



Submission to the Productivity Commission's inquiry into opportunities in the circular economy

November 2024

Public submission

Coca-Cola Europacific Partners (CCEP) is the authorised bottler for Coca-Cola beverages in Australia, and handles the preparation, packaging and distribution of these products along with those of Monster, Mother and Beam-Suntory.

Coca-Cola South Pacific (CCSP), the local subsidiary of The Coca-Cola Company, exclusively manages the marketing and technical aspects associated with Coca-Cola beverages in Australia, New Zealand and the Pacific.

We have been serving Australians for around 85 years through one of the most far-reaching logistical networks nationally, spanning more than 146,000 customer outlets.

CCEP employs around 3,600 people, primarily in manufacturing, and supply chain roles, across 13 manufacturing facilities nationally.

We recognise the impact of waste on the environment and acknowledge the role our businesses must play in helping to meet this challenge.

As such, in recent years, we have made ambitious sustainability commitments across a range of areas covering water, carbon, packaging and community.

Most relevantly for this consultation, CCEP has undertaken a range of measures to 'close the loop' on our packaging, towards fulfilling our sustainability commitments, for example:

- Design 100% of our primary packaging to be recyclable by 2025
- 50% recycled plastic in our PET bottles by 2025
- Stop using oil-based vPET in our bottles by 2030

As we have pursued these commitments, our role has broadened from that of a beverage business to becoming an innovator and catalyst in Australia's circular economy.

CCEP, alongside CCSP, directly invests in (among other streams):

1. Research and development to optimise the sustainability of our packaging.
2. Infrastructure to create a 'closed loop' on our packaging:
 - We partner with state and territory governments to establish and operate the container deposit schemes operating across Australia; and

- We are a partner in two large-scale recycling plants in Albury, New South Wales and Altona North, Victoria via Circular Plastics Australia (PET) – a joint venture between Pact Group, Cleanaway, CCEP and Asahi Beverages. Each plant recycles around one billion PET bottles per year.
3. Fostering a stronger recycling culture in the community by leveraging our expertise in marketing and consumer behaviour.
 4. Procuring materials globally (including packaging material and componentry) to support achievement of our sustainability commitments.

Terms of Reference	CCEP position
<p>In this inquiry, the Productivity Commission is to investigate and report on:</p>	<p>The potential scope to lift Australia’s materials productivity and efficiency</p> <ul style="list-style-type: none"> • Last year, Australia’s Environment Ministers set an ambitious goal to work with the private sector to design out waste and pollution, keep materials in use and foster markets to achieve a circular economy by 2030. • Achieving this goal will not be easy as the nation grapples with the third highest material footprint per capita in the OECD, and the fourth lowest rate of materials productivity. • However, we believe that the beverages industry can play a pivotal part in supporting progress towards national resources circularity. • We believe that a successful circular economy has the potential to optimise how resources are used throughout their lifecycle, maximising economic output and minimising environmental impact (including waste and emissions). • In pursuing our circular economy ambitions, we continue to navigate a complex interplay of public policy, resource, commercial and infrastructure dynamics. • Based on this experience, and insights from other international markets, we believe there are a number of opportunities to optimise Australia’s circular economy, and in doing so, lift our national materials productivity and efficiency. • In this submission we will outline these opportunities which are centred around the following themes: <ol style="list-style-type: none"> 1. Optimising, and building upon, the success of existing circular economy infrastructure 2. Adapting innovation from international jurisdictions to the Australian context 3. Adopting a ‘systems’ approach to supporting resource circularity <p><u><i>The best metrics to measure this opportunity</i></u></p> <ul style="list-style-type: none"> • Generally, we support Circular Economy metrics which align with international standards such as ISO 59020:2024 "Circular economy — Measuring and assessing circularity performance". Adopting this
<ul style="list-style-type: none"> • The potential scope to lift Australia’s materials productivity and efficiency, and the best metrics to measure this opportunity and improvements made. 	

