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# 2030 STRATEGIC PLAN

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July 2024 – June 2030

Australian  
Packaging Covenant  
Organisation



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## Acknowledgements

APCO acknowledges and thanks the more than 800 organisations and individuals from across the packaging system in both industry and government who participated in the national consultation process that informed this Plan. These include members of the Australian Packaging Covenant Government Officials Group, APCO Members and representatives of industry associations.

## Disclaimer

The Australian Packaging Covenant Organisation (APCO) and the contributing authors have prepared this Plan with a high-level of care and thoroughness and recommend that it is read in full. This Plan is based on generally accepted practices and standards at the time it was prepared. The method adopted, and sources of information used are outlined in this Plan, except where provided on a confidential basis. This Plan has been prepared for use by APCO, and only other third parties who have been authorised by APCO. APCO and the contributing authors are not liable for any loss or damage that may be occasioned directly or indirectly using, or reliance on, the contents of this publication. This Plan does not purport to give legal or financial advice. No other warranty, expressed or implied, is made as to the professional advice included in this Plan.



# Foreword

## **Australia's packaging has been transformed since the current iteration of the Australian Packaging Covenant commenced in January 2017.**

APCO's Brand Owner members have worked hard and invested considerable time and financial resources to reduce the amount of packaging they place on the market, transition into more recyclable materials, and redesign packaging to improve its sustainability. Many are including increasing amounts of recycled content in their packaging.

Despite this effort, we have made insufficient headway towards the National Packaging Targets. APCO's 2022 review of the Targets found the barriers to their achievement are economic. Put simply:

- It costs more to recycle many packaging materials than the market price of the recycled material.
- We lack collection systems for some materials and there is less than full take up of those collection systems that are in place, and
- We lack sufficient reprocessing infrastructure and markets to cope with all that material even if we were able to collect it.

Environment Ministers wrote to APCO after the review. They want APCO and our members to act on the findings of the review, accelerate toward the Targets and support the transition to a reformed, future regulatory framework.

A business-as-usual approach will not deliver the required outcomes. The Covenant makes APCO responsible for determining when a new approach is needed. Our engagement with more than 800 organisations in developing this Strategic Plan, has told us definitively that now is one of those times.

This Plan is the most ambitious that APCO has ever produced. It outlines new mechanisms by which its Targets and Goals will be delivered. For the first time:

- APCO's member fees will be eco-modulated, meaning members will have an economic incentive to reduce and improve their packaging, and costs of achieving the Targets will be more equitably distributed, and,
- APCO will procure services under contract for the collection, sorting, transport and reprocessing of materials that would otherwise go to landfill.

The Plan's ambition means that we must take a collaborative approach that engages and leverages the strengths of members, state, territory and local governments, operators and stakeholders in the downstream system, and the community. New collection, sorting and reprocessing capacity will be needed, and we will need consumers to respond favourably to a behaviour change campaign. Perhaps most importantly, we will need participation by all Brand Owners. Ensuring full participation is a responsibility shared between APCO, governments and the Brand Owners themselves.

We are grateful to our members, the Packaging Government Officials Group, and stakeholders for supporting APCO in developing this Plan. We believe this is the right Plan at what is a critical moment in packaging stewardship in Australia and look forward to finalising it with the Packaging Government Officials Group and providing it to Environment Ministers for their endorsement.



**Sam Andersen** – Chair



**Chris Foley** – CEO

# 1. Background

## 1.1 The co-regulatory framework

This Strategic Plan (Plan) has been prepared by the Australian Packaging Covenant Organisation (APCO) in accordance with its obligations as administrator of the Australian Packaging Covenant<sup>1</sup> (the Covenant).

The Covenant is the industry-led scheme that forms part of a mandatory, co-regulatory arrangement that is underpinned by national legislation. The National Environment Protection (Used Packaging Materials) Measure 2011 (the NEPM)<sup>2</sup>, which exists under the National Environment Protection Council Act 1994<sup>3</sup>, is federal legislation that is enacted in state and territory government legislation and policies. The Northern Territory is yet to enact the NEPM.

Under the co-regulatory arrangement, Brand Owners with a turnover of more than \$5 million have obligations relating to packaging. Brand Owners must acquit these obligations either as signatories to the Covenant, or by complying with regulation or policies by state and territory regulatory authorities in each state or territory in which the Brand Owner's products are sold.

Every participating state and territory has legislation or policies under which the NEPM is enforced, and which sets out targets and other obligations that apply within their jurisdiction<sup>4</sup> to liable Brand Owners that are not signatories to Covenant. State and territory enforcement of the NEPM within their jurisdiction is intended to provide free-rider protection for Covenant signatories.

## 1.2 The Strategic Plan

The Covenant requires that APCO has a Strategic Plan developed in consultation with Covenant signatories and agreed by governments. APCO is required to provide the Plan to Environment Ministers for their endorsement. In practice, this is done through the Packaging Government Officials Group, which comprises officials from the Commonwealth, state, and territory governments.

This group is responsible for providing advice to Environment Ministers on the suitability of the Plan in meeting the Goals of the Covenant.

At time of publication (15 August 2024), the Plan is still under discussion with the Packaging Government Officials Group and has not been provided to Environment Ministers. An updated Plan will be published once this process has been completed.

The Plan is part of a suite of documents that provide transparency and clarity over the actions that APCO will take to deliver on the Covenant, and through which APCO can be held to account by Environment Ministers. These are detailed below.

### STRATEGIC PLAN

APCO is to provide the Strategic Plan to Environment Ministers for their endorsement. APCO reports annually to Ministers against key performance indicators included in the Plan. The Plan and annual reports are made publicly available by APCO. APCO and the Government Officials Group meet biannually to discuss progress against the Plan.

### STATEMENT OF INTENT

A rolling two-year Statement of Intent (Statement) supports the implementation of the Plan by providing further information on how APCO intends to deliver on the Strategic Plan over a two-year period. The Statement is developed, reviewed, and updated annually by APCO. The first Statement of Intent for implementation of a new Plan is to be provided to Environment Ministers and subsequent Statements are provided to the Government Officials Group.

1. Australian Packaging Covenant, available at <https://documents.packagingCovenant.org.au/public-documents/Australian%20Packaging%20Covenant%20Jan2017>

2. NEPM available at <https://www.legislation.gov.au/F2011L02093/latest/downloads>

3. NEPC Act available at <https://www.legislation.gov.au/C2004A04799/latest/downloads>

4. Links to information on state and territory regulation is available at <https://apco.org.au/apco-s-co-regulatory-model>

### 1.3 Purpose and scope

The Plan's purpose is to document what APCO will do, over the life of the Plan, to deliver on the Goals of the Covenant (the Goals) and the National Packaging Targets. It must include:

- Strategies that have been guided by adequate consultation with Signatories to the Covenant, and domestic and international movements and trends.
- Strategies and actions that are nationally applicable, to provide leadership in finding solutions to better manage packaging so it doesn't become waste, and to provide benefits to all Signatories that contribute signatory fees to the Covenant.
- Performance indicators, to monitor whether the Plan is achieving its desired outcomes, which must be meaningful, measurable and can be evaluated.
- How the Strategic Plan is to be evaluated and reported.
- An indication of the level of funding to support the activities to be undertaken.

The scope of the Plan is APCO's delivery of its obligations under the Australian Packaging Covenant, particularly APCO's delivery of the Goals of the Covenant and the National Packaging Targets.

#### **There are two Goals of the Covenant.**

These are described in detail in the Covenant and encompass:

1. Optimising resource recovery of packaging.
2. Preventing the impacts of litter.

Delivering on the Goals of the Covenant requires a broad approach to addressing the environmental impacts of packaging, such as:

- Avoidance and reduction of packaging.
- Implementation and expansion of models for reusable packaging.
- Labelling to inform consumers about how to have packaging recycled.
- Resource recovery of all packaging materials.
- Market development for recycled materials.
- Eliminating hazardous substances.

The National Packaging Targets (see Figure 1, below) were established in 2018 and are part of the National Waste Policy Action Plan<sup>5</sup> agreed by all governments. They provide greater specificity to some elements of the Goals of the Covenant. Other elements of the Goals remain important, including resource recovery of materials other than plastics, reuse, and reduction of packaging, and addressing the impacts of litter.

The Strategies and activities to be undertaken by APCO under this Plan all fall within the scope of APCO's role and responsibilities under the Covenant. In addition to activities generated under the Plan, there are a range of other activities, led by governments and industry, that keep packaging out of landfill and from being littered, and that contribute to the Targets and Goals of the Covenant. These include kerbside recycling, container deposit/return schemes (CDS/CRS), and industry-led stewardship and extended producer responsibility (EPR) schemes. The Plan will not fund or replace kerbside and CDS/CRS. APCO will partner with industry-led stewardship and EPR schemes to deliver enhanced outcomes where these are the organisations best placed to deliver outcomes – this is discussed in Subsection 4.5. APCO will also work directly with collection and recycling operators.

5. National Waste Policy Action Plan available at <https://www.dcceew.gov.au/sites/default/files/documents/national-waste-policy-action-Plan-2019.pdf>

**The Covenant establishes that APCO may determine, from time to time, that it will undertake amended or further responsibilities in support of the Covenant, provided that any such changes remain in compliance with the Covenant.**

The strategies and activities in this Plan go significantly beyond the strategies and activities that APCO undertook under its previous Strategic Plan. However, all these strategies and activities fall within APCO's existing remit under the Covenant and are in compliance with the Covenant.

The new activities that APCO will undertake with reference to this provision involve the procurement of services under contract in support of APCO's delivery of the National Packaging Targets and Goals of the Covenant. This activity is provided for in the Covenant. The rationale for this new activity is set out in Section 3 below and the Strategies that will be implemented beyond a business-as-usual approach are set out in Section 4.

#### 1.4. Regulatory reform

A review of the co-regulatory framework of the NEPM and the Covenant was commenced by the Commonwealth Government in 2020, with a report on the review delivered in 2021<sup>6</sup>. In October 2022, Environment Ministers agreed on the need to reform the regulation of packaging to ensure packaging is designed to be recovered, reused, recycled, and reprocessed safely in line with circular economy principles.

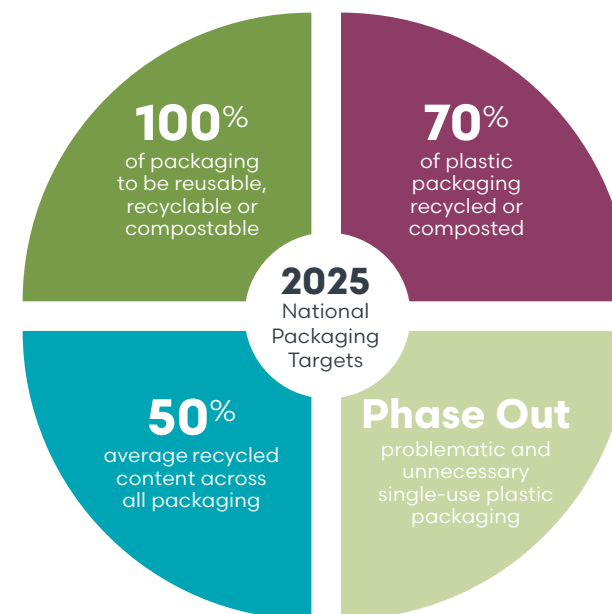
Ministers further agreed:

- In June 2023, to mandate obligations for packaging design based on international best practice, including removing harmful chemicals and other contaminants from packaging.
- In November 2023, that the regulations will be implemented under Commonwealth law and be regulated by the Commonwealth.

Ministers also acknowledged that the co-regulatory arrangement and APCO as administrator of the Covenant will remain in place while new Commonwealth legislation is implemented.

The Commonwealth has undertaken to work with APCO and industry to manage the transition and minimise the impact on businesses moving from the current co-regulatory scheme to the future regulatory scheme that is under development.

This Strategic Plan does not pre-empt nor seek to influence any regulatory reform decision agreed by Environment Ministers, including APCO's role. APCO will remain closely engaged with governments to ensure that the Plan, including any and all elements of it, can be aligned as required as the reform process continues.



**Figure 1:** The National Packaging Targets

6. NEPM review report available at [https://www.agriculture.gov.au/sites/default/files/documents/independent\\_review\\_of\\_the\\_upm\\_nepm\\_and\\_the\\_australian\\_packaging\\_Covenant\\_-\\_final\\_report\\_-\\_september\\_2021.pdf](https://www.agriculture.gov.au/sites/default/files/documents/independent_review_of_the_upm_nepm_and_the_australian_packaging_Covenant_-_final_report_-_september_2021.pdf)

## 2. Why this Plan is needed

**The purpose of the Covenant and NEPM are to ensure that Brand Owners contribute to addressing the environmental impacts of packaging.**

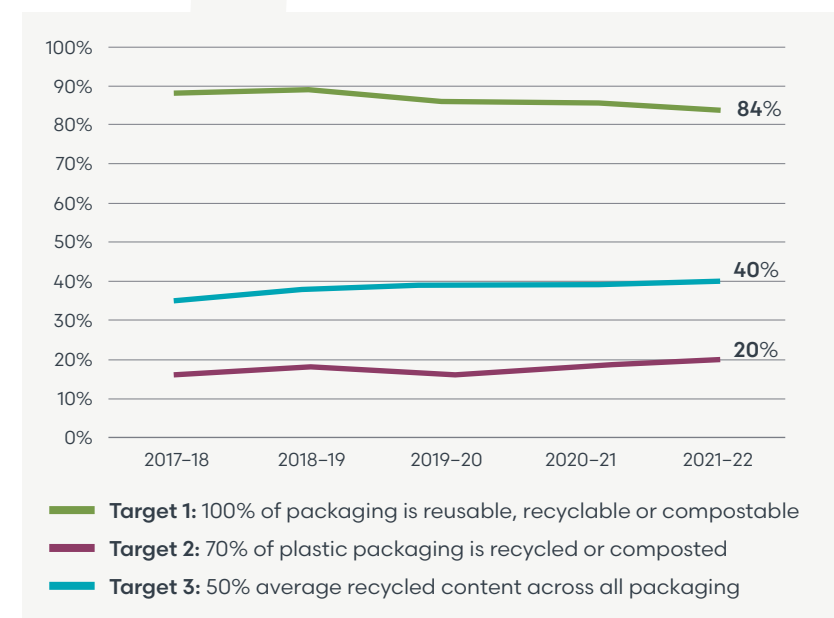
By acquitting their obligations collectively as signatories to the Covenant, Brand Owners have access to APCO's support and resources. In return, Brand Owners provide funding to support action by APCO that is expected to deliver progress towards the Targets and Goals. APCO is accountable to Environment Ministers for this work.

