrastructure or the construction of new transportation lines. However, plastics have a much wider variability in quality, even within a single plastic type like PET.

To effectively expand the scope of CDS while leveraging existing CDS infrastructure and transportation networks, it is fundamental that the new materials fall within established material streams. Otherwise, the recyclate produced may be unsuitable for food-grade use or could even end up in landfill. We strongly recommend that any expansion of CDS scope be developed in close consultation with the beverages industry, packaging technologists, and the waste and resource recovery industries.

2.2 Opportunities for Harmonisation

CDS are operational in all Australian states and territories except Tasmania, which is set to launch on 1 May 2025. However, each jurisdiction operates under different regulatory settings, creating a complex and inefficient system. The ABCL acknowledges the historical contribution of the non-alcoholic beverages industry to this patchwork approach. Now, as the custodian of these schemes, we now have a greater understanding of the intricacies and the importance of harmonisation to achieving circular economy outcomes.

The current regulatory reform agenda provides an opportunity to create greater consistency across CDS and enhance waste management and recycling capabilities. With the correct policy settings in place, our members are in a position to:

1. have their packaging material collected at high rates;
2. incentivise the use of collected material through Container Deposit/Refund Schemes (CDS), closed product loops, by providing participating parties with priority access to collected material to allow them to recycle it back into food-grade packaging; and
3. ultimately as a result, increase recycling rates, reduce the need for virgin production material, and reduce carbon emissions.

Priority access to collected materials

While the genesis of CDS is in litter reduction through the collection of bottles and cans, the value of this material is now an integral part of the overall sustainability value proposition. For this important collection mechanism to fully support the circularity goals of industry, its legislative framework should be amended to enable closed loop circularity. Currently, there is no obligation for the material collected by CDS to be recycled into equivalent containers. As a result, high quality, food-grade material collected by a beverage CDS may be 'downcycled'[2] into non-food-grade packaging (e.g. shampoo bottles, car doors, etc). This not only hiders the creation of closed loop circularity for beverage containers but also creates structural disadvantage as the recycling supply chain for non-beverage containers is effectively being subsidised by beverage companies that run and operate a CDS.

[2] https://www.vitra.com/en-au/about-vitra/sustainability/downcycling?srsltid=AfmBOorgq6INJw_13Zn9KEGcVPdjz0trljq_P7-zy0N4r8HuA3v6wdGH

A strong, national secondary raw materials to market (SRM) enables recyclables, like plastic and aluminium, to re-enter the production value chain and reduces dependency on primary resources. By ensuring a strong and reliable SRM, this helps suppliers in creating packaging made from recycled materials and compliments the Federal Government's National Framework for Recycled Content Traceability.

Scheme Operations

The current breadth of differing regulatory requirements places an unsustainable burden on Australian businesses, particularly SMEs, and discourages the expansion of CDS-eligible product lines and participation in the Australian circular economy. The need to navigate multiple regulatory and reporting systems, along with contradictory definitions across jurisdictions, fundamentally increases compliance costs and has created an entire industry of CDS consultants, further adding to financial pressures on business. Elements of a nationally harmonised CDS registration and audit portal are being explored by the Heads of Environmental Protection Agencies' CDS Subcommittee of the Environment Ministers' Meeting. This work is being led by the NSW EPA. While the ABCL appreciates the intent behind the project, we are of the strong belief its scope is too narrow. There is an opportunity to harmonise a broad range of administrative and operational functions, reducing the compliance burden on beverage SMEs and enabling transparency across materials recovery data nationwide.

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

- Supplier and container registrations
- Sales reporting, invoicing, and payments
- Auditing processes
- Interstate container transfers without the need for separate export and re-registration processes

In addition, jurisdictions should work together to streamline:

- Definitions such as first supplier and contract bottler
- Scope of container eligibility, including glass wine and spirit bottles
- The ARL logo and CDS refund marking to create one clear, concise recycling instruction for consumers (see below)
- A transition to a "caps on" instruction across all schemes
- Circulatory-enabling policy decisions such as mandating the separation and recovery of CDS containers in government owned and operated premises.

Further cost reductions and efficiencies could be achieved by aligning CDS 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 provide manufacturers one central platform to register their product and packaging information to meet both regulatory and voluntary requirements.