	<p>standard would ensure global consistency, allow Australia to benchmark against global best practices and align with international reporting frameworks.</p> <ul style="list-style-type: none"> • For the reasons outlined in this submission, we would also urge policy makers to consider recommending a set of metrics which measure (and thus encourage Australia to more effectively manage): <ul style="list-style-type: none"> a) The number of sectors which are achieving true resource circularity for their products. b) The extent to which high value recycled material remains on-shore. This material is essential to enable local participants to comply with recycled content thresholds in a cost effective way and participate fully in the Australian circular economy. c) The rate of downcycling. d) The participation of commercial and industrial sectors in Container Deposit Schemes (CDS) nationally.
<ul style="list-style-type: none"> • Priority circular economy opportunities for Australia, including identification of the sectors, products or supply chain segments: 	<p>Optimising, and building upon, the success of existing circular economy infrastructure</p> <ul style="list-style-type: none"> • Australia’s CDS are a brilliant example of what is possible when government partners with industry to reduce litter, recycle and power the circular economy. • CDS play a valuable role as a channel for materials to enter a recycling stream and remain out of the natural environment. • Participation in CDS also has a positive impact on climate change and generates strong social and economic dividends for the community. • As such, for the beverages sector, we maintain that the greatest potential to improve materials productivity and environmental outcomes lies in: <ul style="list-style-type: none"> ○ Recognising the success of CDS in national policy development; ○ Supporting CDS to realise their full potential; and ○ Drawing on the success of the CDS model and the principles which underpin it, to encourage a wider range of industries to adopt Extended Producer Responsibility (EPR). <p><u><i>Recognising the success of CDS in national policy development</i></u></p> <ul style="list-style-type: none"> • Australia faces a tough challenge in increasing the general rate of plastics recycling. Recent media coverage and political debate has focused on a ‘headline’ national plastics recycling rate of 18%, well short of the 2025 APCO target of reaching 70% by 2025.
<ul style="list-style-type: none"> ○ Where Australia has the greatest potential to improve materials productivity/efficiency in ways that can strengthen economic outcomes, such as productivity, economic growth, economic diversity and capability 	

- This debate has prompted the Australian Government to begin timely reform of national regulation towards minimising waste and pollution and building a circular economy for packaging.
- However, like many headline statistics, the 18% figure does not convey the full picture of recycling in Australia. It belies the positive, decades-long success of CDS across the country and the solution they offer to help close Australia's recycling gap.
- CDS achieve a 60% + rate of plastics recycling, well above the national headline rate. They are a successful example of producer responsibility in action and a prime example of how government can effectively balance incentives and regulation to meet a complex policy challenge.
- The value of CDS lies in their role as a channel through which used material (including plastic) can be remade within the circular economy. The 10c deposit is a critical catalyst for this process.
- It is an incentive, rewarding Australians for recycling their beverage containers, and, in doing so, enabling a 'pure' stream of used plastic to fuel infrastructure such as Circular Plastics Australia's two recycling plants, which each recycle around 1 billion PET bottles per year.
- However, the benefits of CDS are not confined to litter reduction and creating a clean stream of material to fuel Australia's PET recycling infrastructure.
- They contribute to economic growth, employment outcomes and fundraising for the community.
- For example, in 2023-24, Containers for Change, Queensland's Container Deposit Scheme (Co-founded by CCEP and Lion):
 - Collected 2.1 billion containers (10.3 billion containers returned to date).
 - Created 1,581 jobs (with a significant proportion in vulnerable groups).
 - Returned \$181.6 million to Queenslanders (\$851 million returned since launch).
 - Donated \$3.4 million to community groups (\$13.5 million donated to charities and community groups since launch).
- Where establishing Australia's first CDS in the 1970s was a response to a litter problem, today these schemes play an important role in our circular economy, and have the potential to play an even greater one if certain legislative reforms are implemented.