Expectations of Ministers, Brand Owners and stakeholders are that we will succeed, and that if our current approaches are not succeeding, then we will implement other approaches. As noted in Subsection 2.3 above, the Covenant places on APCO the responsibility to determine whether new approaches are required. APCO considers that new approaches are needed now.

APCO reviewed the Targets in 2022 at the request of Environment Ministers. The review found that the Targets are driving a transformation in Australia's packaging but will not be met by 2025, with the target of 70% of plastic packaging being recycled or composted or composted proving particularly challenging. Performance against three of the Targets up to 2021-22, which is the most recent year for which data is available, is shown in Figure 2. The fourth target, the phase out of problematic and unnecessary single use plastic packaging, has seen a 33% decrease in the identified materials. The review concluded that:

- The critical barriers are economic in nature.
- Urgent action is needed across the packaging value chain to overcome these barriers if greater progress is to be made.

In December 2023, Minister Plibersek wrote to APCO, on behalf of all Environment Ministers, to express Ministers' disappointment at the lack of progress towards the Targets, and Ministers' expectation that industry act on the findings of the review. Ministers stated that the slow rate of progress, particularly on soft plastics, highlighted that the current arrangement was not fit for purpose and that voluntary obligations are insufficient. They stressed the importance of APCO continuing to drive interim action towards the Targets while the reform process continued, and to act on the findings of the review. Ministers asked APCO to work with members to build their technical capability, enhance program delivery and address barriers to recovery.



**Figure 2:** Performance against three of the National Packaging Targets



## 3. How this Plan was developed

### 3.1 Engagement and analysis since the review of the Targets

The review of the National Packaging Targets and receipt of the letter from Environment Ministers have made it very clear that it would be unacceptable for APCO to seek Environment Ministers' endorsement for a 2030 Strategic Plan based solely on past approaches.

Existing activities remain important. Member engagement has shown that APCO's programs and supporting activities are highly valued by members, and these need to be continued and further developed.

The Covenant, however, provides for APCO to take on additional responsibilities and activities where needed. It is clear these are needed now.

Since the review of the Targets, APCO has undertaken two major national consultation processes. These included online and in-person forums in capital cities, use of Mentimeter to document feedback, and targeted meetings with industry associations, governments, and system stakeholders. The consultation process in August 2023 focused on developing a vision for 2030 that would guide APCO, as the industry scheme administrator under the existing co-regulatory

arrangement, in developing a set of practical approaches to make greater progress towards the Targets and Goals by 2030. The vision and practical approaches arising from the 2023 consultation informed the subsequent consultation in April and May 2024, which focused on the development of this Plan. Key elements of the 2024 consultation included identifying which of APCO's existing functions members valued most, and the potential expansion of APCO's functions through the development of a model for eco-modulation of member fees, the proceeds of which would be applied to closing the economic barriers to collection, sorting and reprocessing.



At the same time, APCO has conducted analysis of the economics of the packaging value chain and potential mechanisms to increase collection and recycling of packaging. This has included analysis of international models for packaging stewardship.

APCO has drawn four conclusions from its analysis and consultation:

#### 1. Action throughout the value chain is crucial.

Delivering on the National Packaging Targets and the Goals of the Covenant requires action throughout the packaging value chain (the system) that goes beyond our past approaches.

#### 2. The solution depends on closing economic gaps.

Driving action throughout the system requires that we close critical economic gaps encompassing design, collection, recovery, and end-markets.

#### 3. All Brand Owners must take responsibility on an equitable and efficient basis.

To close the economic gaps in the system, mechanisms are needed that allocate costs equitably across all Brand Owners while incentivising design for reduction, reuse, and recovery, and to direct funding to collection, sorting and reprocessing where it will have the greatest impact.

#### 4. The efficiency that a single administrator brings to the Covenant is highly valued by members.

To ensure efficient and effective delivery, APCO must strengthen links across the system, ensure full participation and free-rider protection, streamline administration, and maintain clear accountability to members and governments.

Each of these four conclusions is elaborated on in the following pages.



### 3.2 Action throughout the value chain is crucial

#### Delivering on the National Packaging Targets and the Goals of the Covenant requires action throughout the packaging value chain (the system) that goes beyond our past approaches.

To date, APCO's focus to drive system outcomes has been to work with members to ensure packaging is designed to enable system outcomes such as recycling, and to create demand for recycled materials through the recycled content target. Our analysis shows that those measures are critically important but that on their own, they will not deliver the level of system activity needed to deliver recycling Targets.

Designing recyclable packaging does not mean that it will be recycled. This is illustrated through the fates of plastic packaging entering households. Figure 3 shows that in 2021-22, almost 1.3 million tonnes of plastic packaging were placed on the market, of which 496,000 tonnes of rigid and 422,000 tonnes of flexible plastic packaging entered households. Although rigid plastic packaging has high recyclability at kerbside, less than 30% of the rigid and less than 1% of flexible plastic packaging entering households was recycled.

It is important that Brand Owners play a role in addressing challenges in managing their packaging in the downstream system. In the case of flexible plastics, a large scale, national collection and recycling pathway needs to be established. APCO's ability to use Covenant funds to procure recycling outcomes will help make this more financially viable. In the case of rigid plastics, a range of interventions are required including consumer education and improved sorting for some materials.

With 40% of Australia's packaging comprised of recycled materials, recycled content targets are already an important driver of markets for recycled materials. APCO is concerned, however, that other markets must be developed if we are to increase recycling and therefore increase the volumes of recycled materials on the market.

### Plastic packaging POM and recovered (FY22)

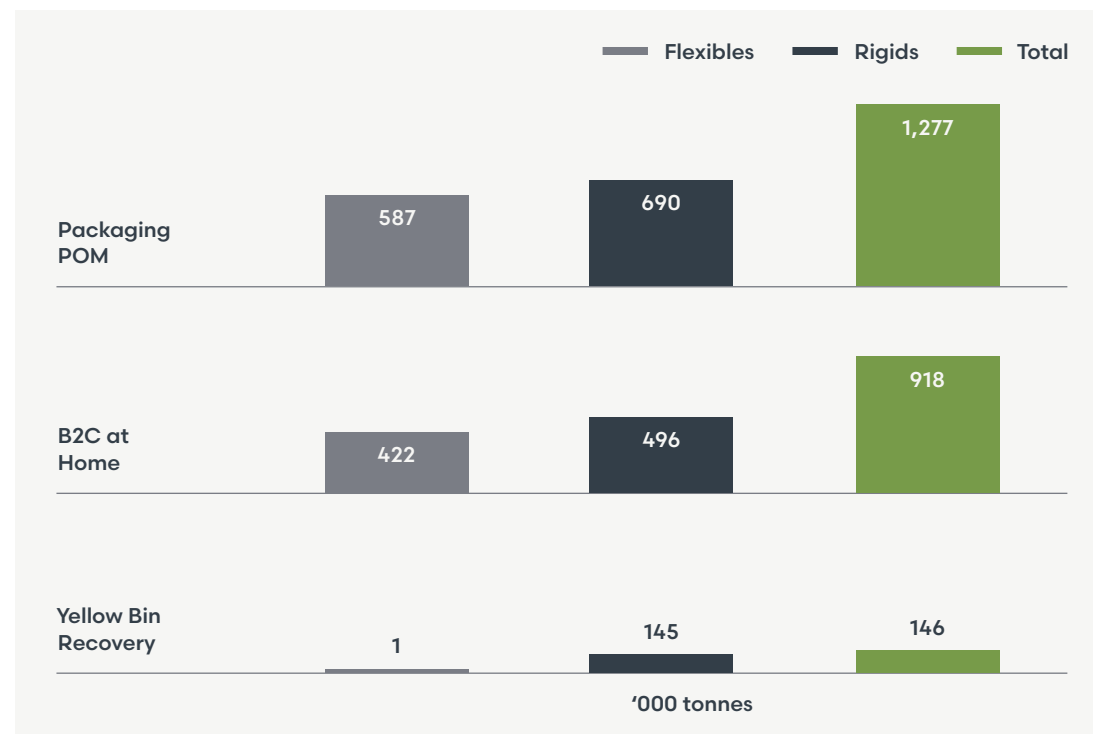


Figure 3: Recycling of rigid and flexible plastic packaging at kerbside in 2021-22

*Designing packaging for recycling does not mean it will be recycled. Brand Owners have a role to play in overcoming challenges in managing their packaging in the downstream system.*



A key concern is that, in the absence of a specific requirement to use Australian recycled content, some Australian recycled materials may not be competitive. This is particularly so for the 37% of Australia's packaging that is manufactured overseas and 41% that is manufactured in Australia from imported materials. As shown in Figure 4, only 278,000 tonnes, or 22% of plastic packaging placed on the market is manufactured in Australia from locally sourced materials.

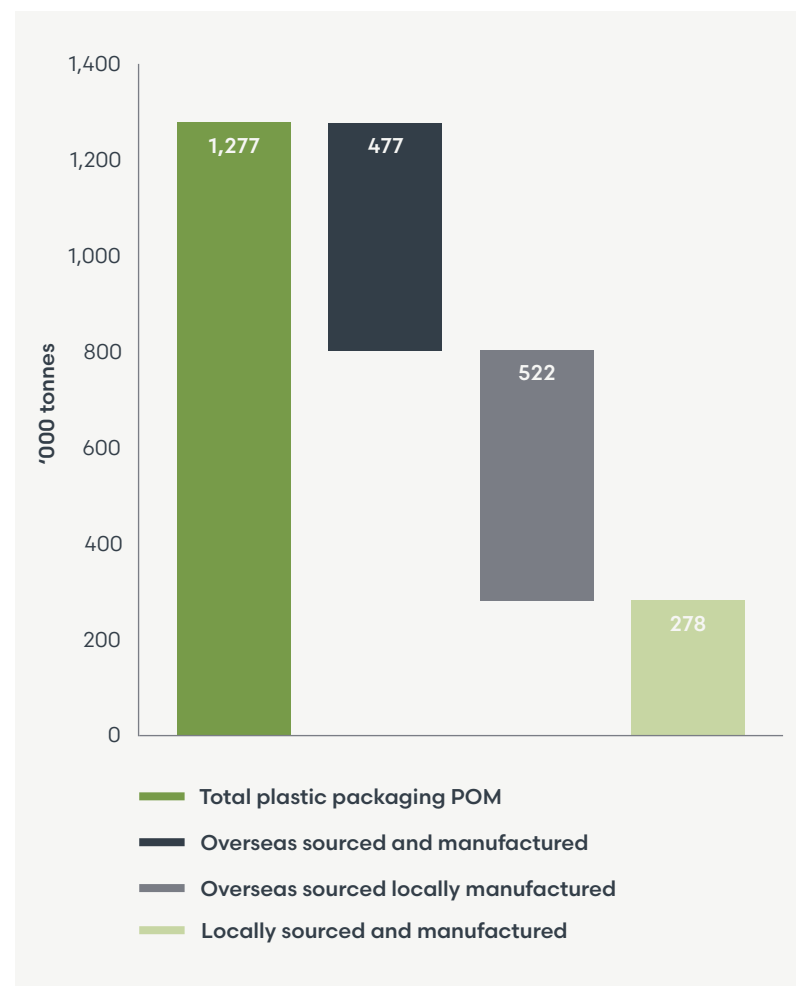
Polymer production is a global enterprise with significant scale economies and large benefits from integration in monomer production (e.g. Ethylene into Polyethylene).

International players are investing in recycling infrastructure globally to produce recycled resin, making it challenging for Australian producers to compete, given limited scale and access to competitively priced local virgin feedstock (naphtha or natural gas).

Assuming recycled content targets for plastic packaging cannot be limited to Australian-sourced material, the most competitive source of recycled resin is likely to come from large scale players offshore because of the economies of scale available to these producers.

APCO projects that achieving a 70% recycling rate for plastic packaging by 2030 would require an additional 620,000 tonnes of plastic packaging, (400,000 tonnes of flexible plastic and 220,000 tonnes of rigid plastic), to be reprocessed and diverted from landfill annually. Only 278,000 tonnes of plastic packaging was manufactured in Australia from locally sourced materials (Figure 4). Even if all this packaging was made of Australian recycled resin, it would not provide a market for the bulk of Australian recycled resin. Clearly, recycled content targets alone will not be a significant driver for the achievement of the target of 70% of plastic packaging being recycled or composted.

Even where strong markets for recycled materials exist, further effort is needed to increase recycling. Figure 5 contrasts the volumes of materials recovered and sent to landfill in 2021-22. Even where materials have relatively high recycling rates, notably paper and cardboard and glass, hundreds of thousands of tonnes are still sent to landfill. These materials have well developed recycling pathways and end-markets, but more needs to be done to keep these materials out of landfill.

