

April 2025

From Collective Action to System Impact

Strengthening packaging EPR to build social license and achieve Australia's National Packaging Targets

APCO Member Consultation Paper

Snapshot

What business leaders need to know about strengthening industry's response to meeting stakeholder expectations about packaging

Australia's brand owners have made significant advances in packaging design, labelling and inclusion of recycled content, but Australia's packaging system is at a critical crossroads. Despite industry's efforts, community and government expectations about reducing the environmental impacts of packaging have not been met.

A new approach is needed to meet these expectations, through the mainstream and co-ordinated adoption of Extended Producer Responsibility (EPR) principles.

This paper outlines the critical and unique role that the Australian Packaging Covenant Organisation (APCO) could play in strengthening industry's response to community and government concerns about packaging, through strategic investment and expansion of EPR for packaging.

APCO sees value in supporting members to prepare for and shape the future operating environment, by facilitating high-impact interventions to increase collection, sorting and recycling capacity. This proactive approach aims to ensure that regulatory outcomes are informed by industry achievement and deliver meaningful value to members, their customers and the environment.

Helping members navigate uncertainty is a role that APCO was designed to play. While APCO is accountable to government, its primary mission as a member-funded organisation is to create, protect and return value to its members. The proposals outlined in this paper achieve that goal.

Meeting stakeholder expectations

- Governments expect brand owners to take full responsibility for reducing packaging waste under adoption of EPR principles and schemes.
- Despite investments by brand owners, recycling rates are not moving, and industry has made insufficient progress to Australia's National Packaging Targets (NPTs). Environment Ministers have advised the Targets are remaining in place beyond 2025 as they serve as an enduring signal to guide industry action as regulatory reforms are implemented.
- With an increasing gap between what stakeholders expect and what industry can deliver, the rising risk of regulatory intervention may increase the cost, complexity and risk of a regulated transition.
- Further significant investment is required to address gaps in Australia's packaging system for all materials, with a particular focus on collection, sorting and recycling infrastructure for soft plastics, rigid plastics and fibre.
- An industry-led response to meeting government and community expectations, will provide business with greater control over investment decisions, reduce transition risks and protect social licence.

Investing to drive collective action

- These gaps must be addressed if brand owners are to realise the full benefit of changes made to date, support delivery of the NTPs and reduce reputational risks arising from a complex transition.
- APCO proposes a new funding model to close these gaps. From FY25, member contributions are estimated to increase from \$14 million per annum in FY26 to:
 - Between and \$38.4 and \$41.5 million in FY27, increasing to
 - Between \$230.4 and \$272.9 million in FY30.

- These costs will be recovered through a new two-part fee structure from FY27, outlined below.

Base fee:	Based on turnover, to cover APCO operations.
EPR fee:	Based on the type and volume of packaging, to co-fund downstream recycling interventions (with a focus will be on soft plastic, rigid plastic and fibre) and consumer education campaigns needed to drive behaviour change.

Investing to drive system impact

Member contributions are projected to redirect 353 kilotonnes of packaging from landfill each year from FY30, and lift national recycling rates to:

- 19% for soft plastic (up from 6% in FY24)
- 36% for rigid plastic (up from 28% in FY24)
- 70% for fibre (up from 65% in FY24)

Indicative costs and benefits of investments are outlined below, for illustration purposes by FY30.

Material	Estimated recovery of recyclable materials	Estimated annual EPR costs by FY30 (FY27\$)	Total recovery rate by FY30	EPR fee (per tonne packaging)
Soft plastic	83 kilotonnes	\$127.1 - 169.7 million	19.0%	\$415 - \$551
Rigid plastic	70 kilotonnes	\$31.0 million	36.3%	\$60
Fibre	200 kilotonnes	\$29.6 million	69.7%	\$19

Ranges are provided where services are not yet mature and cost outcomes are uncertain.

Investing to reduce risk and costs

- Material-based EPR fees will significantly increase member contributions but will convert a compliance risk into an opportunity – protecting and building social license by facilitating collective action that meets government and community expectations, without the need for further regulation.
- APCO's plan delivers collective action through the funding of interventions that help inform regulation and overcome inconsistencies across states and territories, thereby reducing implementation risks and supporting investment across the downstream system.
- Members may also benefit from discounted EPR fees that could potentially commence for some members and some materials from FY28.

Seeking member feedback

APCO is seeking feedback on the proposals outlined in this Consultation Paper, which include:

- Activating APCO's 2030 Strategic Plan to support and deliver industry-led EPR activity for packaging, managed by APCO to co-ordinate and leverage the benefits of collective action.
- Increasing membership contributions through a new fee model, establishing a new mechanism for APCO members to co-invest in solutions that drive system impact.

APCO is inviting member feedback via [survey](#) response or written submission by 11.59pm (AEST) on Friday, 16 May 2025.

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Disclaimer

This Consultation Paper has been prepared by the Australian Packaging Covenant Organisation Ltd (ABN 99 056 538 480) to inform and facilitate consultation with APCO Members, stakeholders and other interested parties regarding proposed changes to the packaging stewardship system in Australia, including the implementation of APCO's 2030 Strategic Plan and associated funding models.

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This Consultation Paper is not binding on APCO, and the inclusion of any proposal or option does not constitute an endorsement, obligation, or commitment by APCO to proceed with that option. APCO may ultimately implement its 2030 Strategic Plan under one or a combination of the proposal and options set out below, or on a completely different basis depending on a number of factors, including the responses that it receives to this Consultation Paper.

Executive Summary

Economic gaps in Australia's packaging system are impacting the ability of APCO members to meet government and consumer expectations that industry continue to reduce the environmental impact of packaging. For the most part, these gaps are downstream from where packaging is placed on market, beyond the current control of most APCO members, including:

- Gaps in consumer recycling education, making collection less efficient;
- Inadequate collection and processing infrastructure;
- Gaps in existing collection and processing infrastructure;
- High costs and low returns on recycling for some materials; and
- Lack of commercially viable end markets for recycled content.

These gaps mean that APCO members have not realised the full intended impact of changes they have implemented to date and provide disincentives to further investment. Similarly, Australia's NPTs are not being met, despite the best efforts of APCO members and their partners.