Supporting CDS to realise their potential

- CDS legislation covers approximately 80-85,000 tonnes of PET each year, and on average the schemes only collect around 60-65% of this volume (around 50-55,000 tonnes). The remainder unfortunately ends up in landfill.
 - We know that this lost material mainly arises from the non-participation by the commercial, government and industrial sectors in CDS.
 - This inertia seems to be driven by a number of factors including pre-existing waste contracts which do not support participation in CDS, a perception that adjusting waste routines to include CDS would be difficult and expensive and/or a lack of awareness by businesses on how best to support their local scheme.
 - We believe that it is critical to bridge this gap on beverage container collection across Australia. The impact of 'losing' these containers from the scheme is multifaceted:
 - If recovered, these containers could be recycled and made into new packaging, conserving resources and emissions (as compared with packaging material made from virgin plastic).
 - These containers could play a valuable role in supplementing local supplies of recycled material, which will be particularly crucial as recycled content thresholds loom on the regulatory horizon.
 - Community groups, businesses and individuals who would otherwise claim a deposit miss out on the proceeds of collecting these lost containers.
 - Businesses who do not separate these containers, lose the opportunity to play a part in improving the natural environment, and strengthening their ESG performance.
 - The consequences of failing to bridge this gap are significant and will undermine Australia's progress towards achieving the target of recycling 80% by 2030.
 - In practice, addressing this issue involves focusing on industrial/commercial premises like shopping malls, office buildings, pubs, clubs, venues and hospitality generally and bringing them into the operation of their local scheme.
 - As will be outlined below, in our view this is primarily a matter for the Australian Government to encourage state and territory government to regulate.
- Drawing on the success of the CDS model and the principles which underpin it, to encourage a wider range of industries to adopt EPR*
- In response to growing stakeholder expectations, many industries are seeking to develop, or join EPR programs to improve materials productivity and achieve stronger environmental outcomes.

- In parallel, policy makers are increasingly incorporating EPR principles in the development of policy and legislation.
- In both cases, we urge the public and private sectors not to ‘reinvent the wheel’, and instead model and complement the success of Australia’s CDS.
- As part of its reform of national packaging regulation, the Australian Government is consulting on potentially establishing a national EPR regulated packaging scheme with industry-level outcomes and mandated requirements for regulated entities.
- If the Government pursues this path, we strongly urge it to ensure that:
 - The new model should, at a minimum, complement, support and potentially carve out the operation of CDS around Australia. Failing to do so may create needless, costly and inefficient duplication through, for example, imposing overlapping requirements, levying additional fees on CDS-eligible containers and creating further regulatory burden on beverage manufacturers. This risks undermining the current effectiveness of CDS and jeopardising achievement of the Government’s circular economy goals.
 - In further designing and potentially implementing a national EPR scheme, the Government should draw on the design, experience and best practices of the CDS implemented in Queensland and Western Australia. These CDS represent the most successful EPR schemes currently operating in Australia because they:
 - Are led by a scheme coordinator that operates as a not-for-profit entity which is accountable to government.
 - Often achieve lower price impacts for the community compared to other scheme models.
 - Deliver a balanced, open refund point market, so a broader cohort can participate (for example, this model incentivises operators to serve Remote Indigenous Communities which might otherwise not be served by alternative models).
 - Leverage more ‘over the counter’ or ‘manual’ collection options (versus primary reliance on automation like reverse vending machines). This, in turn, better shares the financial and employment opportunities with the local community (particularly vulnerable groups, charities, community organisations, sporting clubs and councils).
- While CDS are an important part of the circular economy, we also acknowledge that they will need to be supplemented with other strategic policy measures to incentivise system-wide resource circularity (such as design standards and waste infrastructure upgrades).