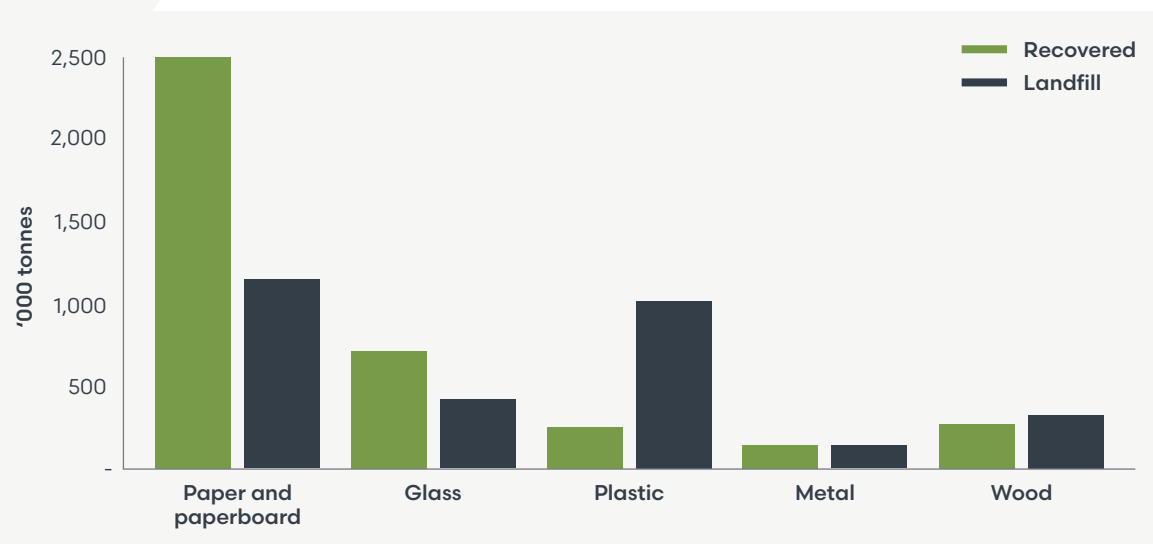


**Figure 4:** Locally and overseas sourced and manufactured plastic packaging placed on the market in 2021-22

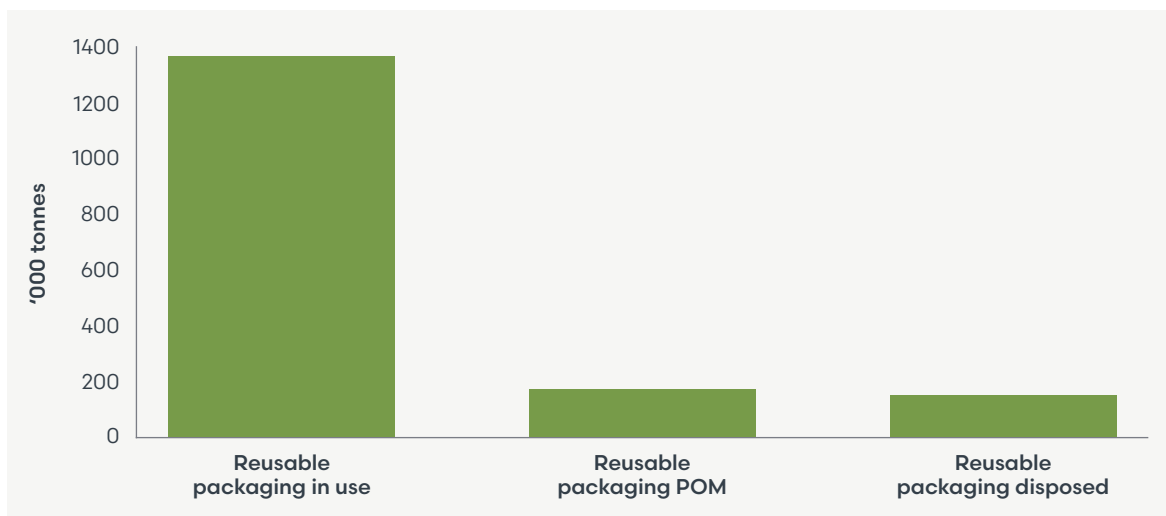
*Recycled content in packaging continues to be important, but will not be sufficient to drive achievement of recycling targets.*

The role of reuse in decreasing the amount of packaging placed on the market has been clearly demonstrated. Figure 6 shows the amount of reusable packaging in use, placed on the market, and disposed of in 2021-22. APCO's work on reuse models for business-to-business packaging in 2023-24 has identified substantial opportunities for reduction and reuse in this space.

The volume of reusable packaging presented in Figure 6 enables an even greater reduction in single-use packaging. An estimated 2.8 million tonnes of single-use packaging were avoided in 2021-22, including 93,700 tonnes of plastic packaging, 181,300 tonnes of paper and cardboard, 42,900 tonnes of glass and 85,500 tonnes of metal. The bulk of reuse occurs in business-to-business crate and pallet systems, with 2.4 million tonnes of single-use packaging avoided.



**Figure 5:** Resource recovery and landfill volumes of key materials streams in 2021-22



**Figure 6:** Reusable packaging in use, placed on the market and disposed of in 2021-22



### 3.3 The solution depends on closing economic gaps

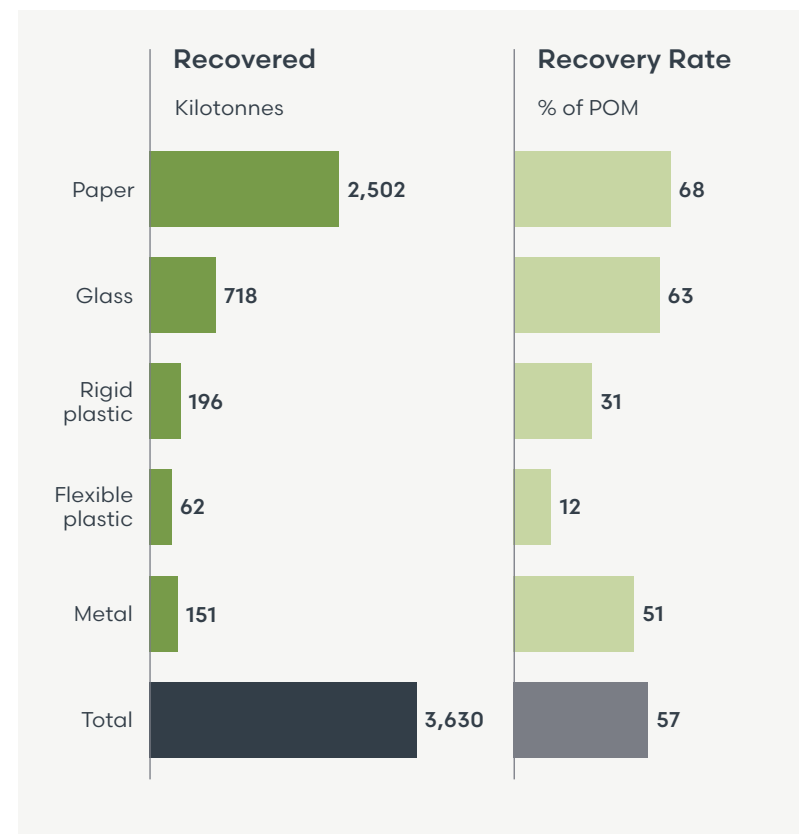
**Driving action throughout the system requires that we close critical economic gaps encompassing design, collection, recovery, and end-markets.**

Economic gaps across the system include:

- Costs associated with redesign to eliminate, reduce, transition to reuse models and improve recyclability.
- Knowledge gaps about what can be recycled and how, requiring behaviour change interventions.
- The cost to collect and recycle many packaging materials is currently greater than the value of the recycled materials.
- An absence of collection and recycling pathways for some materials.
- The cost of producing recycled materials in Australia means that in many cases, they will be unable to compete with virgin or imported materials.
- There is a substantial shortfall of sorting and reprocessing infrastructure for many materials, and in the absence of financial support for recycling and end-markets there is no incentive to invest in new infrastructure.

Although many APCO members have invested considerably in redesigning packaging in accordance with the Sustainable Packaging Guidelines and to use the Australasian Recycling Label (ARL), Australia does not currently have an economic incentive or mandatory standards in place to ensure that all Brand Owners participate in this action.

Regarding material recovery, Figure 7 shows the recovered volumes and recovery rates of key material streams in 2021-22 nationally. While recovery rates for paper and glass are high relative to recovery rates for other materials, the volumes of these materials going to landfill remain high. Although the National Packaging Targets do not include recovery targets for each material type, they still fall under the resource recovery Goal of the Covenant and must therefore be addressed. The recovery rate for plastic packaging remains low.



**Figure 7:** Recovered volumes and recovery rates for key material streams in 2021-22<sup>7</sup>

7. <https://documents.packagingcovenant.org.au/public-documents/APCO%20Australian%20Packaging%20Consumption%20And%20Recovery%20Data%202021-22>

### The task of achieving the 70% recovery target for plastic packaging is considerable.

It could be achieved by collecting, sorting, and reprocessing an additional 400,000 tonnes of flexible plastics per annum and a further 220,000 tonnes of rigid plastics, with the recycled materials placed on the market at a competitive price. The infrastructure to support this task is not available in Australia and economic flows must be created to encourage investment to support delivery of the Targets.

The cost of recycling an additional 620,000 tonnes of plastic packaging per year would be considerable, and the cost of collecting and recycling this packaging is greater than the value of the recycled materials, creating an economic barrier to the attraction of capital for infrastructure and funding for the delivery of services to close the gaps. Costs incurred throughout the system would include:

- Consumer education
- Collection
- Sorting
- Transport
- Reprocessing

It should be noted that costs would vary significantly by geographic region due to different recycling capabilities and transport costs, with remote and regional areas having higher costs.

Recovery is highest for materials where the economic deficit is paid by a third party, either local governments through kerbside systems or industry through container deposit/return schemes. For other materials, recovery and recycling rates are low, indicating that economic intervention will be an effective method to achieve change. The mode of collection would make a substantial difference to the overall cost and outcomes.

APCO's analysis indicates that for flexible plastics, a store drop-off program would carry the highest cost and would not have the scalability to deliver high recycling outcomes.

A scheme based on CDS/CRS models may be more scalable than store drop-off. However, the cost would be very high and the degree to which the model could be adapted successfully to flexible plastics is not clear.

Collecting flexible plastics in co-mingled kerbside bins would be both scalable and lower cost than any other option. It must be noted that cost is not the only factor. Some local governments and MRF operators have raised concerns that would need to be addressed before a national kerbside program for flexible plastics could be established. Effectively, engagement across the system is critical to reaching agreement on the most cost-effective recycling pathways.



*Container deposit/return schemes deliver high recycling rates for eligible packaging, but are not a solution for most plastic packaging.*

Container deposit/return schemes (CDS/CRS) are recognised as delivering high recycling rates for eligible packaging. However, they will not provide a solution for the bulk of plastic packaging. South Australia’s scheme has the highest recovery rate for eligible containers across all materials, at 71%. While this overall figure exceeds the 70% required for recycling or composting of plastic packaging, eligible materials account for only 7% of plastic packaging, meaning the ability of CDS/CRS to contribute to the 70% target for plastic packaging is limited, even if all schemes matched South Australia’s recovery rate. (Note that although CDS and CRS outcomes contribute to overall recycling outcomes and Targets, they operate under state and territory legislation and are not within the scope of this Plan.)

There is a shortfall in reprocessing infrastructure in Australia, especially for plastic packaging. If soft plastics are to be collected at kerbside, there is also a need to upgrade material recovery facilities to enable pre-sorting of this material. Table 1 provides a summary of the estimated capital value of the infrastructure required to enable achievement of the 70% target for recycling or composting of plastic packaging.

Businesses will invest in infrastructure when confident that they will be able to achieve an economic return for their investment after operating costs either through the production of valuable materials in a viable end-market, or through fee for service compensation. Addressing the shortfall in funding across the recovery system is critical to enabling this.

**Table 1:** Infrastructure needed to enable 70% recycling of plastic packaging

Type of capacity	Cost per tonne of additional capacity	Capacity shortfall (T)	Total private investment required
MRF	\$1,000	147k	\$150mn
Pre-sorting	\$1,000	230k	\$230mn
Mechanical processing	\$1,300	81k	\$105mn
Chemical reprocessing	\$2,200	147k	\$325mn
Total		608k	\$810mn



### **3.4 All Brand Owners must take responsibility on an equitable and efficient basis**

**To close the economic gaps in the system, mechanisms are needed that allocate costs equitably across all Brand Owners while incentivising design for reduction, reuse, and recovery, and to direct funding to collection, sorting and reprocessing where it will have the greatest impact.**

Given the nature of the economic gaps that must be closed to enable the Targets and Goals to be achieved, it is inevitable that additional funding will be required, which will increase the cost to Brand Owners. It is important to note that funds will be used solely to deliver additional system outcomes. This Plan does not enable a transfer of costs onto members for existing recycling activities through CDS/CRS or kerbside.

With higher costs, equitable distribution of those costs becomes more critical, as does the mechanism through which the funds are spent.

This Subsection of the Plan addresses:

- Ensuring participation of all Brand Owners.
- Eco-modulation of member fees to link cost directly to packaging.
- Targeted delivery of funds into the system for the delivery of outcomes.
- Considerations for setting the levels of cost and achievement over time.

#### **Ensuring participation of all Brand Owners**

APCO's members account for most of the packaging placed on the market in Australia, estimated at between 70% and 81% of all packaging in 2022-23.

It is vital, however, that we increase coverage to as close to 100% of packaging as possible. Full participation will ensure that:

- All Brand Owners, and therefore all packaging, meet the required standards, which will increase the efficiency of collection and recycling and contribute to Goals such as elimination and reduction, reuse, and recycled content.
- Costs are borne equitably by all Brand Owners, which will become even more critical as the level of funding asked of Brand Owners increases to achieve Targets.
- Sufficient funding is available to deliver the outcomes sought.

Free-riding refers to the gaining of advantage by businesses by not participating in voluntary or regulatory programs which are funded by their competitors that deliver industry and public benefit. Free-riding diminishes programs by reducing the total resources upon which the program can draw. Where free-riding is not adequately addressed, it can erode the resolve of participating companies to contribute resources and even to continue their participation.

Building participation and addressing free-riding is a shared responsibility between APCO and, through the NEPM, governments. Given the criticality of full participation to support the implementation of this Plan, APCO will establish a participation task force in FY25. The task force will engage directly with Brand Owners and with industry associations and governments with the intention of gaining full participation by Brand Owners.

#### **Eco-modulation as a means to link cost directly to packaging**

APCO's current fee model allocates cost based on annual turnover brackets. The advantage of this model is its simplicity. Its disadvantages are that it does not allocate costs equitably according to contribution to environmental impact and does not incentivise packaging design changes. Given that additional funds are needed and that member fees must therefore rise, it is critical that APCO implement a fee model that overcomes both these disadvantages without becoming overly complex.

**The determination of member fees based on the environmental impact of products, in this case packaging, is referred to as eco-modulation (i.e. ecological modulation).**

Eco-modulated fees for packaging are typically based on assessments of the downstream costs arising from the amount and type of packaging placed on the market.

They are used for packaging schemes in many countries including Belgium, the Netherlands and France. Figure 8 illustrates a potential model for eco-modulation, drawn from the Netherlands. A fee is set for a particular material, such as PET. Different materials would carry different material fees depending on the downstream costs, such as collection and recovery. Discounts are then applied to the material fee based on the characteristics of the packaging where the elements reduce the cost of collection, sorting and reprocessing. The member pays the net fee.

