15 April 2024

Committee Secretary
Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

To whom it may concern,

Submission to the Senate Standing Committees on Environment and Communications – *Inquiry into waste reduction and recycling policies*

Huhtamaki Australia welcomes the opportunity to provide feedback to the commitee, especially in relation to on matters relating to recycling policies in Australia.

By way of background, Huhtamaki is a global manufacturer of food packaging; we have been operating for over 100 years operating 116 sites across 37 countries, including in Australia for over seven decades. Our Fibre and Foodservicebusiness is located in Sydney where we manufacture a range of high-quality food packaging, including hot and cold paper beverage cups and lids. Our beverage cup customers across the country include major food and beverage retailers Gloria Jeans, Boost Juice, Jamaica Blue, McDonalds and Dome Cafés amongst others. We also operate a moulded fibre business based in Melbourne producing egg cartons, wine dividers and fruit trays using recycled paper collected from a number of sources including kerbside collection.

Huhtamaki is heavily focused on sustainability in the packaging space and has contributed to a number of state and territory based policies on recycling and plastics. As an organisation Huhtamaki has also set itself, and successfully progressed some ambitious sustainability targets to be achieved by 2030 including:

- 100% of products designed to be recyclable, compostable, or reusable.
- >80% of raw material to be recycled or from renewable sources.
- 100% of fibre sourced from recycled or certified sources.
- >90% of non-hazardous waste to be recycled or composted.
- 100% renewable electricity
- Carbon neutral production and science-based emissions targets

Huhtamaki is taking a holistic approach to sustainability by developing and offering food packaging that supports circularity as well as facilitating the protection of food to minimize food waste. In the development of this packaging Huhtamaki is considering the entire system used in the food supply chain to calculate the environmental impact of the packaging using the ISO accredited life cycle analysis technique (ISO14044 which provides the detailed requirements and guidelines for conducting a life cycle assessment). From these assessments Huhtamaki have demonstrated fibre-based packaging as being one of the most functional forms of food packaging and one of the most circular options with the least environmental impact.

Huhtamaki

Industry context

The 2025 National Packaging Targets were originally set in 2018 by the previous Federal Government. These targets had some very ambitious goals, to increase the amount of packaging material being recovered and recycled across the various material categories of plastics, paper, carboard, ceramics and metals. While there was some funding provided by way of the Recycling Modernisation Fund to encourage progress towards these goals, there was limited overarching policy framework to further co-ordinate this investment or the activities of state governments to achieve these goals. Instead it was largely industry driven at a state and territory level. As such, the review of the progress towards the National Packaging Targets[1] released by the Australian Packaging Covenant Organisation (APCO) in April 2023 concluded that there had been little progress towards these targets, and little hope of achieving these by 2025.

This report included two major findings to explain why these targets would not be met, and what actions should be taken to continue to encourage industry investment and innovation:

Key Finding 3 - ”Collaboration and cooperation between industry and government, across the entire packaging system, is critical to overcoming barriers to progress.”

Key Finding 4 ” Collaboration and cooperation between industry and government, across the entire packaging system, is critical to overcoming barriers to progress.”

Huhtamaki agrees with these findings, however unfortunately, these issues have not been addressed and in fact these issues continue to develop as more states and territories in Australia introduce or are seeking to introduce their own packaging regulations, each of which have their own unique requirements and objectives, inconsistent with neighbouring states.
For example different products have been banned in each jurisdiction, the definitions used such as ‘single use’, ‘reusable’, ‘certified-compostable’ and even ‘plastic’ are inconsistent or non-existent, and the variety of timelines adopted have created significant barriers to innovate and comply. Policy makers have also largely failed to sequence regulatory measures with the availability of collection and recovery infrastructure, creating a gap that forces industry to adopt interim, sub-optimal solutions and diverts investments from long-term innovations that have a genuine net-environmental benefit.

Our own experience in seeking the Australian Recycling Label (ARL) for coffee cups that Huhtamaki manufacturers has also highlighted the unwillingness of the resource recovery sector to engage and work in concert with packaging manufacturers to increase material recovery. In our specific example, Huhtamaki has been able to demonstrate that coffee cups we manufacture meet the updated recyclability criteria established by APCO (90% fibre recovery which is recyclable at full value under the updated APCO criteria).

Despite meeting this criterion, we have not been granted the ARL for coffee cups as the fibre reprocessors have indicated they simply do not want this material. Further to this, the fibre reprocessors have not engaged in the working group established by APCO to resolve the barriers to recovering harder to process fibres placed onto markets. Taking this example even further, the

[1] Review of the 2025 National Packaging Targets, APCO, April 2023. LINK: https://documents.packagingcovenant.org.au/public-documents/Review%20of%20the%202025%20National%20Packaging%20Targets

fibre reprocessors have received significant grants from both the federal and state governments to install upgraded drum pulpers which have increased capability to deal with difficult to process materials, yet our experience is that they are not willing to engage with the packaging industry to meet these 2025 waste targets.We believe that while there remains significant policy focus on packaging manufacturers and distributors, additional policies for how and when processors accept materials must be considered to ensure materials that can be recycled aren't being wasted for purely commercial reasons.

The net result of this is that materials that can and should be recovered are simply going to landfill. In fact, in some cases the divergence in national regulations is introducing complexity in packaging (eg compostable packaging with alternate linings and fibre types) making them even less acceptable to reprocessors. In more extreme cases, packaging that could be put to market in technically recyclable formats such as polymer lined paper is being produced in plastic due to the reluctance of the reprocessors to recycle this fibre based material.