- | | |
|--|--|
| | <ul style="list-style-type: none">• A national EPR must be designed and implemented so as to maximise efficiency and cost effectiveness for industries within its scope.• With that in mind, we maintain that there are strong productivity and efficiency gains in other industries leveraging existing CDS infrastructure to take responsibility for their packaging. Doing so would mitigate one of the major obstacles to a new EPR scheme – consumer unfamiliarity.• To differing extents and depending on the age of their local scheme, consumers around the country are familiar with how CDS work and have developed routines to take part. CDS are perceived as convenient, intuitive, and appealing to a critical mass of consumers.• Once beverage collection is maximised (for example 75% + redemption), we would strongly support broadening CDS scope to encompass a wider range of packaging. Among other benefits, broader scope would increase consumer motivation to participate in the scheme. A trip to a return point is even more lucrative if, for example, the consumer can return non-alcoholic beverage containers, wine and spirit bottles, PET olive oil packaging and yoghurt containers.• The alternative – setting up rival, complex EPR schemes from scratch – is likely to be expensive, time consuming and may further confuse consumers already having difficulty navigating a multiplicity of recycling channels and routines.• We would urge policy makers to consult closely with CDS around the country to further investigate these opportunities and test their feasibility in practice. |
|--|--|

- Where other countries have made the greatest progress towards circularity, and the risks and opportunities associated with these developments in international markets for Australia

Adapting innovation in international jurisdictions to the Australian context

- As Australia pursues its resource circularity ambitions, it is essential that we respond to the complex and challenging state of the market for recycled materials. Strong and sustained local supply of this material is a fundamental, enabling condition to achieving a high performing circular economy.
- The market for food grade rPET is an instructive example of these demand and supply dynamics. This material is a highly sought after commodity globally, and Australia is no exception. A range of sectors drive this demand, spanning textiles, food, beverages, toiletries, personal care and cleaning products, among others.
- In our experience locally, in the UK, Europe, and in parts of Southeast Asia, demand for this material often outstrips supply, pricing out genuine, local participants in each country’s circular economy. This undermines the efficacy of domestic government policy and private sector investment aimed at local resource circularity. Instead, the outflow of foodgrade rPET tends to prop up a fragmented international market driven by short term profit and linear material outcomes (like downcycling).
- Presently Australia is allowing foodgrade rPET to be sold to the highest bidder irrespective of that buyer’s commitment to the local circular economy. As a result, a valuable Australian resource is sustaining other countries’ circular economies or downcycling activities.
- This material must remain on shore and be allocated appropriately to ensure the continued viability of PET recycling infrastructure like Circular Plastics Australia’s two PET plants. These plants were in part funded by state and Federal Governments to support national recycling efforts and their success is critical to achieving a national circular economy by 2030.
- As such, we respectfully urge policy makers to draw on the experience of other jurisdictions to:
 - Ensure there is an adequate local supply of recycled material with which to meet recycled content thresholds (noting the experience of the UK Plastic Packaging Tax).
 - Increase the local supply of recycled material in Australia (drawing on best practice CDS regulation in Europe and bringing more sectors into the circular economy).
 - Prohibit the export of any PET (bales, flake or pellet) that has been collected by a CDS.
 - Foster recycling industry innovation to ensure Australia can maximise the performance of its circular economy.

Ensure there is an adequate local supply of recycled material with which to meet recycled content thresholds (the experience of the UK Plastic Packaging Tax)

- The UK’s Plastic Packaging Tax (PPT) illustrates the unintended consequences which may flow from imposing a recycled content mandate without an adequate local supply of affordable recycled material.