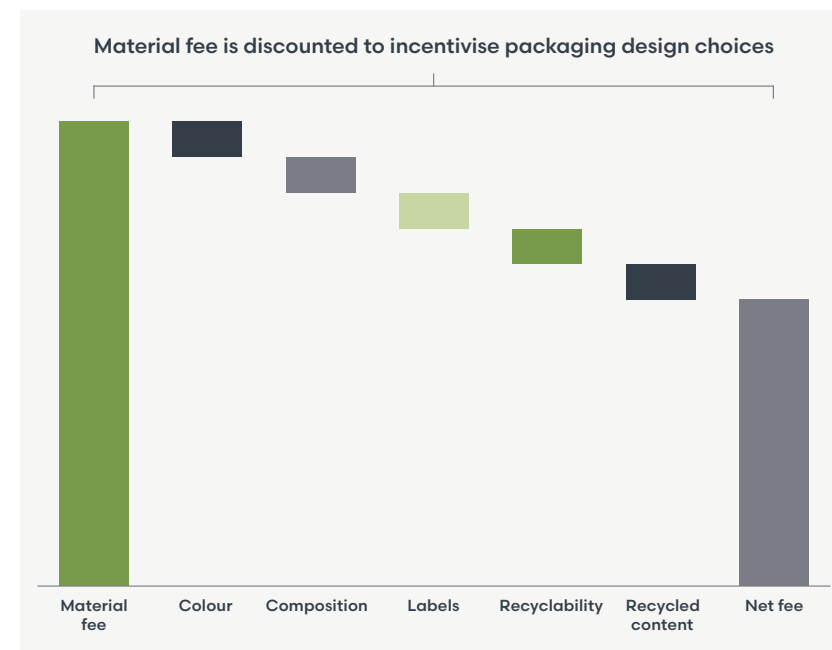
Following analysis of overseas models and stakeholder engagement, APCO has determined that eco-modulation of member fees would overcome the disadvantages of the current fee model and provide a stronger, more equitable basis for the future fee increases needed to achieve the Targets and Goals.

Eco-modulation of member fees will:

- Create incentives for:
  - Elimination and reduction of packaging
  - Adoption of reuse models
  - Use of recycled content
  - Design for recovery.
- Allocate costs equitably across all Brand Owners.
- Include base level fees to support, administration, compliance and consumer education across all packaging formats.

The development of a model for the eco-modulation of APCO member fees is a significant undertaking that will require considerable analysis and Brand Owner engagement. APCO will initiate this work early in FY25 with the intention of being able to implement a model in FY27.

It is important to note that APCO's work on eco-modulation of member fees under the Covenant is not intended to pre-empt or influence any decisions agreed by Ministers about the future reformed framework and roles and responsibilities under it. APCO will engage closely with governments throughout this process and will align with the direction of policy where possible and support members moving from the current co-regulatory scheme to the future regulatory scheme that is under development.



**Figure 8:** Example of eco-modulation of fees based on packaging material and design features

## Targeted delivery of funds into the system for the delivery of outcomes.

Closing the economic gaps in the system requires that funding or other economic incentives be provided into the system. While there are many ways in which this could be done, the vehicle available to APCO under the Covenant is to procure services under contract. Other vehicles, such as direct capital investment, are beyond the scope of APCO's role under the Covenant and therefore not relevant to this Plan.

Through analysis and consultation, APCO has identified that it will be possible to close the economic gaps through service contracts with operators at key points in the system. To close gaps in collection and recycling pathways, the focus will be on the provision of funding in the form of service payments, which will offset operating costs and returns on capital invested rather than be allocated directly to infrastructure investment.

The premise of the methodology is that:

- The provision of service payments will enable more collection, sorting, and reprocessing to occur.
- The level of the service payments will be sufficient to enable the resulting recycled material to be delivered to market at a competitive price.
- The ongoing use of service payments for this purpose will be at a level sufficient to create incentives for the waste and recycling sector to invest in new infrastructure and upgrades.

Figure 9 illustrates some of the points at which service payments could be made throughout the system, drawing on flexible and rigid plastic packaging as examples.

The methodology will involve APCO working with a range of different types of organisations throughout the system. Producer Responsibility Organisations (PROs) that operate voluntary, industry-led packaging EPR schemes, are one such type of organisation. EPR schemes tackle problematic materials that cannot be collected through kerbside or CDS/CRS, often for specific industries. There are several existing schemes, and more being developed, including some with APCO's involvement. Because of the existing and anticipated future engagement of APCO's members with a wide range of packaging EPR schemes and the significant advantages for APCO, PROs and members that exist from collaboration, packaging EPR schemes will be discussed in more detail in Section 3.5.



**Figure 9:** Potential intervention points to increase system activity sufficiently to achieve desired outcomes

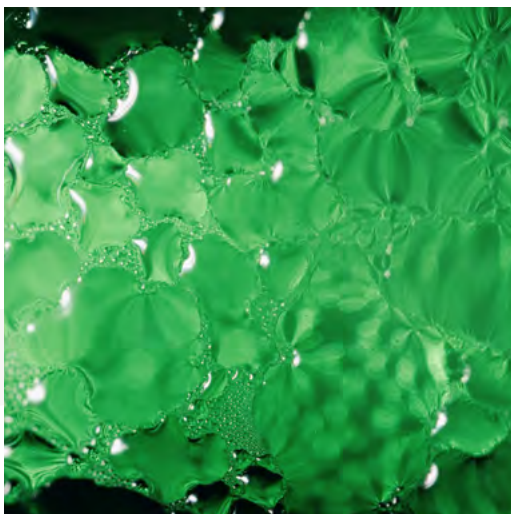


**For rigid plastics, investing in changing consumer behaviour represents a substantial opportunity to increase collection.**

In 2021-22, only 29% of the 496,000 tonnes of rigid plastics entering households were recovered through kerbside recycling bins. If recycling behaviour can be improved such that it drives an increase in recovery of rigid plastics at kerbside, this may be the most cost-effective way to increase recovery of rigid plastics. Allocation of service payments to improve the collection and sorting of recyclable rigid plastic containers that are not eligible for CDS/CRS, such as some polypropylene containers, may also be a cost-effective way to increase recycling.

Recycling large volumes of flexible plastics will require implementing a new, large-scale recovery system, such as a 'bag in a yellow bin' which has seen limited trials to date. The challenges in implementing such a system are considerable. They include willingness of stakeholders to participate at scale, consumer behaviour, contamination with non-recyclable materials and other items, sorting capacity, reprocessing

capacity, and sufficient demand for recycled materials. Cleaning and reprocessing facilities need to be established, which will require investment from the waste and recycling sector in response to fee for service arrangements. These complexities highlight the scale, complexity, and long-term nature of the challenge in achieving the Goals and Targets.



**Developing and implementing such a mechanism is a major undertaking that goes beyond APCO's current business model and resourcing.**

Over the first two years of this Plan, APCO will develop and refine a robust methodology to target the critical points in the system where application of funding will deliver the required outcomes most efficiently and with the greatest efficacy and accountability. APCO will also put in place program governance and a monitoring framework to assure the impact of funded interventions and adjust the allocation of resources as needed to ensure continuous improvement and maximise efficiency and impact.

*A national consumer education campaign will overcome inconsistency in messaging and drive more recycling and cleaner material streams.*

### Considerations for setting the levels of cost and achievement over time.

The closure of economic gaps in the system, although essential to enable achievement of the National Packaging Targets and other elements of the Goals of the Covenant, has not been part of APCO's work program to date. Nor have the costs previously been borne by Brand Owners.

Noting the Commonwealth's packaging regulation reform now in train, APCO's proposed activity sets the pathway forward for APCO and its members to address key barriers addressed in the National Packaging Targets review. While it will be desirable to demonstrate to members, governments, and stakeholders that progress is being made as quickly as possible, it is essential that this activity be phased in over a period of years, to provide time for:

- APCO to build and refine the necessary capability.
- Brand owners to prepare for the cost burden.
- The system to adjust to increased material flows and build the necessary infrastructure.

The full cost of Brand Owners' delivery of the Targets and Goals has not been estimated for the purposes of this Plan, but it will be important to recognise this when considering the allocation of cost and the impact of free-riding. At APCO's consultation forums in August 2023, members reported that the top three areas of cost in acquitting their Covenant obligations were inclusion of recycled content, applying the sustainable packaging guidelines, and reporting accurate data.

In setting out this Plan, APCO has considered two economic scenarios for achievement against the National Packaging Targets, with the difference between them being achievement against the target of 70% of plastic packaging being recycled or composted:

- **Scenario A:** 70% recovery by 2030 would achieve a 70% recovery rate for plastic packaging by 2030. The estimated annual cost to members would be in the order of \$770 million in 2030<sup>8</sup>.
- **Scenario B:** Practical recycling outcome would achieve a 70% recycling rate for rigid PET, 55% for rigid HDPE/PP, and 40% for flexibles, with an overall recovery rate of 55% in 2030. The estimated annual cost to members would be in the order of \$247 million<sup>9</sup>.

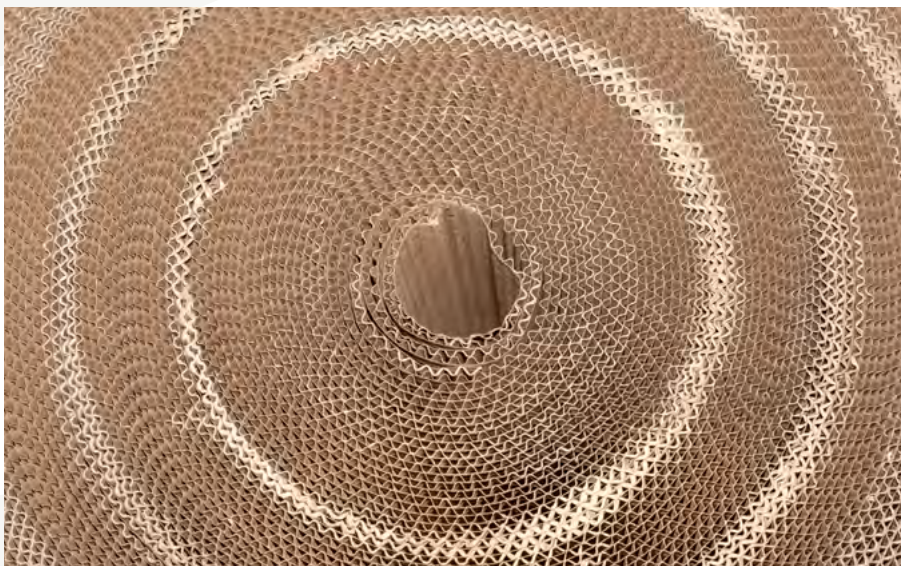
APCO gauged member views on these scenarios at its consultation forums in April-May 2024, the results of which were:

- **Scenario A:** 30% of participants in favour
- **Scenario B:** 64% of participants in favour
- **No preference:** 6% of participants

While this result represents only the views expressed in the moment by the 800 or so organisations that participated in the process, it highlights that:

- There is a recognition amongst APCO's members that achievement against the Targets and Goals is important and will involve additional cost.
- Most members would prefer a level of achievement that is substantially greater than we have delivered to date, but which balances achievement with cost and system feasibility.

*The estimated annual cost to achieve a recycling rate for plastic packaging of 55% in 2030 is \$247 million in 2030. Recycling an extra 500,000 tonnes of paper and cardboard would cost \$59 million annually.*



**It is important to note that Scenarios A and B only consider the National Packaging Targets and do not consider other elements of the Goals of the Covenant, which were listed in Subsection 2.3.**

Delivering on these other Goals will require additional funding. For example, APCO estimates that to collect and recycle an additional 500,000 tonnes of paper and cardboard per year would incur a cost of \$59 million annually by 2030<sup>10</sup>.

APCO will commence engagement with members, governments and system stakeholders on the measures outlined in this Subsection in FY25. As a starting point, APCO will set out a pathway for achievement of:

- **The National Packaging Targets outcomes**, including the recovery of plastic packaging set out in Scenario B, with the ability to pivot to Scenario A if conditions allow.
- **Other elements of the Goals of the Covenant**, including action to substantially reduce landfilling of other materials by 2030, including through elimination and reduction, reuse, and resource recovery.

APCO's engagement on these measures will be modified as and when required because of the regulatory reform process already underway.



### 3.5 The efficiency that a single administrator brings to the Covenant is highly valued by members

**To ensure efficient and effective delivery, APCO must strengthen links across the system, ensure full participation and free-rider protection, streamline administration, and maintain clear accountability to members and governments.**

The capabilities and roles required of APCO in delivering this Plan relate solely to APCO's obligations under the Covenant. This Plan in no way pre-empts any decision by Ministers about the reform process or presupposes any role for APCO under a reformed framework. APCO will consult with governments on how this model could support delivery of reform.

The Strategies that APCO will implement in pursuit of the Goals and Targets, and the outputs and activities that will enable their achievement, are set out in Section 5 of this Plan. APCO will expand its capability to deliver these Strategies. APCO's capability

development is addressed most specifically under Strategy 6. Other key areas of new capability development include Outputs 1.3 (developing a model for eco-modulated fees), 5.1 (developing a methodology for targeting expenditure in the system) and 5.2 (developing capability to establish and manage contracts for delivery of system outcomes).

As noted in Subsection 3.4, PROs, that operate voluntary, industry-led packaging EPR schemes, are one type of organisation that APCO might enter service contracts with. Voluntary EPR schemes tackle problematic packaging materials that cannot be collected through kerbside or CDS/CRS, often for specific industries. There are several existing schemes dealing with packaging, and more being developed, including some with APCO's involvement.

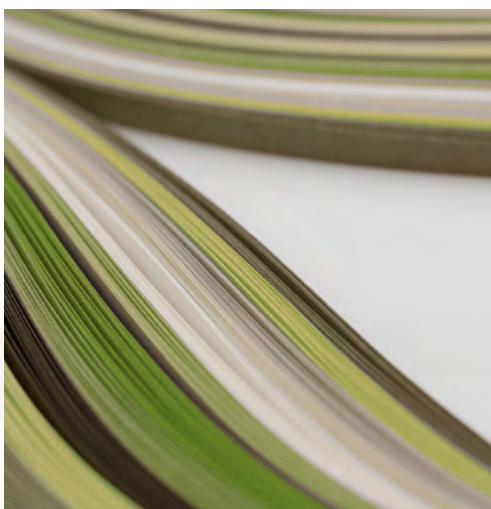
*APCO will enter contracts with extended producer responsibility (EPR) schemes to ensure adequate resourcing and good governance.*

The collection and recycling output of voluntary EPR schemes tends to be constrained by financial resources.