With an increasing gap between what consumers expect and what APCO members can reasonably deliver within the current system, the risk of regulatory intervention increases. In recent years, federal, state and territory governments have outlined their intent to hold brand owners more accountable for their packaging in line with EPR principles. The members at most risk are those entities that place packaging on market - known as brand owners.

Many of these brand owners have invested to improve packaging, through design changes, clearer labelling and the use of more recycled content. APCO will continue to support these efforts through its core offering, with plans to co-ordinate an industry-led response to addressing economic gaps through an expanded value proposition that seeks to create, protect and return value for members.

Table 1 | APCO Member Value Model (MVM) - Key Value Drivers

APCO creates member value by	APCO protects member value by	APCO returns member value by
Informing strategy	Managing regulatory risk	Streamlining compliance
Scaling impact	Addressing free riders	Convening the system
Enabling excellence	Reinforcing integrity	Informing the future

APCO is responsible for managing the Covenant - the mechanism established under regulation by governments and industry to reduce environmental impacts of packaging. As the co-regulator of the Covenant, APCO will continue to support further regulatory intervention where required.

The APCO Board believes that as the administrator of Australia's only legislated stewardship scheme for packaging, APCO has both an opportunity and obligation to co-ordinate an industry-led response to addressing the economic gaps outlined in this paper – providing brand owners with a compelling proposition to co-invest in solutions that seek to address the sector's highest priority problems.

APCO also believes it is best placed to lead and co-ordinate an industry response to these challenges; enabling large-scale impact, economies of scale and a level playing field through its diverse membership and strong backing from federal, state and territory governments.

This paper outlines a number of strategic opportunities to address economic gaps in the downstream system and provide brand owners with greater control over system outcomes, and greater impact from investments that brand owners have already made

- **Service payments:** Targeted funds provided into the system under contracts with Producer Responsibility Organisations (PROs) and operators such as collectors, sorters and reprocessors, for delivery of additional collection, recycling and end-market outcomes.
- **Consumer education:** Discrete funds to improve recycling through kerbside collection and other systems by educating consumers and engaging governments, councils and precincts. Consumer education has been identified as an efficient way to increase recycling of all materials by leveraging existing recycling pathways, particularly kerbside. It is also an essential support for service payment interventions on priority materials.
- **Supply chain facilitation:** Working with brand owners, industry associations, PROs and others to develop EPR schemes for niche materials, increase uptake of B2B recycling and reuse, and develop markets for Australian recycled content.

Interventions beyond maintaining the status quo also provides greater certainty, protecting brand owners from further regulatory intervention and reducing transition risk that could lead to adverse financial, compliance and reputational impacts.

APCO has developed a recommended scenario for intervention to address economic gaps and drive system outcomes and impact from FY27 to FY30 (otherwise known as Scenario B). The costs, benefits and assessment of this scenario is outlined below. Its implementation will require an increase in financial contributions from APCO members from FY27. See Appendix for Scenarios A and C.

Table 2 | Recommended Pathway (Scenario B)

Scenario B Estimated costs, benefits and impacts	
Costs	<p>Estimated funding costs and member contributions (Base fee and EPR fee)</p> <ul style="list-style-type: none"> • Between \$38.4 and \$41.5 million in FY27, increasing to • Between \$230.4 million and \$272.8 million in FY30
Benefits	<p>Estimated benefits for landfill and recovery rates</p> <ul style="list-style-type: none"> • Diverts 353kt from landfill by FY30 • By increasing recovery rates on: <ul style="list-style-type: none"> Soft plastic (to 19% in FY30 from a base of 6%) Rigid plastic (to 36% in FY30 from a base of 28%) Fibre (to 70% in FY30 from a base of 64%)
Impacts	<p>Drives lasting system impact because scale is sufficient to support system investment</p> <p>Strikes a balance between high growth rates in recycling and management of implementation risks such as stockpiling and slow end-market growth</p>

APCO's recommended scenario has been assessed to offer an optimum balance between impact, viability and risk management. It is designed to drive significant systemic change, diverting 353 kilotonnes of packaging from landfill and increasing recycling rates by FY30. Its level of impact will be sufficient to incentivise and drive private investment in critical collection, sorting and reprocessing infrastructure, enabling lasting system improvements.

For brand owners, this scenario represents a viable option to enhance packaging sustainability at scale, maintain social licence, and meet regulatory and community expectations without triggering the unsustainable costs or implementation risk that would come with more rapid system changes.

In line with EPR principles, these fees would be payable by the brand owner that places the packaging on the market, requiring significant additional funding from members. For this reason, APCO is proposing a new fee model for FY27 that aims to better reflect the impact that different brand owners have on the overall system, comprising a base fee and a new fee for investments in EPR.

The fee will be based on two parts:

- **Base fee** to cover APCO's operating costs, calculated using an annual turnover-based method in line with APCO's existing fee model. This approach will be reviewed over time.
- **EPR fee** that would cover the cost of downstream interventions, based on the type and volume of packaging placed on the market by each member. Service charges will be designed to cover the costs of collection, transport and logistics, sorting and reprocessing on priority material streams, while consumer education and supply chain facilitation interventions will impact all materials.

Table 3 | Overview of estimated annual costs and recoveries under Scenario B

Estimated costs and recoveries	FY27	FY28	FY29	FY30
Base costs	\$14.8m	\$14.8m	\$14.8m	\$14.8m
EPR costs				
Consumer education	\$1.7m	\$10.5m	\$25.5m	\$25.5m
Supply chain facilitation	\$2.3m	\$2.3m	\$2.3m	\$2.3m
Service payments - soft plastics	\$12.0 - 15.0m	\$33.7 - 45.0m	\$67.4 - 90.0m	\$127.1 - 169.7m
Service payments - rigid plastics	\$4.4m	\$8.9m	\$17.8m	\$31.0m
Service payments - fibre	\$3.2m	\$6.0m	\$11.9m	\$29.6m
Total EPR costs	\$23.6 - 26.7m	\$61.3 - 72.6m	\$124.8 - 147.3m	\$215.6 - 258.1m
Total costs	\$38.4 - 41.5m	\$76.1 - 87.4m	\$139.6 - 162.1m	\$230.4 - 272.9m
Total member contributions	\$38.4 - 41.5m	\$76.1 - 87.4m	\$139.6 - 162.1m	\$230.4 - 272.9m

All figures are in FY27 dollars. Inflation and market conditions for services will impact actual fees.