- We understand that the PPT has not necessarily driven uptake of recycled plastic, as many businesses have persisted with virgin plastic and simply absorbed the tax as a cost of doing business. This is because rPET can be prohibitively expensive, driven by competitive demand by various industries which consume, but do not necessarily contribute food grade rPET to the broader market. Often, after purchase, they downcycle this material rather than use it for circular applications, a net loss to the domestic circular economy which further exacerbates the material shortage. Such a scenario may also prompt some businesses to switch to other packaging types with a higher carbon footprint.
- In Australia, it is important to note that under existing product stewardship legislation beverage suppliers are required to fund the cost of state and territory CDS. However, despite being the funders of the schemes, beverage companies do not have priority access to the bulk of PET material recovered through CDS for recycling. Further, the current pricing of rPET does not take account of the costs the beverage industry already incurs in collecting and sorting PET bottles. It is critical that the design of minimum recycled content thresholds and access to recycled material reflect the substantial investment already made by companies like CCEP in Australia's circular economy.
- These factors have implications for the design of any national EPR scheme. A national EPR model should, where possible, require that all collected material be directed into an Australian circular economy outcome. Further, the scheme's architects must also ensure that this material is made available to recyclers at a cost that underpins and supports the economic viability of the recycling initiative.

Increase the local supply of recycled material in Australia by preventing the landfilling of CDS-eligible containers (drawing on best practice CDS regulation in Europe)

- Each year billions of CDS-eligible containers go to landfill across the country. To stop this loss of valuable material and reach return rates of 80% +, as several European CDS schemes achieve, it will be critical for Australian states and territories to compel commercial and industrial sectors to use CDS. As noted above, the bulk of CDS eligible containers are lost due to the non-participation of these sectors, and adopting EU-style waste levies and related policies would increase the local supply of recycled material (including foodgrade PET) collected nationally.
- For example, Germany's CDS relies on a landfill ban on containers to motivate companies to participate, with fines up to €100,000 possible. The material (particularly food grade rPET) which is currently going to landfill is valuable, and capturing it in the circular economy will be essential to enabling Australian industry to meet the recycled content thresholds currently being considered by the Australian Government.
- It is important to note that introducing a mandate of this type would not necessarily equate to simply applying a regulatory burden to the commercial sector. Business who participate in their local CDS are rewarded with a ten cent deposit for each container returned, which in many cases would offset the cost of participating or even generate positive revenue to the relevant business.

Increase the supply of rPET by minimising downcycling and bringing other sectors into the circular economy

- As has been outlined above, there is great and increasing demand for certain recycled materials (particularly foodgrade rPET), but only limited supply. We have proposed some measures to address this, including strengthening waste regulation to prevent CDS-eligible containers going to landfill, banning the export of local foodgrade rPET and minimising downcycling.
- In order to increase the aggregate supply of recycled material, we would also strongly encourage policy makers in Australia to explore two further directions to enhance the local supply of rPET onshore; expanding CDS to accept a wider range of packaging (as has been outlined above) and developing EPR schemes to encompass a wider range of material (like textiles and food packaging). This would turn some of these presently non-EPR sectors from pure consumers (and often downcyclers) of scarce foodgrade rPET (and other recycled materials) into fully fledged participants in the circular economy.
- Presently many non-beverage sectors depend on the foodgrade rPET generated and collected by the beverage sector to fulfill their recycled packaging needs. With the right industry commitment and government policy settings, they could, like the beverage sector, support the circular economy by funding and enabling the origination, collection and recycling of their own recycled material.
- In Europe – where only around a third of PET which is collected is recycled back into PET – there have been some promising advances to broaden the scope of materials captured in the circular economy.
- The EU’s Strategy for Sustainable and Circular Textiles, adopted in 2022, serves as a valuable model, introducing EPR to enhance circularity in the textiles sector.
- In this strategy the EU specifically notes the risks associated with food grade PET being used in clothing – both from a resource circularity and ‘green claims’ perspective:

A specific source of growing concern is the accuracy of green claims made on using recycled plastic polymers in apparel where these polymers do not come from fibre-to-fibre recycling, but in particular from sorted PET bottles. Beyond the risk of misleading consumers, such a practice is not in line with the circular model for PET bottles, which are fit for being kept in a closed-loop recycling system for food contact materials and are subject to extended producer responsibility obligations, including fees, with a view to meeting the objectives of the EU rules on single-use plastic products and on packaging (P.13).
- Last year the EU proposed a set of rules to bring this strategy into law, making textile producers responsible for the full lifecycle of their products. We would encourage Australian policy makers to explore a similar path for textiles and the various other industry sectors which currently rely on beverage-industry supplied rPET to manufacture their recycled material.