APCO will have resources because it will be collecting eco-modulated fees.

Under the methodology outlined in Subsection 3.4, it is possible that APCO could enter a contract with a packaging PRO. Under the contract, APCO would provide service payments and the PRO would deliver a specified collection and recycling output to a specified quality.

If APCO assessed that such a contract would be an efficient and effective way to deliver collection and recycling outcomes under the Covenant, relative to other opportunities in the market for collection and recycling services (for example through co-mingled kerbside collection, or through a contract directly with a waste management operator), then APCO may do so.



## *APCO members have a single point of contact to acquit responsibilities under the Covenant and to relevant EPR schemes.*

There are advantages to the system in having APCO working with PROs where PROs are best placed to deliver collection and recycling outcomes. The alternative would be for APCO to work with another organisation that may be less well placed to deliver the same outcomes.

One advantage for PROs and their participants would be the funding potentially available through APCO.

Another advantage would be that the Covenant provides, indirectly, a measure of free-rider protection. The co-regulatory framework that supports the Covenant means that there are likely to be some APCO members that should be participating in an EPR scheme but are not. APCO will be collecting eco-modulated fees from those members for packaging relevant to that scheme. The effective free-rider protection might work in two ways:

- APCO uses funds raised from the free-riding member to support the EPR scheme, and/or
- APCO discounts its member fees for members that are also participating in the EPR scheme.

In addition to these substantive advantages, APCO has been informed by its members, through consultation conducted in the preparation of this Plan, that members want APCO to provide two additional services in relation to EPR schemes:

- **Single administrator.** Identifying, assessing, and participating in relevant EPR schemes is time consuming and costly, particularly for those with a broad packaging profile. APCO will identify EPR schemes relevant to a member's packaging profile. Where the member wants to participate in a specific scheme and the PRO is a contracted service provider to APCO, APCO will manage the billing, data reporting and other administrative interactions between the member and PRO. PROs will benefit from the administrative streamlining as well as from APCO's data and other capabilities.
- **Due diligence and assurance.** The risk to brand owners of being involved in an underperforming EPR scheme is high. Undertaking due diligence in relation to multiple EPR schemes is costly and difficult, both upfront and through ongoing monitoring. APCO will undertake due diligence in relation to the activities of any PRO it contracts with, including both upfront and ongoing monitoring. This will be done entirely through standard contract provisions. APCO will not provide due diligence and assurance in relation to EPR schemes for which it does not have a contract with the relevant PRO.

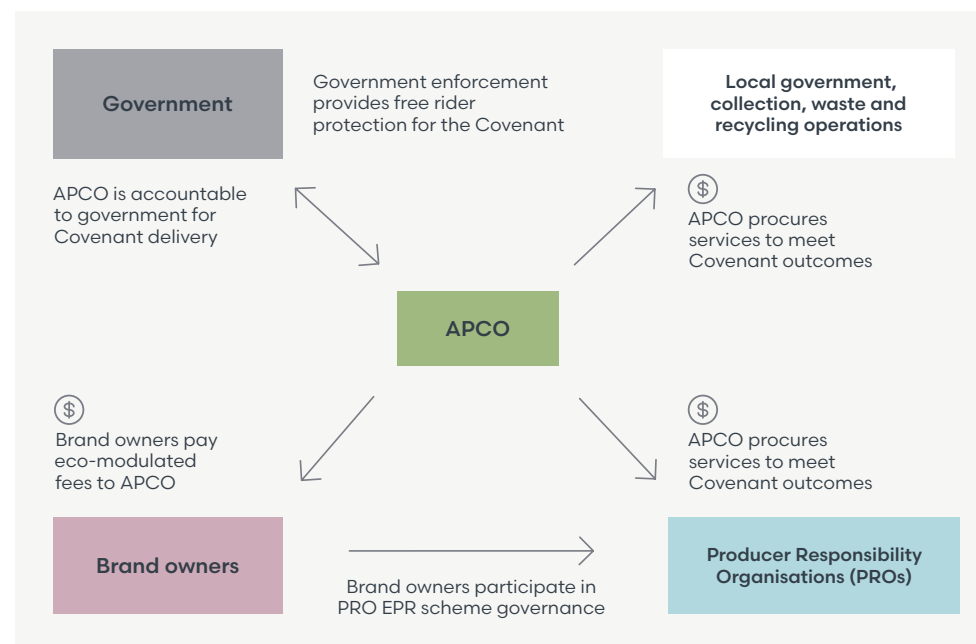
**It is important to note that APCO's intent to support and enter contracts with PROs is not intended to pre-empt any decision by governments about the reform process or presuppose any role for APCO under a reformed framework.**

It should also be noted that the scope of industry led EPR schemes referred to above excludes CDS and CRS. These schemes exist under state and territory legislation and APCO assumes that they would neither be able to enter, nor benefit from, an administrative partnership under contract with APCO.

Figure 10 illustrates the interactions between APCO and service providers including PROs. As noted elsewhere in this Subsection, these interactions will be contractual arrangements between APCO and service providers for the delivery of specified collection and recycling outcomes to a specified quality.

Figure 10 also illustrates that:

- APCO has the benefit of free-rider support provided for the Covenant under the existing co-regulatory framework.
- Brand owners will be able to interact with a packaging EPR scheme for which the PRO is a contracted service provider to APCO.
- APCO will also enter service contracts with other types of organisations.



**Figure 10:** Flow chart showing APCO's role in supporting service providers, including PROs, to deliver outcomes that further the National Packaging Targets and Goals of the Covenant

## 4. What this Plan will deliver

**To have the impact sought through this Plan, namely achievement against the National Packaging Targets and Goals of the Covenant, APCO will implement a considerable body of work within six key Strategies.**

These Strategies and their combined intended impact are illustrated in the form of a program logic in Figure 11.

Four of the Strategies address specific parts of the packaging value chain, namely:

1. Packaging is designed for reduction, reuse, and recovery.
2. Users increase utilisation of reuse systems and recycle packaging correctly.
3. Recovery systems are in place for all packaging.
4. Local and global demand for Australian recycled materials meets supply.

The remaining two cut across the value chain to enable each of the other Strategies. These are:

5. Financial resources within the system are sufficient to enable the required outcomes.
6. Stakeholders have confidence in system decision-making and integrity.

The Strategies are written as desired end-states, or outcomes, that neither APCO nor any other organisation can directly produce, but which APCO is setting out to achieve through the delivery of outputs. The outputs that APCO will deliver for each of the Strategies are listed in Figure 11. These are also written as desired end-states, but unlike the Strategies themselves are end-states that APCO can reasonably set out to produce.

Each of the 18 outputs listed in Figure 11 will be delivered through specific activities. APCO has elaborated 30 activities, which are listed and described in Table 2 on pages 27-31. The activities are worded as things that APCO will do in an ongoing state, rather than as time-bound actions or deliverables. They encompass:

- The continuation of existing programs (e.g. 1C Providing technical and design support).
- Work that is currently in a developmental and pilot phase (e.g. 2E Maximising reuse and recovery of business-to-business packaging).
- Implementation of elements of the Plan that are new (e.g. 5A Targeting investment to drive collection and recovery).
- Work to improve stakeholder confidence and accountability (e.g. 6D Implementing assurance protocols over critical programs and processes).



Table 3 sets out the timeframes for delivery of the 30 activities, along with an assessment of their sustainability given current resourcing. It shows that:

- 14 activities, or 47%, are ongoing activities that are sustainable within current resourcing, at their existing activity levels. It should be noted that these include programs, such as providing support on packaging design (Activity 1A) and the ARL (Activity 2A), that are growing at a greater rate than the resourcing available to maintain them.
- 7 activities, or 23%, are activities that have been commenced and can be accelerated once they are appropriately resourced.
- 9 activities, or 30%, are activities that have not been commenced and for which resourcing is not currently available. These include activities to implement key elements of the Plan including eco-modulation. APCO will increase its fees by 10% per year in FY25 and FY26 to increase resourcing available for this body of work.

APCO considers that all the 30 activities listed in Tables 2 and 3 are needed to enable achievement against the Goals and Targets. The failure of the approach set out in APCO's previous Strategic Plan to deliver adequate progress towards the Targets despite the success of some activities, highlights the holistic, system-wide nature of the challenge that this Plan is addressing.

The resourcing status of the activities set out in Table 3 highlights the urgent need to transition APCO's member fee model to enable greater effort to be applied to the Targets and Goals and for the cost of this to be equitably allocated across all Brand Owners.

Detailed information on the implementation of critical elements of the work described above, specifically eco-modulation of member fees and the allocation of Covenant funds to service payments to achieve downstream system services, is given in Subsection 6. Performance indicators for each Strategy and for their combined impact are detailed in Section 7.



# Program logic

## Impact

**Goals of the Covenant:** Improve resource recovery of packaging; Prevent the impacts of litter

### NATIONAL PACKAGING TARGETS:

100% of Australia's packaging is reusable, recyclable or compostable

70% of plastic packaging is recycled or composted

Packaging contains an average of 50% recycled content

Problematic and unnecessary single-use plastic packaging is phased out

## Strategies and outputs

1

### Packaging is designed for reduction, reuse and recovery

- 1.1 Australia's packaging design requirements are informed by best practice
- 1.2 Brand owners understand packaging design requirements
- 1.3 Eco-modulation of APCO member fees incentivises packaging design for reduction, reuse and recovery and use of Australian recycled content

2

### Users increase utilisation of reuse systems and recycle packaging correctly

- 2.1 Consumers understand how and are encouraged to recycle packaging correctly
- 2.2 Consumers understand how and are encouraged to reduce and reuse packaging and avoid littering
- 2.3 Supply chain participants understand their business case for reuse and recovery of business-to-business packaging

3

### Reuse and recovery systems are in place for all packaging

- 3.1 Supply chain participants understand their business case to establish and expand reuse models
- 3.2 Effective EPR schemes are in place for collection and recovery of materials not otherwise collected through kerbside systems or CDS
- 3.3 High quality information is available to inform investment in and optimisation of recovery systems

4

### Local and global demand for Australian recycled materials meets supply

- 4.1 Supply chain participants understand their business case for the use of recycled materials
- 4.2 New packaging and non-packaging markets for recycled materials are enabled through the removal of technical and economic barriers
- 4.3 Users and stakeholders have confidence in recycled materials and recycled content claim

5

### Financial resources within the system are sufficient to enable the required outcomes

- 5.1 System costs and the marginal impact of expenditure at different points of the system are accurately assessed
- 5.2 Covenant funds are allocated within the downstream system to ensure efficient delivery of additional recycling, reuse and litter reduction, and incentivise investments

6

### Stakeholders have confidence in system decision-making and integrity

- 6.1 Industry participation is maximised through effective compliance protocols and collaboration with government agencies
- 6.2 Informed and co-ordinated decision-making across the system is enabled through inclusive governance and effective strategy
- 6.3 Effective assurance protocols ensure system and program integrity
- 6.4 Regular and timely public reporting and data release enable assessment of performance against targets, goals and indicators

#### Key:

1 Strategy

1.1 Output

Figure 11: Program logic for the Australian Packaging Covenant 2030 Strategic Plan

**Table 2:** Descriptions of activities that APCO will undertake to deliver the outputs for each Strategy of the Strategic Plan

Strategy	Output	Activities
<b>1.</b> Packaging is designed for reduction, reuse, and recovery	<b>1.1 Australia's packaging design requirements are informed by best practice and industry knowledge</b>	<p><b>1A Developing and sharing knowledge:</b>  Monitor and share information and industry knowledge on:</p> <ul style="list-style-type: none"> <li>• Australian and global best practice in packaging design</li> <li>• The implications of innovation and medium and long-term trends in packaging materials and formats in Australia and internationally</li> </ul> <p><b>1B Maintaining and aligning the Sustainable Packaging Guidelines:</b>  Update the Sustainable Packaging Guidelines annually to account for:</p> <ul style="list-style-type: none"> <li>• Changing materials and formats</li> <li>• Alignment with reuse and recovery systems and the performance of packaging within them</li> <li>• The status of special cases e.g. medical and pharmaceutical packaging</li> <li>• Regulatory requirements e.g. with regard to food safety, veterinary medicines</li> <li>• The status of APCO member implementation of key requirements such as eliminating problematic materials and hazardous chemicals</li> </ul>
	<b>1.2 Brand Owners understand packaging design requirements</b>	<p><b>1C Providing technical and design support:</b>  Provide technical support and education on packaging design to assist businesses to comply with member design standards requirements and/or anticipated mandatory design requirements</p> <p><b>1D Engaging the supply chain:</b>  Facilitate maximum compliance with the standard by:</p> <ul style="list-style-type: none"> <li>• Working with key influencers in Australian and international supply chains</li> <li>• Engaging with SMEs through industry associations and other intermediaries</li> </ul> <p>Implementing APCO member requirements and/or anticipated mandatory design requirements</p>
	<b>1.3 Eco-modulation of APCO member fees incentivises packaging design for reduction, reuse and recovery and use of Australian recycled content</b>	<p><b>1E Calibrating the model for eco-modulation:</b>  Implement and maintain a model for the eco-modulation of member fees calibrated to:</p> <ul style="list-style-type: none"> <li>• Packaging impact</li> <li>• System costs</li> <li>• Phasing of implementation</li> </ul> <p><b>1F Collecting information on member packaging:</b>  Implement APCO member reporting requirements to enable eco-modulated fees to be calculated based on packaging profiles</p> <p><b>1G Levying member fees:</b>  Maintain APCO's practice of levying member fees, and commence the eco-modulation of member fees in FY27</p>

**Table 2:** Descriptions of activities that APCO will undertake to deliver the outputs for each Strategy of the Strategic Plan