The current federal government announced in late 2022 that it would be shifting its policy focus to the development of circular economy, including regulations to influence the design and production of packaging. This circular approach is welcomed by Huhtamaki as it implies a holistic approach to packaging incorporating the sourcing, production, functionality and end of life of packaging where all the stakeholders share some responsibility.

Response to terms of reference:

(a) recycling export regulations imposed through the Recycling and Waste Reduction Act 2020, noting the:

(i) ramifications for Australia's international and domestic commitments and obligations under the Act,

(ii) benefits and consequences of imposing the requirements on the Australian industry, and

(iii) interaction and efficacy of the community and economic benefits of the legislation;

Given the context of the packaging and resource recovery industry summarised above, it is expected that export levies are going to have a net impact of discouraging recycling of material that does not have a local end market forcing more of this material to be directed to landfill. This will ultimately further impact the APCO targets. Despite the Federal Government announcing its intention to promote a circular economy and introduce packaging design guidelines, these have not yet been introduced. The Federal Government has also indicated its intent to harmonise resource recovery processes and infrastructure but again no firm timeline for this has been announced.

Huhtamaki's experience is that the diversity of capability and sophistication within the resource recovery sector is incredibly complex. As such the ability to develop packaging design regulations that allow recovery of packaging materials across Australia is incredibly difficult. Further to this the need for packaging to be food contact safe and the ability of the reprocessing industry to meet these demands makes it even more challenging.

On this basis, the introduction of waste export levies is premature. Until there is clear direction from the Federal Government on packaging design regulation and harmonization of resource recovery capability and strategy across Australia, the introduction of waste export levies is likely to lead to increased landfill. Huhtamaki recommend that the introduction of waste export levies be delayed until the Federal Government has released and implemented the packaging design guidelines and at least some activity to harmonise the resource recovery sector has been implemented.

(b) the efficacy and progress on circular economy deliverables;

A successful circular economy framework implies that the packaging format and materials that have the least environmental impact have been chosen or are preferred in the (based on scientific evidence such a Life Cycle Analysis). The objective of least environmental impact should then encourage the use of materials from renewable or recycled sources for packaging, that cannot be converted to reusable formats. This then encourages the complimentary actions of packaging design for recoverability and re-engineering of the resource recovery sector to reprocess the packaging put to market with the intent of the output being used at its highest possible value.

It is expected that the packaging design regulations flagged by the Federal Government will be voluntary, with mechanisms to encourage compliance to the Packaging Design Guidelines. As such, any material that complies with the future Packaging Design Guidelines should be recoverable, and eventually be reused within Australia or reprocessed into a 'value add' material that can be exported. Conversely, any material that does not comply with the packaging design guidelines and is more difficult to recover and reprocess is likely to be either landfilled or collected for export. Huhtamaki recommends that these materials, those unable to be recovered, should be the focus of any levies, not just if they are exported but as a general levy to help offset the environmental impact of being used for landfill or exported.

An additional recommendation is that these collected levies should be used to offset the costs of producing recycled material to further encourage the market for packaging that does comply with the design regulations.

(c) the progress on the implementation of mandated product stewardship schemes;

Mandated product stewardship schemes

Mandated product stewardship schemes or Extended Producer Responsibility (EPR) schemes are typically an attempt to create a system that provides economic end-of-life alternatives for packaging or materials, usually through some sort of cost or incentive to the consumer. An example of these are the 'return and earn' schemes that promote source sorting of materials that are typically already accepted in co-mingled kerbside collection streams. The benefit of these schemes is not the recovery of the material, but rather the cost avoidance generated by the materials being sorted directly by the consumer - so the reprocessor does not pay the material recovery facility. However, the key element in these schemes is that there is a demand, and therefore economic value for the materials being collected.

Any viable product stewardship scheme must include an economically viable and stable end market for the material. This requires a product or range of products that can utilise the recyclate, a market that demands these products and a collection / reprocessing network that satisfy this demand.

Packaging design must balance the objectives of functionality / fit for purpose, recoverability and environmental impact. As mentioned earlier a misalignment between packaging manufacturers and the resource collection and reprocessing industry has caused some adverse outcomes for packaging design and regulation development across thecountry. So, the recommendation for any future policy in the waste space is that it must promote and potentially subsidise product stewardship schemes that can demonstrate that they optimize the packaging design for the objectives listed above.
Currently there are very few mandated product stewardship schemes in place. However any product stewardship schemes that are introduced must also be aligned with future Packaging Design Guidelines..

Concluding remarks

Huhtamaki agrees with the 2023 APCO Review of the 2025 National Packaging Targets, indicating that Australia will not achieve the 2025 goals. It also agrees that two of the major factors in these targets not being met are the, lack of nationally consistent packaging regulations and the lack of collaboration between industry and the government across the entire packaging system implement effective change. We cite our own experiences with the industry and industry bodies which demonstrate the lack alignment between packaging objectives and the resource recovery sector.

Huhtamaki also believes the implementation of waste export levies on all materials prior to the development of the upcomgin Packaging Design Guidelines and at least some rudimentary efforts to align the resource management sector across the country will be detrimental to the development of a circular economy. Levies should be used to encourage materials suitable for a circular economy, which are consistent with the investment in resource recovery infrastructure developed over the coming years.

Mandated product stewardship schemes are another mechanism which can promote the circular economy, but again must be aligned with the packaging design regulations promoting materials with the least environmental impact and the capabilities of the resource recovery sector. Until this direction is clear any attempt to introduce such schemes may be misguided and result in adverse outcomes.

I would welcome any further questions or discussion on the information and position provided by Huhtamaki on the waste export levies and the development of circular economy policies . Please contact me via the details below.

Jano Crema
Public Relations and Sustainability Manager ANZ
Huhtamaki
120 Mileham St South Windsor NSW 2756
Food Service Australia