APCO's modelling on the proposed EPR fee assumes an uplift in the amount of soft plastic, rigid plastic and fibre captured for recycling each year, and the payment of service payments to downstream partners to improve the economics of collecting current volumes and investing to increase capacity. The modelling assumes that service payment interventions leverage existing collection, sorting and recycling pathways where possible, including kerbside, and are supported by a national consumer education campaign.

Table 4 | Overview of estimated annual material recovery for priority materials under Scenario B

Estimated recovery (kt)	FY27	FY28	FY29	FY30
Soft plastics	6.0	22.0	44.0	83.0
Rigid plastics	10.0	20.0	40.0	70.0
Fibre	20.0	40.0	80.0	200.0
Total	34.6	82.0	164.0	353.0

Table 5 | Overview of estimated annual system impacts by FY30 under Scenario B

System impact	Additional recovery		Total recovery (% of POM)	Additional PCR (kt)	Additional PCR (% of POM)
	(kt)	(% of POM)			
Soft plastic	83.0	12.7%	19.0%	41.5	6.4%
Rigid plastic	70.0	8.2%	36.3%	49.0	5.7%
Total plastic	153.0	10.1%	28.8%	90.5	6.0%
Fibre	200.0	4.2%	69.7%	172.0	3.6%
Total	353.0	4.4%	63.6%	262.5	3.3%

In line with EPR principles, these fees would be payable by the brand owner that places the packaging on the market. The model:

- Provides for significant investments in three priority materials: soft plastics, rigid plastics and fibre.
- Provides for some limited investment in other materials: glass, metal and wood.
- Excludes materials eligible for Container Deposit Schemes (CDS) or Container Return Schemes (CRS).
- Excludes or discounts reusable packaging placed on the market for a second or subsequent time, subject to adequate reporting and assurance processes being in place.
- Excludes other material recycled through EPR schemes, member-operated schemes such as take back schemes, and commercial recycling of onsite packaging waste, subject to adequate reporting and assurance processes being in place.
- Sets a participation threshold of \$100 million in reported revenue for FY27, to limit the impact on smaller members and enable more cost-effective implementation.
- Proposes a reduction in this participation threshold to \$50 million in reported revenue from FY28.

Consideration is also being given to:

- Potential modulated discounts in EPR fees from FY28, to incentivise improved design by reducing fees for improved packaging and increasing fees for undesirable packaging.
- Additional measures from FY28, such as discounted EPR fees for brand owners able to demonstrate and verify incremental achievement of EPR goals.

APCO is seeking feedback on the proposals outlined in this Consultation Paper, which include:

- Activating APCO's 2030 Strategic Plan to support and deliver industry-led EPR activity for packaging, managed by APCO to co-ordinate and leverage the benefits of collective action.
- Increasing membership contributions through a new fee model, establishing a new mechanism for APCO members to co-invest in solutions that drive system impact.

Members and stakeholders are invited to provide feedback through an online [survey](#) available on APCO's website or making a complementary written submission. The deadline for survey responses and written submissions is 11.59pm (AEST) on Friday, 16 May 2025. APCO cannot guarantee that late submissions will be considered.

Queries through this consultation period should be directed to project2030@apco.org.au.

Section 1 | Context

Building on solid foundations to navigate a complex transition

APCO and its members have built a solid foundation of action on design, labelling and recycled content. However, insufficient progress on the NPTs means additional action is needed. This paper sets out proposals for this action, informed by APCO's 2022-23 Review of the NPTs, engagement with federal, state and territory environment ministers, APCO's 2030 Strategic Plan and ongoing regulatory reform of the packaging system.

1.1 Industry support

Since 2017, many of Australia's brand owners have been part of a substantial, collective effort to improve the environmental performance of packaging, under the fourth iteration of the Covenant.

The Covenant is the industry-led component of a national regulatory framework for packaging established under the *National Environment Protection Council Act 1994* (NEPC) and the *National Environment Protection (Used Packaging Materials) Measure 2011* (NEPM). Information on the government-led component of the framework is provided in section 8.7. APCO was established in 2016 to administer the fourth Covenant, which commenced on 1 January 2017.

Brand owners' efforts were given focus through the NPTs, which were established by APCO and its members in 2018 and agreed by governments in 2019 (Refer Section 8.6). The business model put in place to meet these targets focused on areas over which members have the greatest control, including:

- Designing packaging to be reusable, recyclable or compostable.
- Educating consumers about the importance of sorting correctly and recycling more; through the Australasian Recycling Label (ARL) launched in partnership with APCO in September 2018.
- Increasing the use of recycled content in packaging to pull material through the recycling system.

To monitor progress, APCO commenced annual data reporting - including the *Consumption and Recovery Report and Material Flow Analysis* - in 2018. These reports provided, for the first time, insight into flows of packaging in the downstream system for collection and recycling of packaging.

This and other reports have revealed some of the impact delivered by APCO members, for example:

- The use of quantified reusable packaging systems eliminated 4,784 kilotonnes of single-use packaging from the system in FY23, including 254 kilotonnes of additional reusable packaging placed on market.
- The post-consumer recycled content across all packaging (excluding wood) in FY23 was 2,819 kilotonnes, or 44% of total packaging placed on market.
- The ARL is now affixed to more than 490,000 products.

However, they also showed that, despite brand owners' success in the areas within their direct control, recycling rates have stalled, and little progress is being made towards the NPTs.

APCO's [NPT Review](#) conducted in 2023 revealed that the 2025 targets would not be achieved under APCO's current business model. This is primarily the result of significant economic gaps in the downstream system, including:

- The cost to collect, sort and reprocess some materials makes recycling economically unviable.
- End-markets for some recycled materials are absent or limited.