Strategy	Output	Activities
<b>2.</b> <b>Users increase utilisation of reuse systems and recycle packaging correctly</b>	<b>2.1 Consumers understand how and are encouraged to recycle packaging correctly</b>	<p><b>2A Delivering a system-aligned labelling program:</b>            Deliver the ARL program, ensuring it remains aligned with and responds to innovation in packaging recovery systems</p> <p><b>2B Maximising uptake of labelling:</b>            Ensure full participation of firms in the ARL program through:</p> <ul style="list-style-type: none"> <li>• Outreach through Australian and overseas supply chains</li> <li>• Facilitating SME procurement of compliant packaging through the ARL SME program and marketplace</li> <li>• Implementing APCO member requirement and/or design standards requirement to label packaging</li> </ul> <p><b>2C Maximising the impact of labelling:</b>            Ensure the ARL has maximum impact by through:</p> <ul style="list-style-type: none"> <li>• National consumer recycling education to maximise correct use of the ARL</li> <li>• Monitoring the label's effectiveness in reducing contamination and increasing recovery</li> </ul>
	<b>2.2 Consumers understand how and are encouraged to reduce and reuse packaging and avoid littering</b>	<p><b>2D Driving consumer behaviour change:</b>            Work with stakeholders to design, implement, support, and maximise education and awareness campaigns to encourage consumer participation in the recycling process through effective of behaviour change programs to:</p> <ul style="list-style-type: none"> <li>• Reduce packaging consumption</li> <li>• Increase reuse and recovery</li> <li>• Prevent the impact of litter</li> </ul>
	<b>2.3 Supply chain participants understand the business case for reuse and recovery of business-to-business packaging</b>	<p><b>2E Maximising reuse and recovery of business-to-business packaging:</b>            Provide education and technical support to remove barriers and establish the business case for utilisation of reuse and recovery systems for secondary and tertiary packaging</p>

**Table 2:** Descriptions of activities that APCO will undertake to deliver the outputs for each Strategy of the Strategic Plan

Strategy	Output	Activities
<b>3.</b> Reuse and recovery systems are in place for all packaging	<b>3.1 Supply chain participants understand their business case to establish and expand reuse models</b>	<b>3A Building on existing reuse models:</b> Work with operators to establish the business case to improve the effectiveness, coverage, and accessibility of existing reuse systems  <b>3B Establishing the business case for new reuse models:</b> Work with businesses to identify and opportunities and build the business case for new reuse systems for primary, secondary, and tertiary packaging
	<b>3.2 EPR schemes are in place for collection and recovery of materials not otherwise collected through kerbside systems or container deposit/return schemes</b>	<b>3C Supporting industry-led EPR:</b> Support members and stakeholders to establish and expand effective, voluntary EPR and stewardship schemes, at scale and with national coverage, for packaging materials not currently collected through kerbside or systems or container deposit schemes  <b>3D Driving EPR where needed:</b> Establish EPR schemes for priority materials, funded through eco-modulated member fees, where other actors are not doing so  <b>3E Supporting improved outcomes in remote and regional areas:</b> Work with industry and stakeholders to implement approaches to reduce, reuse and recover packaging in remote and regional areas
	<b>3.3 High quality information is available to inform investment in and optimisation of recovery systems</b>	<b>3F Providing data and insights to inform decision-making:</b> Collect, analyse, and make available material flow (including packaging waste generation) and economic data and insights to support stakeholder decision-making on: <ul style="list-style-type: none"> <li>• Accessibility, capacity, capability, functioning and optimisation across Australia's reuse and recovery systems, including kerbside, CDS and EPR</li> <li>• The costs and benefits of potential recovery pathways for materials not currently collected through kerbside and CDS</li> <li>• Investment in infrastructure</li> </ul>



**Table 2:** Descriptions of activities that APCO will undertake to deliver the outputs for each Strategy of the Strategic Plan

Strategy	Output	Activities
<b>4.</b> There is demand locally and globally for Australian recycled materials at competitive prices	<b>4.1 Supply chain participants understand their business case for the use of recycled materials</b>	<b>4A Maximising recycled content in packaging:</b> Work with APCO members to maximise the recycled content in packaging through: <ul style="list-style-type: none"> <li>• Building member knowledge and assisting them to overcome barriers, such as understanding food contact safety issues with regard to chemicals of concern in recycled content</li> <li>• Developing information resources on the quality and specifications of recycled materials</li> </ul>
	<b>4.2 New packaging and non-packaging markets for recycled materials are enabled through the removal of technical and economic barriers</b>	<b>4B Facilitating development of non-packaging markets:</b> Work with stakeholders to: <ul style="list-style-type: none"> <li>• Identify opportunities to open new markets for recycled materials</li> <li>• Overcome technical, business, and economic barriers to market development</li> <li>• Establish the business case</li> </ul>
	<b>4.3 Users and stakeholders have confidence in recycled materials and recycled content claims</b>	<b>4C Enabling assurance of recycled content claims:</b> Work with suppliers and users of recycled materials to implement an effective approach to building user confidence in the provenance of recycled materials and eliminating greenwashing through false claims of recycled content

**Table 2:** Descriptions of activities that APCO will undertake to deliver the outputs for each Strategy of the Strategic Plan

Strategy	Output	Activities
<b>5.</b> <b>Financial resources within the system are sufficient to enable the required outcomes</b>	5.1 System costs and the marginal impact of expenditure at different points of the system are accurately assessed	<b>5A Targeting investment to drive collection and recovery:</b> Implement a model to understand system costs and calibrate potential expenditure to deliver effective and efficient collection and recovery of packaging materials that are additional to business-as-usual, and that incentivises private investment in the required infrastructure  <b>5B Targeting investment to support the Goals of the Covenant:</b> Implement a model to calibrate expenditure to drive non-recovery outcomes of the Covenant including reduction, reuse and litter reduction that are additional to business-as-usual
	5.2 Covenant funds are allocated within the downstream system to ensure efficient delivery of additional recycling, reuse, and litter reduction, and incentivise investment	<b>5C Allocating funding:</b> Implement a model to identify, assess and select potential projects for the delivery of specific actions and outputs <b>5D Managing contracts for delivery of funded outcomes:</b> Managing contracts to ensure effective and efficient use of funds and integrity of outputs
<b>6.</b> <b>System participants and stake-holders have confidence in system decision-making and integrity</b>	6.1 Industry participation is maximised through effective compliance protocols and collaboration with government agencies	<b>6A Implementing processes for Brand Owner recruitment and referring non-signatory Brand Owners to State and Territory regulatory agencies:</b> Conduct annual brand audits as required under the Covenant, including referral of non-signatory Brand Owners to state and territory regulatory agencies, and provide support to regulatory agencies in following up with referred Brand Owners when requested
	6.2 Informed and co-ordinated decision-making across the system is enabled through inclusive governance and effective Strategy	<b>6B Implementing an inclusive and effective governance framework:</b> Maintain an inclusive, transparent, and efficiently run governance framework that enables stakeholder input to strategic and program decision making and supports coordinated decision-making across the system <b>6C Maintaining an effective strategic Planning protocol:</b> Ensure the strategic and program decision-making is supported by a strategic perspective informed by effective consultation, horizon-scanning and thought leadership
	6.3 Effective assurance protocols ensure system and program integrity	<b>6D Implementing assurance protocols over critical programs and processes:</b> Implement robust assurance and compliance processes to ensure integrity and confidence, including for: <ul style="list-style-type: none"> <li>• Member reporting and the calculation of fees</li> <li>• Services provided to APCO under contract</li> <li>• Recycled content claims</li> <li>• The ARL program</li> </ul>
	6.4 Regular and timely public reporting and data release enable assessment of performance against targets, goals and indicators.	<b>6E Providing data and reporting publicly on system and program performance:</b> Publish data and reporting on key system and program metrics, outcomes, and key performance indicators to ensure transparency, enable candid discussion of system and program performance and evidence-based discussion of gaps, challenges, and future actions

**Table 3:** *Timeframe for delivery and current resourcing status of activities*

Current activity
  Current activity that is resource constrained
  Activity that is not currently resourced

Activities	Timing of delivery
<b>1A Developing and sharing knowledge:</b>	Ongoing – program was established in response to the review of the National Packaging Targets and has built a substantial body of knowledge expertise.
<b>1B Maintaining and aligning the Sustainable Packaging Guidelines:</b>	Ongoing – the Sustainable Packaging Guidelines are the key resource for members to inform sustainable packaging design. An update will conclude in FY25. The role and form of the Sustainable Packaging Guidelines will be reassessed as the planned national design standards are established.
<b>1C Providing technical and design support:</b>	Ongoing – program established in response to the review of the National Packaging Targets and is providing valuable assistance to members in packaging design. It is also providing technical expertise to governments.
<b>1D Engaging the supply chain:</b>	APCO is undertaking some engagement with Australian supply chains. A broader program will enable greater reach, including through overseas supply chains, and will be developed and expanded from FY27.
<b>1E Calibrating the model for eco-modulation:</b>	This will be a high priority for FY25. Model development will commence in FY25 with substantial analysis and member and stakeholder engagement. Development of the model will be supported by pilots in FY25 and FY26 involving small numbers of members. The model will continue to be refined up to and during its full implementation in FY27.
<b>1F Collecting information on member packaging:</b>	Ongoing – the collection and reporting of data is a core activity under the Covenant. Eco-modulation of member fees will require greater granularity and accuracy in member packaging data, which APCO will work with members to implement from FY25.
<b>1G Levying member fees:</b>	Ongoing – levying member fees is a core activity under the Covenant. Eco-modulation and the expansion of APCO's billing system to provide an avenue to EPR fees will require substantial development of APCO's fee collection systems and processes, which will commence in FY25.
<b>2A Delivering a system-aligned labelling program:</b>	Ongoing – but expansion requires additional resourcing. The ARL has become a substantial national program with more than 0.5 million products now carrying the label. Expansion of the ARL will be a core component of a national consumer behaviour change campaign to be developed when resources are available from FY27 and a key driver to increase collection of business-to-consumer packaging and reducing contamination of material streams.
<b>2B Maximising uptake of labelling:</b>	Work to maximise uptake of labelling is occurring through APCO's ongoing member engagement processes and through the SME ARL program but is resource constrained. Work will continue within existing resources and will be expanded if possible, during FY26 and FY27. Further work to drive greater take-up will increase from FY27 when funding is available.
<b>2C Maximising the impact of labelling:</b>	Some consumer engagement on the ARL is currently undertaken but is resource constrained. A more substantial consumer engagement campaign and monitoring of impact will be developed in FY27 when funding is available.
<b>2D Driving consumer behaviour change:</b>	This activity will drive consumer behaviour change in support of the Goals of the Covenant and will commence in FY27 when funding is available.
<b>2E Maximising reuse and recovery of business-to-business packaging:</b>	This program commenced in FY24 in response to the review of the National Packaging Targets. Its initial successful engagement with Brand Owners is supporting the development of a methodology that will continue to be refined and scaled over FY25 and FY26 and will be expanded as pilots are proved successful.

**Table 3:** Timeframe for delivery and current resourcing status of activities

Current activity
  Current activity that is resource constrained
  Activity that is not currently resourced

Activities	Timing of delivery
<b>3A Building on existing reuse models:</b>	This program commenced in FY24 in response to the review of the National Packaging Targets. Its initial successful engagement with Brand Owners is supporting the development of a methodology that will continue to be refined and scaled over FY25 and FY26 and will be expanded as pilots are proved successful.
<b>3B Establishing the business case for new reuse models:</b>	APCO's current focus is on supporting the expansion of existing models, as this is likely to provide greater impact with the limited resources available. Work to support development and implementation of new models will commence in FY27 when resources are available.
<b>3C Supporting industry-led EPR:</b>	This program commenced in FY24 in response to the review of the National Packaging Targets. Its initial successful engagement with Brand Owners has been on supporting the development of schemes on expanded polystyrene, and polypropylene pails in the food services industry. APCO's approach to supporting EPR projects will continue to be refined and scaled over FY25 and FY26 and will be expanded more fully in FY27 when resources are available. APCO will also develop billing capability to provide a single point of contact between members and EPR schemes, for implementation no later than FY27.
<b>3D Driving EPR where needed:</b>	APCO's EPR program commenced and is in pilot phase in FY24 in response to the review of the National Packaging Targets. APCO's current focus is on Activity 3C. Direction initiation of EPR development under Activity 3D will commence as needed when resources are available from FY27.
<b>3E Supporting improved outcomes in remote and regional areas:</b>	APCO is working with Brand Owners and stakeholders to address packaging waste challenges in remote and regional areas through the ANZPAC program, however this is resource constrained. This work will be expanded from FY27 when resources are available.
<b>3F Providing data and insights to inform decision-making:</b>	APCO's data analysis and release program is ongoing and subject to continuous improvement. This will be further developed over FY25 and FY26 to support implementation of key elements of the Plan from FY27.
<b>4A Maximising recycled content in packaging:</b>	This work is ongoing and is driven by the relevant national Packaging Target and supported by Activities 1A, 1B and 1C. Key technical elements of this work will be expanded from FY27 when resources are available.
<b>4B Facilitating development of non-packaging markets:</b>	To date, this activity has not been part of APCO's work program. It will be of increasing importance and of greater focus from FY27 when resources are available.
<b>4C Enabling assurance of recycled content claims:</b>	To date, this activity has not been part of APCO's work program. It will be of increasing importance and of greater focus from FY27 when resources are available.
<b>5A Targeting investment to drive collection and recovery:</b>	This activity will enable development of a methodology to procure collection and recovery outcomes, which is a core element of this Plan. It will commence in July 2025 and be subject to a major consultation and analysis program in FY25 and will continue to be refined up to and beyond its implementation in FY27.
<b>5B Targeting investment to support the Goals of the Covenant:</b>	This activity will enable development of a methodology to procure system outcomes that support elements of the Goals of the Covenant such as reuse and litter reduction, which is a core element of this Plan. It will commence in July 2025 and be subject to a major consultation and analysis program in FY25 and will continue to be refined up to and beyond its implementation in FY27.