Combined ARL/CDS logo

3. Beyond CDS

3.1 Harmonisation of kerbside recycling and Material Recovery Facility (MRF) standards

Australia is currently undergoing 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 reforms, means that the food and drinks industry must secure a significant volume of recycled plastics (primarily PET), aluminium and glass for reintegration. Food-grade materials are the most difficult to obtain as they must be produced at the highest standards of quality and cleanliness to assure food safety.

Following the introduction of the waste export bans, material recovery facilities (MRFs) and sortation facilities were expected to improve the quality of their outputs to enable domestic processing and resale. While multiple new facilities have opened or are coming online to process the recovered PET, HDPE, and glass for reintegration into food and beverage packaging, this industry has yet to reach the capacity needed to sustain a thriving domestic circulation of materials.

Despite a clear domestic value opportunity, codified export restrictions, and significant co-investment in reprocessing from the beverages industry, there remains 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 believes it is crucial to ensure that materials placed on market are effectively captured, and do not end up as so-called "sustainable" packaging in landfill.

Materials are only genuinely recyclable if there is recycling infrastructure operating "in practice and at scale" within the jurisdictions in which they are used. Secondly, a true circular economy exists only when materials are returned to industry in a form suitable for reintegration into new product. If Australia is to achieve its ambitious circular economy goals, **all stakeholders across**

the value chain - including MRFs and sortation facilities - must simultaneously improve the quality of their production and outputs.

To enable a sufficient supply of recycled material, both food-grade and non-food-grade, the ABCL recommends the following key actions:

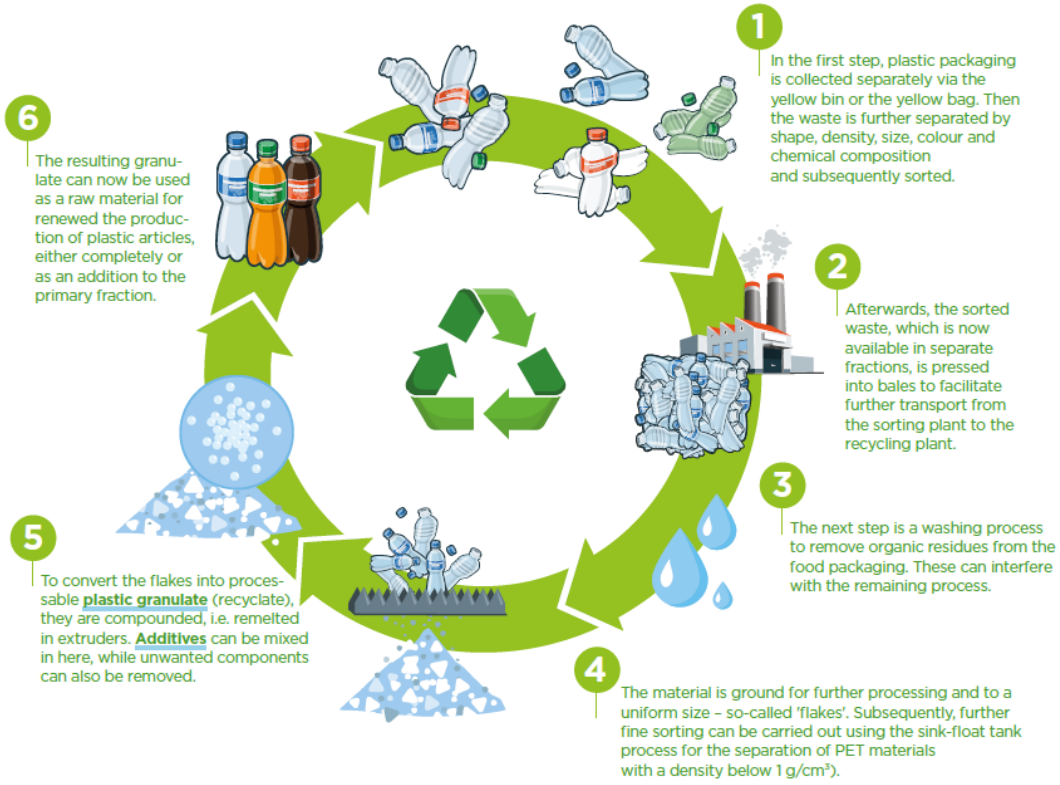
- Harmonisation of kerbside recycling inclusions nationwide to create a consistent supply of recycled material
- A national recycling education campaign
    - Once recycling is nationally harmonised, governments should collaborate on a public awareness initiative similar to "slip, slap, slop" to educate Australians on proper recycling practices.
- Continued investments in recycling, sorting and processing infrastructure, including equipment to enable "caps on" bottle collection, improved sortation into single-material streams, and other innovations to enhance the quality of kerbside-collected, mixed materials
- Workforce development and industry support for businesses, particularly in in regional areas, to build skills and training for Australia's recycling sector