- A lack of economic incentive to invest has led to a critical shortage of sorting and reprocessing infrastructure for some materials.
- Some materials do not have collection pathways.
- Behavioural change measures have had mixed success, with high volumes of recyclable materials still being sent to landfill despite design improvements by brand owners.

1.2 Government expectations

Following the review of the NPTs, Australia's Environment Ministers wrote to APCO outlining their expectation that APCO and its members act swiftly to address the findings of the review.

Ministers stressed the importance of APCO continuing to drive progress towards the NPTs concurrent to the reform of packaging design, led by the Commonwealth. Ministers also asked APCO to work with members to build technical capability, enhance program delivery and address barriers to recovery.

1.3 Collective action

To address the shortcomings and gaps identified through the NPTs review, APCO consulted with members, governments and stakeholders to develop the [2030 Strategic Plan](#) during the first half of 2024. The 2030 Strategic Plan concludes:

1. Action throughout the value chain is crucial.
2. The solution depends on closing economic gaps.
3. All brand owners must take responsibility on an equitable and efficient basis.
4. The efficiency that a single administrator brings to the Covenant is highly valued by members.

To address these recommendations, the plan proposed the establishment of a new business model based on EPR principles. Specifically, APCO would partner with brand owners, PROs and other system participants to invest into interventions to support the delivery of targets and goals. The cost of this effort would be recovered from brand owners through a new funding mechanism and fee model.

1.4 Regulatory reform

In October 2024, the Commonwealth Department of Climate Change, Energy, Environment and Water (DCCEEW) released a consultation paper outlining options for packaging regulatory reform.

The paper established that APCO's 2030 Strategic Plan would remain in place until DCCEEW's regulatory reform process is completed, providing a transitional pathway from current state to any future regulatory framework. APCO's plan was also identified as the base case against which other reform options would be considered.

The [Consultation Paper](#) released by DCCEEW outlined three reform options:

- Reform Option 1 would require full implementation of APCO's 2030 Strategic Plan, with stronger regulatory support by governments.
- Reform Option 2 is a more direct regulatory approach focused on individual brand owners, with less scope for collective action and without the flexibility of an industry-led approach
- Reform Option 3 would require the establishment of a nationally, regulated EPR scheme like that outlined by APCO in its 2030 Strategic Plan and this Consultation Paper.

DCCEEW has reported that the stakeholder submissions received in response to its consultation paper confirmed conditional industry support for Reform Option 3 - an EPR scheme for packaging -

subject to the provision of further detail about how the scheme would be established, managed and governed. This paper seeks to provide some of that additional detail sought by stakeholders.

Neither the 2030 Strategic Plan nor this Consultation Paper are intended to pre-empt any regulatory reform decision by the federal government. However, implementation of the plan and a national EPR approach under the Covenant would reduce uncertainty by outlining a transitional pathway to any future regulatory framework, while also providing a strong opportunity for APCO members to demonstrate the effectiveness and efficiency of an industry-led approach.

It is also worth noting that APCO continues to engage with state and territory governments, and the Environmental Protection Agency (EPA) and equivalent bodies in each jurisdiction, to ensure local regulatory reform aligns with APCO's goal of achieving national alignment, wherever possible.

1.5 Market alignment

APCO is committed to supporting the development and success of all stewardship schemes in Australia, including Soft Plastics Stewardship Australia (SPSA).

SPSA is an important industry-led initiative aimed at addressing one of the most complex packaging challenges: soft plastics. APCO recognises SPSA's potential to deliver positive environmental and social outcomes and, as co-regulator of Australia's packaging system, is committed to providing assistance that leverages the Covenant mechanism as a basis for collective action and system-wide progress.

To that end, APCO has held constructive discussions with SPSA to align approaches wherever possible, reduce duplication, and avoid unnecessary regulatory fragmentation.

Subject to any legal constraints being overcome, given its economies of scale, APCO has offered to provide billing, data collection, reporting and assurance requirements through its systems and infrastructure. Any future arrangement between APCO and SPSA has the potential to avoid duplication of member liabilities, ensure packaging is levied only once, optimise administration activities and costs, and maximise the reach and impact of consumer education programs – with a greater proportion of member fees being directed towards delivery of collection, sorting and reprocessing.

As the co-regulatory body for used packaging under the NEPM and the Covenant mechanism, APCO must fulfil its obligations to Ministers to deliver on the NPTs. Accordingly, APCO remains committed to ensuring all stewardship initiatives operate within a transparent, equitable and accountable framework that delivers credible outcomes for the Australian community and strengthens trust in the system and support the achievement of NPTs.

For the purposes of this paper, the fees calculated by APCO for each material are based on all APCO members who place packaging on market – not those who simply opt in. Including this assumption in APCO's analysis spreads the burden of responding to the challenges outlined in this paper over a larger volume of packaging and brand owners, particularly in relation to soft plastics.

As a result, APCO's proposal assumes a lower cost per tonne for soft plastics in the early years than that outlined by SPSA in its public application to the ACCC.

Projected volumes vary in the later years of the two models, as APCO anticipates that greater collective action - through the Covenant mechanism - can deliver higher reprocessing and end market outcomes in the pursuit of the NPTs.

1.6 Market volatility

While this paper focuses on the Australian packaging system, based on current market conditions, APCO acknowledges that global trade dynamics may impact indicative costs and benefits outlined in this paper.

These factors, including potential changes to trade tariffs or supply chain disruptions, could influence the economic viability of investment in recovery systems. APCO will continue to monitor overseas developments and reserves the right to reflect the impact of global market volatility in future proposals.

1.7 Reputational risk

In addition to compliance risks and transition risks, members also face increasing reputational risk if the investments they make in design, collection and recycling do not achieve their desired outcome.

The rise of greenwashing has intensified in recent years, with the Australian Competition and Consumer Commission (ACCC) actively targeting environmental claims made by brand owners that may not stand up to scrutiny, despite the best efforts of brand owners.

1.8 Member consultation

APCO is seeking feedback on the proposals outlined in this Consultation Paper, which include:

- Activation of APCOs strategic plan to implement and support industry-led EPR solutions for packaging, managed by APCO to co-ordinate and leverage the benefits of collective action.
- Increasing membership contributions through a new fee model, that establishes a new mechanism for APCO members to collectively contribute to solutions that drive system impact.