**Table 3:** *Timeframe for delivery and current resourcing status of activities*

Current activity
  Current activity that is resource constrained
  Activity that is not currently resourced

Activities	Timing of delivery
<b>5C Allocating funding:</b>	This activity will enable the methodology developed under activities 5.1 and 5.2, to be put into practice. Development work will commence in July 2025 and be subject to a major consultation and analysis program in FY25 and will continue to be refined up to and beyond its implementation in FY27.
<b>5D Managing contracts for delivery of funded outcomes:</b>	This activity will ensure that the activity sought under this Plan is delivered effectively and efficiently. Development work will commence in FY25, with implementation in FY27.
<b>6A Implementing processes for Brand Owner recruitment and referring non-signatory Brand Owners to state and territory regulatory agencies:</b>	A review of APCO's process for conducting Brand Audits, which are the primary recruitment process established under the Covenant, will be completed in FY25, and improvements put in place thereafter.
<b>6B Implementing an inclusive and effective governance framework:</b>	APCO has in place an inclusive and effective governance framework commensurate with its existing work program. This will be enhanced during FY25 to align with the needs of this Plan and will continue to be refined as implementation progresses.
<b>6C Maintaining an effective strategic Planning protocol:</b>	APCO has in place an effective strategic Planning protocol commensurate with its existing work program. This will be enhanced during FY25 to align with the needs of this Plan and will continue to be refined as implementation progresses.
<b>6D Implementing assurance protocols over critical programs and processes:</b>	APCO has in place effective assurance protocols over the ARL program and member reporting and other Covenant obligations, commensurate with its scale of operations. This will be enhanced during FY25 to align with the needs of this Plan and will continue to be developed as implementation progresses.
<b>6E Providing data and reporting publicly on system and program performance:</b>	APCO has in place a data analysis and public reporting program. This will be enhanced during FY25 to align with the needs of this Plan and will continue to be refined as implementation progresses.



## 5. Critical dependencies

**This plan is the most ambitious that APCO has produced, encompassing new stewardship approaches not previously used in Australia and requiring substantial new capability in its implementation.**

This Section addresses the critical dependencies that have the impact to derail implementation and achievement, and which APO will be working with members and stakeholders to manage.

### Full participation by all Brand Owners

APCO's members account for most of the packaging placed on the market in Australia, estimated at between 70% and 81% of all packaging in 2022-23. The remaining packaging is placed on the market by:

- **Non-liable Brand Owners** such as small enterprises with annual turnover below \$5 million.
- **Liable Brand Owners** that are not participating in the Covenant.

APCO is working with industry associations and small to medium enterprises (SMEs) to enable Brand Owners with turnover below \$5 million to access, on a voluntary basis, recyclable packaging and the ARL program. This will help to increase participation and support SMEs to meet supply chain and consumer expectations for recyclable packaging.

As noted in subsection 3.4, free-riding by liable Brand Owners diminishes resourcing and erodes the integrity of the Covenant, and perversely rewards the very behaviour that the co-regulatory arrangement sets out to prevent. If left unchecked as this Plan is implemented, it will sap the commitment of members and stifle its effectiveness.

Ensuring full participation by all liable Brand Owners is a shared responsibility between APCO and governments. Full participation will ensure that:

- All liable Brand Owners, and therefore the maximum possible proportion of all packaging, meets the required standards, which will increase the efficiency of collection and recycling and contribute to Goals such as elimination and reduction, reuse, and recycled content.
- Costs are borne equitably by all liable Brand Owners, which will become even more critical as the level of funding asked of Brand Owners increases to achieve Targets.
- Sufficient funding is available to deliver the outcomes sought.

### Developing system capability

Many things will need to happen rapidly and in coordination throughout the system to enable the required increases in collection and reprocessing. APCO will be able to influence some of these things directly. There are other things over which APCO may have little or no influence. Key things include:

- Successful targeting of funding into the system by APCO. Due to the need to delay introduction of eco-modulated fees until FY27, APCO's ability to pilot its methodology to target spending will be limited.
- Private investment in sortation and reprocessing infrastructure in time to deliver sufficient capacity in operation by 2030, particularly mechanical and chemical reprocessing for flexible plastics.
- The responsiveness of consumers to recycling education to deliver increased flows of materials through kerbside and other collection pathways.
- The technical feasibility and scale of establishing a large-scale collection and recycling pathway for household flexible plastics and the high economic cost of putting one in place.
- The responsiveness of business in increasing B2B collection and recycling.
- Overcoming technical barriers to maximising recycled content in packaging.
- Emergence and expansion of viable end-markets outside of packaging.

## 6. How the Plan will be implemented

### 6.1 A phase approach is needed

**The scope of implementation of this Plan will be broad, encompassing all the activities and outputs listed in Table 1.**

This Section of the Plan addresses in detail the implementation of eco-modulation of APCO member fees (Output 1.3 in Figure 11). It also considers the related priorities of developing capability to enable expenditure of Covenant funds in the downstream system (Outputs 5.1 and 5.2), and the elimination of free-riding (Output 6.1).

Implementation of these critical elements will be phased to account for:

- Stakeholder engagement and communication: Ongoing engagement and clear communication throughout implementation will be critical to ensure buy-in, understanding, and support from all parties involved.
- The need to provide certainty for Brand Owners over future costs and sufficient time to budget for the required fee increases.
- The need to ensure full participation by all liable Brand Owners.
- Pilot projects and phased rollout allowing for testing, learning, and refinement before full-scale implementation, ensuring a smoother transition for all stakeholders and the orderly scaling up of collection, sorting and reprocessing capability and capacity within the system.
- Contingency Planning and risk management, enabling potential disruptions or unintended consequences to be anticipated and mitigated during implementation, ensuring the resilience and adaptability of the system.



*A model for eco-modulation of member fees will be developed in FY25, in consultation with members and stakeholders.*

*Eco-modulated fees will be introduced for all APCO members in FY27.*

## **6.2 Phased transition to eco-modulation**

**A pathway to transition APCO member fees from a purely flat structure to eco-modulation, will be developed in financial year 2024-25 (FY25).**

This will be done through extensive consultation with members, as well as with PROs, governments, and system stakeholders. APCO will undertake small scale pilots of eco-modulation in FY25 and FY26 and the model will be implemented for all members for member fees payable in FY27.

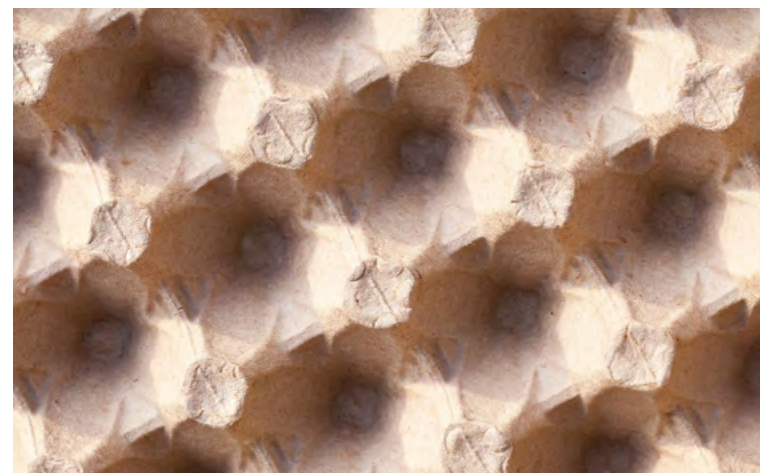
It is important to note that the model for eco-modulation will be developed specifically for APCO member fees. It is not intended to pre-empt or influence the reform process currently undertaken by governments. APCO will remain closely engaged with governments to enable APCO to align to any future model as early and closely as possible, to minimise disruption to Brand Owners in transitioning from the Covenant to a future framework.

As noted in Subsection 4.4 of this Plan, there are two critical factors in determining how APCO will levy member fees over the life of this Plan:

- The fee model, including eco-modulated and non-eco-modulated base fee components.
- The total amount of fees raised which will determine the funding available to work towards Targets and other outcomes over a defined trajectory.

The delay in the full implementation of eco-modulation and significant increase in total fees to FY27 is necessary to enable effective consultation and allow for Brand Owners to make the necessary budgetary transitions and improve data collection.

APCO's fee model from FY27 will include two components: a base fee that will cover APCO's operating costs, and an eco-modulated component.



**Eco-modulation aims to create incentives for packaging design that reduces the downstream costs associated with the packaging, and effective signalling for the market to start to transition.**

Levying of eco-modulated fees will therefore require data on the packaging that each Brand Owner places on the market, and a model to estimate the downstream costs associated with each material.

Eco-modulated fees must be applied at a single point in the value chain, to ensure that each unit of packaging is levied only once. Under the Covenant, eco-modulated fees will be levied on those Brand Owners (as defined in the Covenant) that place packaging on the market. Retailers will be levied for the packaging associated with own-branded products.

To avoid doubling up on fees for domestically manufactured packaging, packaging manufacturers will not be subject to eco-modulated fees for packaging that is placed on the market by other Brand Owners. However, packaging manufacturers will be subject to fees for packaging that they place on the market, including business-to-business packaging used in distributing their products.

The data needed for full eco-modulation is not currently available. APCO will work with Brand Owners to improve data collection and reporting, to align fees to packaging more accurately over time. Where needed, APCO will facilitate Brand Owners’ participation by providing statistical estimates of Brand Owners’ packaging based on proxy data such as turnover and sector profiles. APCO will work with local governments and the waste and recycling sectors to refine evidence-based assessments of the downstream costs associated with different materials. Small scale pilots in FY25 and FY26 will enable APCO to work with members that elect to participate, to identify challenges in data collection and application of eco-modulation.

Table 4 sets out an indicative pathway for the transition to eco-modulation.

Following pilots in FY25 and FY26, the model for eco-modulation will be implemented for all members in FY27. Based on the indicative pathway set out in Table 4, Brand Owners able to report packaging placed on the market in key material streams, with high confidence and subject to verification, will pay fees based on their reported figures (Level 3).

Fees for members unable to report all data with high confidence will be calculated based on reported turnover and a sector-based estimates of total packaging placed on the market per unit of revenue.

As more granular data becomes available, enabling a more precise estimate of the downstream cost of packaging, eco-modulation will be calculated based on more detailed packaging data, or more detailed sector estimates where required.

It is possible that, during FY25 and FY26, Producer Responsibility Organisations (PROs) may want to partner with APCO to strengthen administration of their scheme by leveraging APCO capabilities. This would involve APCO processing EPR payments alongside APCO member fees, for participants in the relevant EPR schemes.

**Table 4:** Indicative phased approach to implementing eco-modulation of APCO member fees

From FY27		Implemented when detailed recyclability data available
Level 1	Key material stream POM based on sector factors for POM/\$	Material stream POM based on sector factors for POM/\$. <b>Available to SMEs and allowed exemptions only</b>
Level 2	Key material stream POM based on total POM reported with high confidence and sector factors for POM/\$	Recyclability assessment data for eligible packaging; material stream POM based on sector factors for other packaging
Level 3	Key material stream totals reported with high confidence	Recyclability assessment data for eligible packaging; material stream totals reported with high confidence for other packaging



6.3 Fee trajectory to deliver against the Targets and Goals

As outlined in Subsection 4.4 of this Plan, APCO will be working towards a level of attainment that includes:

- A high level of achievement against the National Packaging Targets set out in Scenario B in Subsection 3.4, which carries an indicative cost of \$247<sup>11</sup> million in FY30 and would enable recycling or composting of 55% of plastic packaging.
- Uplift in performance against other elements of the Goals of the Covenant through implementation of Scenario B, for example by including reuse models in industry outreach programs, and inclusion of cardboard and glass in consumer recycling education.
- Collection and recycling of an additional 500,000 tonnes of paper and cardboard at an estimated cost of \$59 million in service payments annually by 2030.
- Other outcomes that will be identified through member and stakeholder engagement.

Establishing a cost trajectory out to FY30 will require considerable member and stakeholder engagement and economic analysis in FY25.

Table 5 sets out the estimated fees over the first two years of the Plan, and the possible components of a fee model from FY27.

APCO’s fixed fee will be increased by 10% per annum in FY25 and FY26 to cover additional costs that will be incurred in implementing this Plan, including conducting extensive and additional consultation and analysis, and, pending resourcing, building stronger data systems and processes.

APCO will eco-modulate member fees, and implement greater fee increases for the first time in FY27. Phased fee increases will follow, with future fee levels flagged in advance to provide Brand Owners time to absorb costs and provide a signal to the market about the planned increase in procurement activity.

Table 5: Estimated total member fees FY25-FY27. All amounts are in 2024 dollars

	FY25	FY26	FY27
Fixed component	\$12,719,251 FY24 member fee revenue (\$11,060,218) plus 10% fee increase and 5% membership growth	\$14,627,138 FY25 member fee revenue plus 10% fee increase and 5% membership growth	The continued inclusion of a fixed component will be considered through consultation during FY25
Eco-modulated component	Nil	Nil	Eco-modulated fee model and amount to be determined through consultation during FY25
Total revenue in FY24 dollars	\$12,719,251	\$14,627,138	To be determined



11. 2024 Dollars

## 6.4 Capability development

### Activation: FY25-FY26

As noted in Table 3, the development of a methodology to use Covenant funds to procure system outcomes is a major undertaking requiring expansion of APCO's capability. Key focus areas in FY25 and FY26 will include:

- Data systems and processes: Working with members to improve their capability to report packaging data, and to strengthen APCO's data collection, management, and analytical capability.
- Understanding and investing in the system: Developing a working model of Australia's collection, sorting and reprocessing systems and a methodology to expend funds within the system to drive the required outcomes.
- Eco-modulated fees: Developing a model for eco-modulation and a methodology to apply it within APCO's membership.

Prior to the introduction of the eco-modulated fees, the focus of APCO's investment in the downstream system will be on:

- Bolstering member action on business-to-business recycling and reuse systems.
- Supporting the development of EPR schemes for materials, such as expanded polystyrene and polypropylene pails.
- Supporting the expansion and integrity of existing EPR schemes.

### Implementing and scaling: FY27-FY30

With increasing resources available through eco-modulated fees, APCO will trial and then scale interventions to increase recycling. Initial focus areas will include paper and cardboard and rigid and flexible plastics. As more funding becomes available, particular attention will be given to building effective partnerships with local governments to trial and scale initiatives to better utilise kerbside systems and reduce waste to landfill.

A national consumer education campaign will be implemented, with the intention of building on and supporting consumer education activities of state, territory and local governments and industry.

National initiatives will be implemented to work with industry and governments to increase reuse of packaging and reduce litter.



## 6.5 Eliminating free-riding

**As noted in Subsection 4.4, APCO estimates that its members currently account for between 70% and 81% of all packaging placed on the market in Australia.**

Eco-modulation and the transition to higher fees will increase the criticality of ensuring full participation by all Brand Owners.