The quality of material recovered through CDS is of a food-grade standard and suitable for remanufacture into more beverage containers therefore making it ideal for creating a closed loop "bottle to bottle" circular economy, avoiding downcycling of precious materials. With targeted investment, kerbside collection could also be upgraded to meet this standard of recyclate for other industries.

3.2 Recycling Export Regulations

Current policies regarding the management of recycled materials are hindering the efforts of Australian industry to contribute to the domestic circular economy. Under the current framework, there is little incentive to retain and reintegrate collected materials into domestic products. For CDS to fully support the circularity goals of government and industry, its legislative framework must be amended to enable true closed-loop recycling.

Since 1 July 2022, a licence has been required to export waste plastics that have been sorted, further processed and capable of remanufacture (such as PET flakes). However, plastic pellets made from waste plastic do not require a licence to export. As a result, post-consumer PET plastic, recovered through CDS is increasingly being exported by intermediaries as flakes and pellets, where it is manufactured into single use products such as textiles. We maintain this material must remain in Australia to be domestically recycled into new rPET beverages bottles. Food-grade rPET obtained via CDS must be treated as a national resource, carefully managed to comply with DCCEEW's proposed recycled content mandates. If this material continues to be lost overseas, the sector - including retailers who have private label beverages - will be unable to meet recycled content targets.



This issue has been recently exacerbated by the decision to remove export variations from "high-quality plastic flake", enabling businesses to export high value recycled materials offshore without reporting its destination or end use. The unintended consequence of this policy decision is that **our members are now forced to import PET pellets from as far away as Italy** when there would have been sufficient PET to meet most of the sector's needs if the material remained in Australia. These unnecessary material movements not only increase costs for consumers but also undermine the carbon footprint reductions associated with using recycled over virgin material.

The current lack of data reporting obligations for businesses that export and sell Australian-recovered materials means there is little transparency regarding what grades and types of recovered plastics are being exported overseas, or for what purpose. This lack of oversight prevents the industry from building the necessary ecosystem to enact a domestic circular economy in line with federal and state sustainability targets.

As a result, we now face a situation where state-of-the-art recycling and reprocessing facilities in Australia are underutilised while "intermediate" facilities emerge, with the sole intention of processing recycled material enough to export them without detection. Without improved data transparency, good-faith industry actors are unable to facilitate domestic material flows.

To support the long-term viability of domestic recycling infrastructure and strengthen the local circular economy, **we urge the Committee to recommend governments ensure that local businesses who manufacture rPET food-grade containers, especially beverages containers, have priority access to post-consumer food-grade rPET to keep them in operation**.

To prevent further leakage of this crucial material, government funding should prioritise businesses that support the domestic circularity of flaked and pelletised PET obtained via CDS. The government should also consider other measures that incentivise the retention of material critical to achieving the National Packaging Targets. Food-grade PET must be recognised as a national resource – one that should be carefully managed for the benefit of local industry and sustainability efforts.

4. Conclusion

As the stewards of CDS, we see firsthand the positive impact of transitioning to a true circular economy. A few container deposit schemes in Australia are considering commitments to ensure that recycled PET outputs are sold only to sources that keep materials within the domestic circular economy thus ensuring that industries that support the circular economy, such as the non-alcoholic beverages industry, have priority access to the recovered material. But that is not enough. We hope this Inquiry's recommendations will result in other jurisdictions - and kerbside recycling - following 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 achievable, 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. Several national companies have already pledged to domestically manufacture product lines in 100 per cent recycled PET bottles. **With government support to harmonise CDS and kerbside recycling inclusions, harmonisation of CDS processes, upgrades to local sortation and MRF facilities, a commitment to keep recycled materials onshore and prioritise re-manufacturing into circular products, and most of all, consumer commitment to return their containers, Australia could capitalise on the circular economy to the benefit of all.**