APCO is also seeking feedback from members and stakeholders on the 2030 Strategic Plan, in line with its commitment to conduct an annual review of the plan. Feedback is sought on the following:

- Implementation of the activities described in Table 2 and Table 3 (Page 27 of the [Plan](#)) and consideration as to whether these activities remain appropriate.
- Progress against the key performance indicators in Section 7 (Page 42 of the [Plan](#)) and whether these remain appropriate.
- Effectiveness and progress in implementing Strategies 1-6 (Page 46 of the [Plan](#)) and whether these remain appropriate.

Members and stakeholders are invited to provide feedback through:

- An online [survey](#) available on APCO's website or
- Making a complementary written submission.

The deadline for survey responses and written submissions is 11.59pm (AEST) on Friday, 16 May 2025. APCO cannot guarantee that late submissions will be considered.

Section 2 | Challenges

Defining the problems that create barriers to member value

To be efficient and effective, any additional action taken by APCO under the Covenant must seek to address problems that create barriers to value creation for members or the achievement of agreed policy objectives. This section outlines the highest priority problems to be solved, including economic gaps in the system that negatively impact brand owners, and system failures that create risk and erode value across the system.

2.1 Economic gaps

Each material stream has its own challenges

Australia's packaging system uses a range of materials to meet needs of businesses and consumers including safety, security, communication, marketing and efficiency. Each of these materials faces specific technical and economic challenges when it comes to end-of-life recovery.

Table 6 outlines the baseline position for material streams and key challenges in relation to regulatory risk, environmental impact and market readiness to increase recycling rates.

Table 6 | Mapping of baseline position and challenges in material streams

Material	Baseline			Regulatory risk	Environmental impact	Market readiness
	POM	Landfill	Recovery			
Soft plastic	547 kt	512 kt	● 6%	● High	● Severe	● Weak (end-markets)
Rigid plastic	718 kt	518 kt	● 28%	● High	● Moderate	● Moderate
Fibre	3,805 kt	1,336 kt	● 65%	● Medium	● Low	● Strong
Glass	1,105 kt	344 kt	● 69%	● Medium	● Moderate	● Strong
Metal	302 kt	146 kt	● 52%	● Low	● Moderate	● Strong

Source: APCO Consumption and Recovery Report (FY23)

This data highlights the following key insights:

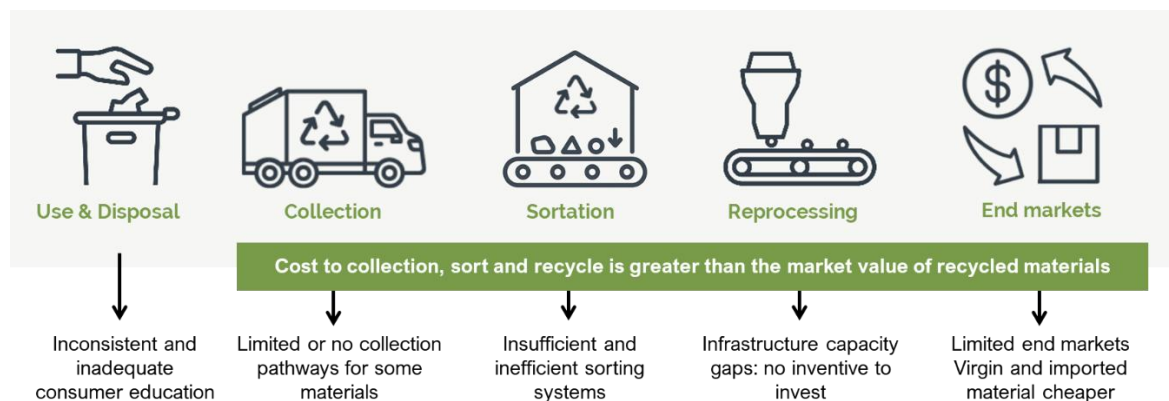
- Soft plastic packaging has low recovery rates and weak end-markets, with more than 500 kilotonnes sent to landfill each year.
- Rigid plastic packaging has a higher recovery rate but gaps in the collection resulting in more than 500 kilotonnes sent to landfill each year.
- Fibre packaging has a high recovery rate but with the highest POM there is more than 1,300 kilotonnes sent to landfill each year.
- Glass has the highest recovery rate, with existing recovery and reprocessing systems in place.
- Metal has strong recovery rates, low overall POM with less than 150 kilotonnes going to landfill each year.

This analysis has informed a foundational assumption applied to the modelling and proposals outlined in this paper, which is that APCO should primarily focus on soft plastic, rigid plastic and fibre. Other materials - including glass, metal and wood - are in scope but have been assessed to be lower priority.

Recycling some materials remains uneconomical

APCO's 2022-23 NPT Review confirmed that critical economic gaps in the downstream collection, sortation and reprocessing of materials mean that improvements made by brand owners (in terms of design, labelling and use of recycled content) are not having their full intended impact on the NPTs. The nature of these gaps is outlined in Figure 1.

Figure 1 | Economic gaps in the downstream system



Since the release of its 2030 Strategic Plan, APCO has conducted further research into these economic gaps, by:

- Engaging independent advisors at Ernst and Young (EY) to provide input, and economics consultancy Evello Partners;
- Conducting interviews with more than 30 system operators and stakeholders; and
- Holding research verification workshops with the APCO Collective Action Group (CAG), which includes senior representatives from organisations across the packaging system.

This research has shaped a clearer understanding of the economic impact of these gaps, including different costs incurred along the system for different materials, and sources of revenue such as gate fees and the sale of Post-Consumer Recycled (PCR) content.

The key finding of this research is that the cost of recovering these materials exceeds the price at which these materials could be sold once collected and reprocessed. The difference between cost and revenue represent a quantifiable shortfall for each material that will continue to constrain efforts of brand owners to reverse stagnating recovery rates and meet the NPTs.

Table 7 outlines the estimated total shortfalls across collection, sorting and reprocessing activities for soft plastics, rigid plastics and fibre. It should be noted that these shortfalls vary across the system due to location, technology constraints and infrastructure upgrade requirements.