Support the scaling of chemical recycling in Australia

	<ul style="list-style-type: none"> • We believe that chemical recycling has the potential to play an important role in Australia’s ambitions for a national circular economy. For plastic that is hard to recycle back to food grade plastic via mechanical recycling CCEP supports chemical recycling technologies through strategic investment and collaboration. • However, currently the Australian market is not of a scale to make a chemical recycling plant viable. This is a challenge globally (for example, we understand that Europe has only one identified chemical rPET source at the moment in Turkey). • We maintain that Government can, and should, play a role in establishing the conditions which support the scaling and use of advanced recycling technologies for plastics. Building an understanding among legislators and relevant stakeholders of the need for chemical recycling is a critical first step. • As with all technology, the impact of chemical recycling will depend on how it is implemented. We are committed to the responsible and transparent use of chemical recycling technologies and support the World Wildlife Fund’s guiding principles for their application. We would urge policy makers to look to these principles as they progress policy and regulation to enable chemical recycling innovation. • Regulatory certainty will enable businesses like ours to explore new technology to support resource circularity. By way of example, in Europe, CuRe – backed by CCEP – uses ‘polyester rejuvenation’ to target plastics that cannot be recycled by mechanical recycling methods and prevents them from being incinerated, downcycled or sent to landfill. CuRe Technology’s recycling process creates high-quality rPET with a carbon footprint that is approximately 65% lower than virgin PET, (based on CuRe’s life cycle assessment, carbon footprint reductions compared to virgin: 2022 figure) which can be used for food and drink packaging and re-processed as many times as necessary. This will offer a new lease of life for hard-to-recycle plastics, accelerating the transition to a circular economy for PET and creating a new stream of rPET. • Innovation like this will be increasingly crucial as Australia pursues a circular economy by 2030, and should be fostered by regulatory certainty and government incentives.
<ul style="list-style-type: none"> • Barriers to enhanced materials productivity and prospective approaches to addressing them, including but not limited to: 	<p>Adopting a ‘systems’ approach to supporting resource circularity</p> <ul style="list-style-type: none"> • As we continue to navigate the complexities of playing our part in Australia’s emerging circular economy, it has become apparent that a ‘systems thinking’ approach will be required by industry and across all levels of government. • Such a lens examines and responds to the inter-related factors involved in how and where products are produced, packaged, consumed, placed into waste streams and recovered. Moves to harmonise elements of environmental regulation with states, territories and local government are a positive step in this direction, and we encourage all tiers of government to redouble their efforts in this area of reform. • In particular we would urge policy makers to play particular attention to:
<ul style="list-style-type: none"> ○ Place based circular economy activities (e.g. industrial precincts and others enabled by urban 	

<p>planning and development)</p>	<ul style="list-style-type: none"> ○ In general, ensuring that that regulation of the waste sector is as ambitious as the Government's packaging reforms. ○ Implementing a nationally harmonised kerbside recycling standard to underpin any move to mandate recycling labelling. This standard should focus on improving the quality of recyclate recovered. ○ Rolling out minimum MRF standards. In some cases, MRFs create their own standards which can reduce recycling rates, contradict packaging labels and instructions, and conflict with local government dictates. Minimum MRF standards may assist in resolving these issues.
<ul style="list-style-type: none"> ○ Regulatory frameworks, and other mechanisms that influence businesses' and consumers' decisions on materials purchasing, use and replacement or the competitiveness of circular economy initiatives 	
<ul style="list-style-type: none"> ○ Policy actions that are achievable over the near and medium term 	
<ul style="list-style-type: none"> ○ Policy actions that could be progressed by Commonwealth, state and territory, and local governments, including improvements to existing national policy frameworks. 	