The Covenant requires that APCO undertake an annual brand audit to identify liable Brand Owners that are not signatories to the Covenant, contact these Brand Owners to seek their participation in the Covenant, and refer those that choose not to participate to state and territory regulatory agencies for further action.

A review of the process for brand audits will be completed early in FY25. APCO will prioritise the implementation of its findings through:

- Establishing a taskforce to develop and pilot a more holistic and hands-on approach to member recruitment, retention, and support.
- An improved process for the brand audit to commence in the first half of FY25.

Through these enhancements to APCO's participation activities, APCO's support to state and territory regulatory agencies, which are responsible for following up with liable Brand Owners referred to them by APCO, will be strengthened.



## 7. Staying on track

**The Covenant requires that APCO report annually on whether the Covenant and the Plan are having their desired impact.**

This Section of the Plan sets out the key performance indicators (KPIs) that APCO will monitor and report on publicly over the life of the Plan.

KPIs are established at two levels, namely:

- Progress against the National Packaging Targets and other elements of the Goals of the Covenant.
- Indicators of the effectiveness of the six Strategies.

It is important to note that the targets and indicators set out in this Plan will record movements within the system that will be influenced by APCO's activities, but not deliverable solely through the performance of APCO and its members. Many other factors will influence performance against many of the measures. Despite this, the KPIs will provide a compelling and broad ranging picture of whether the Covenant and the Plan are having their intended impact.

Where achievement against the indicators depends on activity that is funded by Brand Owners, failure to gain the participation of all eligible Brand Owners will result in derailment of performance. Effective action by APCO in partnership with government regulatory agencies to maximise participation, and enforcement of the legislation underpinning the Covenant where needed, is therefore a critical assumption underpinning these indicators.





**Tracking the National Packaging Targets and Goals of the Covenant**

Progress against the four National Packaging Targets will be tracked directly against the Targets themselves. Other elements of the Goals of the Covenant will be tracked through indicators addressing reduction of materials sent to landfill, reuse models, and litter impacts.

Indicative performance levels for the Targets and Goals are set out in Tables 6 to 10.

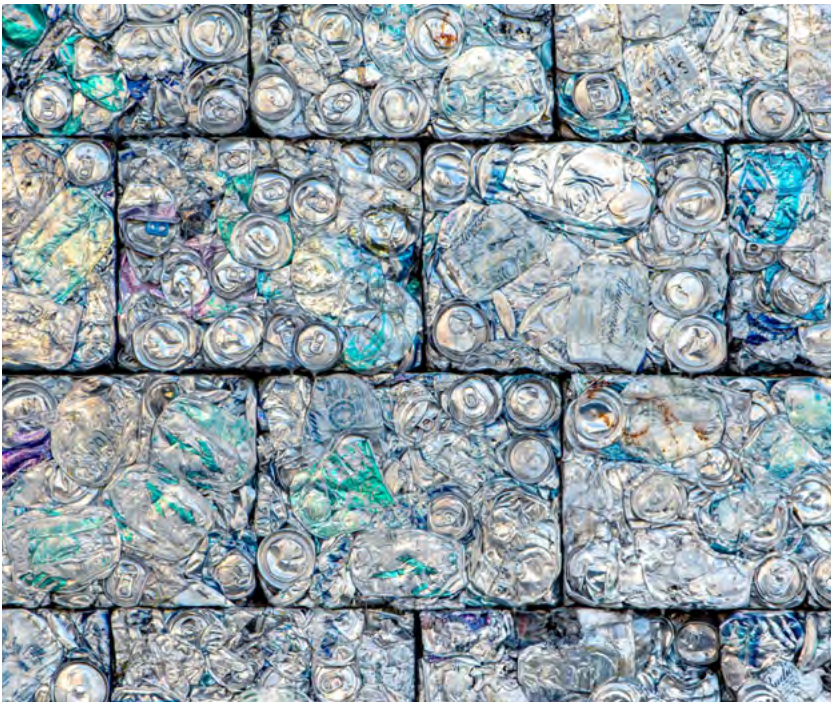
Indicative targeted performance levels for the target of 100% of packaging being reusable, recyclable, or compostable are set out in Table 6.

Significant challenges to overcome to achieve this target include:

- The absence of collection and recycling pathways for many problematic packaging formats.
- The high economic cost of putting in place collection and recycling pathways for problematic and small volume packaging formats.
- Regulatory barriers to changing packaging, e.g. health packaging.
- Sortation barriers e.g. for small plastic items.
- Design challenges e.g. trade-off with GHGs and food waste.
- Ensuring coverage of all packaging, including all imported packaging and packaging placed on the market by non-labile Brand Owners.

**Table 6:** Impact KPIs for National Packaging Target: 100% of packaging to be reusable, recyclable or compostable

FY22 (Actual)	FY25	FY26	FY27	FY28	FY29	FY30
84%	86%	88%	90%	92%	96%	100%





Indicative targeted performance levels for the target of 70% of plastic packaging being recycled or composted are set out in Table 7. The pathway for this target from FY27 to FY30 was derived from analysis undertaken by APCO for the preparation of this Plan.

APCO does not consider that it will be possible to achieve a 70% recycling or composting rate for plastic packaging by 2030. Instead, APCO will track towards a targeted rate of 55% by 2030. Minimum targeted rates for each of the major polymer types are also set out in Table 7.

While these targeted rates will not achieve the National Packaging Target in full by 2030, they are nevertheless highly ambitious. Some countries, including EU member states, have revised plastics recycling targets down from 70% to 55%, and their delivery is in many cases dependent on the inclusion of energy recovery in their definition of recycling. Belgium is the only country of which APCO is aware that is achieving 55% recycling of plastic packaging.

Significant challenges to overcome to achieve this target include:

- The absence of a collection and recycling pathway for household flexible plastics and the high economic cost of putting one in place.
- Challenges in collection and sortation of rigid polypropylene.
- The need to increase B2B collection and recycling.
- The need for substantial new sortation and reprocessing capacity particularly mechanical and chemical reprocessing for flexible plastics.
- End-market development.

Indicative targeted performance levels for the target of 50% average recycled content across all packaging are set out in Table 8. Detailed analysis of the sub-categories within each material type will be considered in prioritising areas system intervention. Significant challenges to overcome to achieve this target include:

- Ensuring consistent supply of material meeting required specifications.
- Overcoming technical barriers to including recycled content.
- The need for feedstock through collection, sorting and reprocessing pathways.

**Table 7:** Impact KPIs for National Packaging Target: 70% of plastic packaging is recycled or composted

Year	FY22	FY25	FY26	FY27	FY28	FY29	FY30	FY35
<b>Total</b>	20%	23%	24%	32%	38%	44%	55%	70%
<b>PET Rigid</b>	50%	58%	61%	63%	65%	68%	70%	NA
<b>HDPE Rigid</b>	22%	25%	26%	33%	41%	48%	55%	NA
<b>PP Rigid</b>	8%	9%	9%	21%	32%	44%	55%	NA
<b>Other Rigid</b>	10%	12%	12%	23%	34%	44%	55%	NA
<b>LDPE / Flexibles</b>	18%	20%	21%	26%	30%	35%	40%	NA

**Table 8:** Impact KPIs for National Packaging Target: Packaging contains an average of 50% recycled content

Year	Target	FY22 (Actual)	FY25	FY26	FY27	FY28	FY29	FY30
<b>Total</b>	50%	40%	41%	42%	44%	46%	48%	50%
<b>Glass</b>	50%	41%	42%	43%	44%	46%	48%	50%
<b>Paper and paperboard</b>	60%	54%	55%	56%	57%	58%	59%	60%
<b>Metal</b>	35%	13%	15%	17%	20%	25%	30%	35%
<b>Plastic</b>	20%	6%	7%	8%	10%	12%	16%	20%

Indicative targeted performance levels for the target to phase out problematic and unnecessary single-use plastic packaging are set out in Table 9. Significant challenges to overcome to achieve this target include:

- Technical barriers to replacement materials.
- Potential for perverse outcomes from substitution e.g. GHGs, reduced functionality.

The indicators set out in Table 10 will track elements of the two Goals of the Covenant that are not directly addressed by the National Packaging Targets, namely:

- Optimising resource recovery of packaging: Recovery of materials other than plastics; increasing reuse; reduction of packaging.
- Preventing the impacts of litter.

The Goals of the Covenant will be tracked through indicators addressing:

- Reduction of materials sent to landfill, which will reflect the aggregate impact of packaging elimination and reduction, reuse, and resource recovery. The level of total landfill reduction sought by 2030 is 1 million tonnes.
- Avoidance of single-use packaging achieved through reuse models.
- Litter (measures to be developed during FY25).

### Tracking the effectiveness of the Plan's strategies

APCO will report against additional KPIs to track the effectiveness of the Plan's six Strategies in driving changes within the system that are needed to enable achievement of the National Packaging Targets and the Goals of the Covenant. These indicators will provide a detailed picture of how the system is developing and responding to interventions, enabling interventions to be refined and adjusted over time.

Indicators for each of the six system outcomes described in Figure 9, with measures for FY30, are set out in Table 13. Interim measures will be developed during FY25.

**Table 9:** Impact KPIs for National Packaging Target: Problematic and Unnecessary single-use plastic packaging is phased out

Year	FY22 (Actual)	FY25	FY26	FY27	FY28	FY29	FY30
Existing materials	33%	40%	60%	80%	100%	100%	100%
Additional materials	-	Baseline	10%	20%	40%	70%	100%

**Table 10:** Impact KPIs for Goals of the Covenant

Year	Baseline FY22	FY25	FY26	FY27	FY28	FY29	FY30
Recovery (Goals are expressed as minimum % reduction in tonnes landfilled, from FY22 baseline)							
Glass	425,000T	–	–	-5%	-15%	-25%	-35%
Paper and Cardboard	1,152,000T	–	–	-5%	-15%	-25%	-35%
Metal	147,000T	–	–	-5%	-15%	-25%	-35%
Plastic	1,019,000T	–	–	-7%	-14%	-21%	-28%
Total reduction on landfill (tonnes)							1 million Tonnes
Reusable packaging (Goal is expressed as % increase above FY22 tonnes)							
Single-use packaging avoided	2,811,300T	5%	10%	20%	30%	40%	50%
Litter (Goals to be developed in consultation with state, territory and local Governments)							

**Table 11:** System KPIs for Strategies 1-6

System Indicator	Measure
<b>Strategy 1: Packaging is designed for reduction, reuse and recovery</b>	
APCO members have phased out identified chemicals of concern within agreed timeframes	100% by 2030
Packaging conforms to SPG requirements	100% by 2030
<b>Strategy 2: Users Increase utilisation of reuse systems and recycle packaging correctly</b>	
The ARL is on all eligible consumer packaging	95% by 2030
Consumers are aware of the ARL and understand how to use it	90% by 2030
Cross contamination of packaging between kerbside recycling and landfill bins is reduced	30% reduction in FY25
<b>Strategy 3: Reuse and recovery systems are in place for all packaging</b>	
There are reuse or recovery pathways at scale for all materials and formats	95% of categories by 2030
Sufficient reprocessing capacity is in place to enable Targets and Goals to be met	100% by 2035
<b>Strategy 4: Local and global demand or Australian recycled materials meets supply</b>	
Volume, grade, and value of materials traded locally and internationally	Volumes monitored
Stockpiling is within regulatory limits	100% compliance
<b>Strategy 5: Financial resources within the system are sufficient to enable the required outcomes</b>	
Actual return on investment (e.g. tonnes/\$m) aligns with projected	Variance is reduced over time; within acceptable limits
Efficiency (e.g. tonnes/\$m) increases over time	25% efficiency improvement from FY26 baseline
<b>Strategy 6: System participants have confidence in system decision-making and integrity</b>	
Full participation by Brand Owners	APCO members account for 97% of eligible packaging
Assurance framework shows high level of conformance with standards and other requirements	97% by 2030

## 8. Reporting and review

### Covenant reporting obligations

APCO has formal reporting obligations to Environment Ministers.

The Covenant requires that APCO provide to Ministers:

- An annual report on the performance of the Covenant.
- Any changes to Strategic Plan and industry's financial commitment under the Plan.
- Any significant amendments to the Plan.

In preparing its annual report to Ministers, APCO is required to evaluate the performance of the Covenant in working towards its aim on an annual basis against the key performance indicators set out in the Strategic Plan (see Section 7), which are to be updated if required.

APCO's report is to be made available to all Covenant Signatories and the public. The Government Officials Group is to provide environment ministers with an assessment of the annual report in achieving the Covenant's aim.

APCO will acquit these reporting obligations on a financial year basis.

streamline administration, and maintain clear accountability to members and governments.

### APCO's commitment to implementing and reviewing the Plan

APCO will undertake annual reviews of the Plan, on a financial year basis, which will consider:

- Implementation of the activities described in Tables 2 and 3, and whether these remain appropriate.
- Progress against the key performance indicators in Section 7, and whether these remain appropriate.
- The effectiveness and progress in implementing Strategies 1-6 (Figure 11), and whether these remain appropriate.

APCO will undertake a comprehensive review of the Plan, including its impact, targets, outcomes, and approach prior to 2030.



### Further reviews will be undertaken as needed as a consequence of regulatory reform

As noted in Subsection 1.4, the Commonwealth Government is leading the reform of the legislative framework for packaging.

Within that context, the Strategies, activities, and reporting undertaken under the Plan are concerned solely with delivery of the Australian Packaging Covenant, and with APCO's response to Environment Ministers' request to accelerate toward the Targets and support the transition to a reformed, future regulatory framework.

As noted in elsewhere in this Plan, it does not pre-empt nor seek to influence any regulatory reform decision agreed by Environment Ministers, including any decision regarding APCO's role. APCO will remain closely engaged with governments to ensure that the Plan, including any and all elements of it, can be aligned as required as the reform process continues.

### Plan to be updated following completion of discussions with governments and endorsement by Ministers

APCO is continuing to discuss this Plan with the Packaging Government Officials Group, which is responsible for providing advice to Ministers on the suitability of Plan in meeting the Goals of the Covenant. At the conclusion of that process and the Plan's endorsement by Ministers, an updated version will be provided, incorporating any changes arising from it.



# 2030 STRATEGIC PLAN

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