Table 7 | Estimated total shortfalls for the collection, transportation, sorting and reprocessing

Material	Economic shortfall (in FY25 dollars)
Soft Plastics	\$1,295 - \$1,762 per tonne
Rigid Plastics	\$350 per tonne
Fibre	\$117 per tonne

Source: Evello Partners

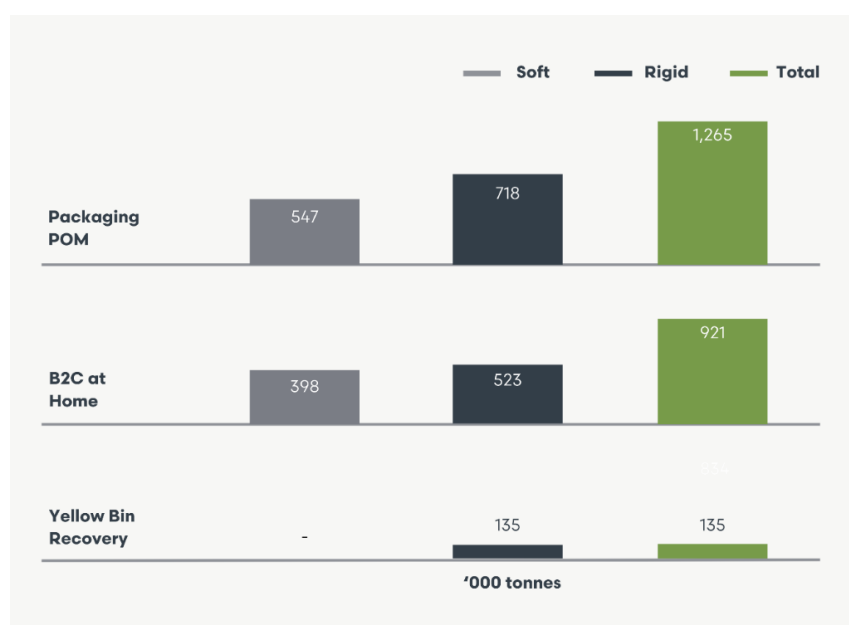
Consumer participation presents an opportunity to increase recovery and value

Consumer participation is essential for the efficient and effective operation of Australia's packaging system. In addition to improving environmental outcomes, correct disposal of packaging by consumers leads to higher value for brand owners, more volume through the recovery systems and lower overall costs by:

- Reducing the volume of recyclable materials sent to landfill; and
- Reducing contamination of recycling streams through non-recyclable materials in recycling bins.

Figure 2 below highlights two common themes - that most plastic packaging is consumed at home and that most of this packaging is subsequently lost to landfill. However, where the two plastic material streams differ is that there is limited at-scale system in place for collection of soft plastics, while most rigid plastics are recyclable at kerbside. This means that a large proportion of rigid plastic currently ending up in landfill is actually recyclable but is lost when placed in the wrong bin. Not only does this increase environmental impacts, but it also creates opportunity costs and disincentives for businesses.

Figure 2 | Plastic packaging placed on market and disposed by households in FY23



Source: APCO Consumption and Recovery Report (FY23)

End-market barriers need to be addressed

While there are mature and maturing end markets for some material streams, the absence of viable end markets for all materials remains a key barrier for the system. These barriers include:

- Low value in recovered material that is insufficient to cover costs or incentivise investment;
- High technical barriers through standards and specifications that may preclude recycled materials from being used in some applications;
- High administrative costs on businesses that may wish to incorporate recycled materials into packaging, such as procurement, research, retooling, testing and market trials;
- High compliance costs and absence of systems to track and verify the source of recycled content;
- Low industry awareness and adoption of recycled materials; and
- Low consumer confidence in stewardship schemes following the failure or high-profile schemes.

Niche materials need special attention

APCO has consulted with industry to identify and prioritise the following niche packaging types, as outlined in Table 8. These niche materials play an important role in the packaging system, but many are not suitable for kerbside collection and have limited pathways for recovery.

Table 8 | Niche packaging priorities for stewardship intervention

APCO strategic priorities	Niche packaging priority
Immediate priority based on environmental, health and safety considerations	Expanded polystyrene
	Hazardous household chemicals and associated packaging
	Lubricating oil and oil packaging
Short-term priority due to high volume of problematic items	Polymer coated paperboard (including liquid paper board)
	Home improvement product packaging
Medium-term priority with opportunity to engage industry to explore EPR	Pharmaceutical and personal care packaging
	Large format plastic food containers
	Agricultural packaging
	Aerosols

Source: Thinkstep ANZ

Some of these materials cannot be phased out due to product safety or security.

- Because sending these materials to landfill is undesirable, the preferred solution may be to establish dedicated collection networks through standalone EPR schemes.
- This creates the problem of reducing the overall attractiveness of investments in stewardship schemes and misdirecting capital away from interventions that could have greater economic, social and environmental impact – such as investment in soft plastics, rigid plastic and fibre.

However, some materials will need to be phased out, such as PVC packaging for household products.

- While PVC packaging is recyclable in clean waste streams (for example, in medical settings) it contaminates co-mingled recycling systems, reducing the overall value of materials that can be recycled and restricting other use cases like waste-to-energy projects.
- While some APCO members are working on the phase-out of PVC packaging (except for medical applications), the experience from some overseas EPR schemes is that PVC and other disruptive materials should face high fees that incentivise their removal. This creates additional economic trade-offs across the system as a whole.

2.2 System failures

The economic gaps identified in this paper prevent brand owners from achieving outcomes that rely on the system, such as meeting targets and addressing community and government concerns about waste. For many brand owners, failings within the system also present compliance risks and pose a threat to social license and brand trust.

The inability to rely on the system increases the risk of brand owners making unproductive decisions about their packaging choices and making false claims about packaging. These challenges represent a key barrier to APCO members creating, protecting and returning value from their participation in Australia's packaging system.

Section 3 | Opportunities

Creating, protecting and returning value for members

As Australia's only regulated packaging stewardship scheme, the Covenant mechanism is uniquely placed to help industry meet community and government expectations in relation to packaging. In doing so, APCO has a responsibility to lead transformative system change that helps members and the sector meet the NPTs, at the least cost, disruption and risk.

3.1 Current member value proposition

While APCO is accountable to government and backed by legislation, as an industry-led program administered by a member-based organisation, APCO must deliver member value first and foremost.

One of the ways in which APCO delivers value is by protecting members from free riders, underpinned by the NEPC and the NEPM. Under the NEPM, liable brand owners can elect to meet their legislative obligations by joining APCO or being directly regulated by state and territory governments in each state or territory in which their packaging is sold. Information on relevant regulations and brand owner obligations in states and territories is provided in section 8.7.

The NEPM also provides a legislative mandate to ensure that free riders do not gain advantage from financial contributions made by APCO members. As Australia's only regulated stewardship scheme, this is a unique value that only APCO can provide.

3.2 Enhanced member value proposition

A key premise of this paper is that APCO's current business model is not delivering optimal value to members and so a new business model, as proposed in the 2030 Strategic Plan, is needed. The new model also requires a new, clearer value proposition for members.

APCO's value proposition is to **create, protect, and return** value across multiple dimensions of business operations. By providing a unified approach to packaging sustainability, APCO delivers benefits no organisation could achieve alone, while protecting members from potentially more restrictive and costly direct regulation. Key value drivers are set out in the tables below.

Table 9 | APCO Member Value Model (MVM) – Key Value Drivers

APCO creates member value by	Informing strategy
	Scaling impact
	Enabling excellence
APCO protects member value by	Managing regulatory risk
	Addressing free riders
	Reinforcing integrity
APCO returns member value by	Streamlining compliance
	Convening the system
	Informing the future

Table 9.1 | APCO MVM Model – Creating Member Value

APCO creates member value by:		
Informing strategy <ul style="list-style-type: none"> • Providing a single point of engagement for business to support regulatory compliance and data-driven decision-making. • Boosting strategic preparedness through shared insights into the potential impacts of technologies, standards and regulatory changes. 	Scaling impact <ul style="list-style-type: none"> • Driving system-wide change by leveraging shared expertise and resources to improve packaging design, recycling, and compliance at scale. • Providing economies of scale in substantial, system-wide improvements that would be prohibitively expensive for individual organisations. 	Enabling excellence <ul style="list-style-type: none"> • Supporting design and adoption of sustainable packaging, reuse and recycling opportunities through technical expertise, implementation guidance and supply chain facilitation • Enabling visible and effective consumer engagement through the ARL.

Table 9.2 | APCO MVM Model – Protecting Member Value

APCO protects member value by:		
Managing regulatory risk <ul style="list-style-type: none"> • Modelling an effective, industry-led EPR approach that will provide a template and transition pathway to proportionate Commonwealth regulation • Providing protection from regulatory fragmentation by overcoming the need for state-by-state intervention • Providing an effective, collective pathway to address regulator concerns including the ACCC and state and territory governments. 	Addressing free riders to maintain a level playing field <ul style="list-style-type: none"> • Supporting a national legislative framework to eliminate free riding • Working in collaboration with state and territory EPAs to identify and deal with free riders. 	Reinforcing integrity <ul style="list-style-type: none"> • Supporting brand integrity through a robust approach to packaging recyclability claims backed by robust compliance, audit and monitoring programs • Backing social license for packaging supported by visible commitment and action towards packaging sustainability • Futureproofing by adapting to evolving sustainability expectations.

Table 9.3 | APCO MVM Model – Returning Member Value

APCO returns member value by:		
Streamlining compliance <ul style="list-style-type: none"> • Providing a single point of engagement and acquittal for regulated EPR schemes for packaging • Allowing for equitable cost sharing for efficient delivery of system-wide initiatives • Driving an industry-led approach that keeps funds within the system to deliver targets and recycled content and removes the need for a tax or government levy. 	Convening the system <ul style="list-style-type: none"> • Providing unified engagement with system stakeholders to enable collaboration and shared advocacy for coherent national policy • Enabling equitable cost sharing across all sectors and brand owners. 	Informing the future <ul style="list-style-type: none"> • Creating a compelling template for regulatory reform by delivering an effective, industry-led EPR approach for packaging • Driving system impact that enables a smooth, industry-led transition to a reformed national framework for packaging.

Section 4 | Solutions

Delivering system impact through downstream interventions

To address these challenges, APCO has identified a number of solutions to drive impact the downstream system in three categories: consumer education, supply chain facilitation and service payments. Table 10 outlines how these three drivers will be used to drive outcomes for key materials streams, niche materials and reusable packaging.

Table 10 | Drivers to drive change for key material streams

Interventions	Soft plastics	Rigid plastics	Fibre
Consumer education	B2C	B2C	B2C
Supply chain facilitation		B2B and B2C	
Service payments	B2C and B2B	B2C	B2B and B2C

4.1 Service payments

Service payments are the primary means through which APCO will drive system outcomes, through contracts with organisations including:

- EPR scheme operators, known as PROs.
- Operators such as collectors, sorters and reprocessors.

Through a competitive process where available, APCO will enter contracts with PROs and service providers which specify what outcomes will be delivered and at what price. Service payments will be made to support operating costs to enable the operator to deliver outcomes that would not otherwise occur. Outcomes could include, for example:

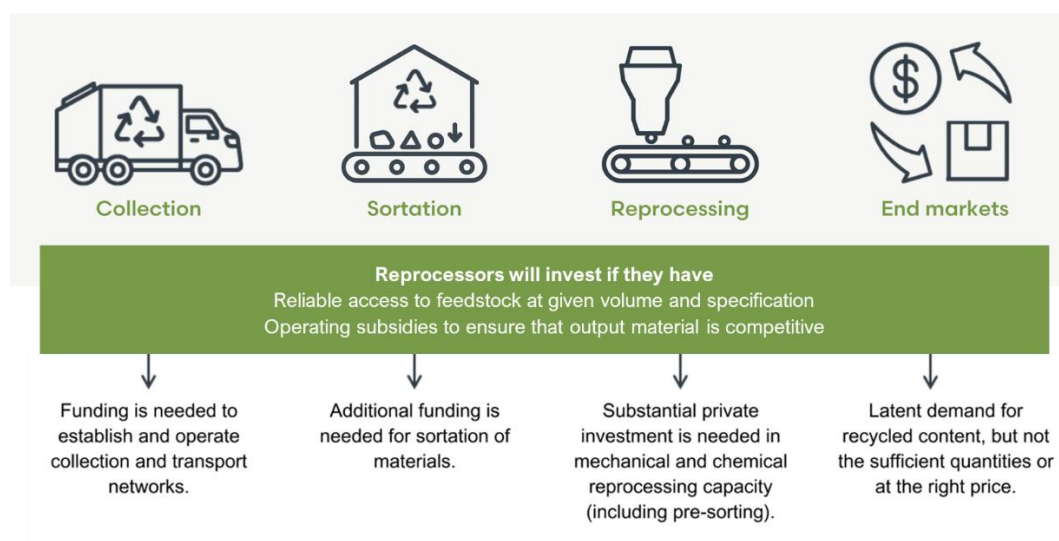
- Increasing collection, for example by adding new collection points or pickups, or expanding the range of materials collected
- Sorting and baling materials that would otherwise have been sent to landfill
- Reprocessing materials to certain specifications, that would otherwise not have been reprocessed.

For some materials, it may be possible to deliver incremental increases in recycling by subsidising operations only to the degree necessary to get additional material processed. To deliver substantial and lasting system impact of the scale needed to deliver targets, however, service payments will need to be at a level sufficient to:

- Support operational activity needed to achieve targets
- Ensure recycled materials reach the market at a price competitive with other materials
- Incentivise investment in new or upgraded infrastructure.

Figure 3 below illustrates how service payments could be used to drive system-transforming outcomes, in this case for soft plastics. The efficacy of operational subsidies to incentivise infrastructure investment has been confirmed through extensive consultation with operators. Subsidies will be most effective when supported by consumer and business outreach to increase collection volumes and reduce contamination and unintended consequences.

Figure 3 | Impact of service payments for soft plastics



4.2 Supply chain facilitation

Stewardship refers to APCO's work to support interested parties to develop EPR and stewardship approaches on priority materials and formats. While there is often a willingness between parties to progress this work, APCO is uniquely placed to facilitate collective action between different actors in the system including brand owners, logistics providers and recycling operators.

APCO will work with these stakeholders to overcome any difficulties. Note that this driver does not involve APCO making financial grants into the system. Where providing financial support for an existing EPR scheme would be an efficient and effective way to increase recycling, this would be achieved through service payments.

Supply chain facilitation refers to APCO's work across the system to support implementing and scaling up initiatives such as reuse models, and identifying opportunities to increase B2B recycling. This work has demonstrated the potential of supply chain collaboration to overcome challenges and create opportunities to increase the uptake of business-to-business reuse models and overcome barriers to recycling.

4.3 Consumer education

Consumer education is an essential underpinning for the service payment interventions described above for priority materials, and for increasing recycling of other materials. By leveraging kerbside recycling, consumer education is an efficient way to increase recycling.

The ARL is an effective means to communicate with consumers about the recyclability of packaging and provide instructions for its disposal. Many brand owners have made significant investments in its use. However, the ARL and the kerbside system it supports has not been underpinned by an adequately resourced, national consumer education campaign.

Research conducted during development of the 2030 Strategic Plan indicates that a national consumer education campaign would be an efficient way to increase recycling. It would leverage separation at source by consumers and material recovery through kerbside and other collection systems. By supporting correct disposal, it would reduce contamination in recycling streams, potentially reducing the marginal cost of recycling.

Section 5 | Rationale

Leveraging APCO's unique role to drive change

The Covenant enables a scale and impact only possible through collective action supported by multiple industries and large and small businesses. It provides for a level playing field through government enforcement. Acting now will meet rising community expectation and increase political confidence in industry-led approaches.

5.1 Established capability

Purpose-built national framework	<p>The Covenant enables industry to design and deliver measures to acquit this obligation efficiently and effectively in a way that maximises value for brand owners. As Australia's only co-regulator for packaging, APCO has both the backing of governments and a clear focus on member value, as set out in Section 2.</p> <p>The Covenant provides flexibility to meet changing circumstances and needs, and APCO is responsible for changing its business model as required. Strengthening the business model through the EPR levers set out in this paper will give brand owners a degree of control over the downstream fate of their packaging not previously available.</p>
Governance and accountability	<p>The Covenant's high level of accountability is unique amongst Australia's packaging stewardship schemes. APCO reports to federal, state and territory governments and works with the Packaging Government Officials Group to agree how best to help APCO members meet their obligations and ensure a level playing field through the regulation of free riders, which cannot be achieved in voluntary models of EPR.</p> <p>The governance, assurance and risk management processes that APCO has in place to manage existing accountabilities and programs, such as the ARL, will be expanded to cover the new activity needed to activate the 2030 Strategic Plan.</p> <p>This includes industry-wide, brand owner and whole of system board representation, an independent chair and two independent directors. Its governance is further enhanced by the co-opting of skills-based directors when required.</p> <p>In addition to the consultation with government noted above, the APCO board and executive draw on the experience and expertise of its members and industry experts in the Collective Action Group, Material Stewardship and Technical Advisory Committees which collectively receive contribution from ~80 members.</p>
Level playing field	<p>As the only legislated scheme for packaging, the Covenant is uniquely positioned to build on its high level of participation to ensure a level playing field for all brand owners through government-enforced compliance and APCO's member obligations.</p> <p>Key drivers of regulatory compliance are:</p> <ul style="list-style-type: none">• Collaboration with EPAs: APCO works with state EPAs to conduct annual brand audits to identify and engage with non-compliant brand owners to ensure their participation.• Enforcement: Under the NEPM, EPAs pursue and can take enforcement action against non-participants, ensuring businesses meet their statutory obligations.• Disclosure: APCO and EPAs can publish information on non-compliant brand owners. <p>Key drivers of member accountability are:</p> <ul style="list-style-type: none">• Annual Action Plan, outlining their strategies for improving packaging sustainability• Annual Report, demonstrating progress towards these commitments• Financial contribution to the work of the Covenant through APCO member fees. APCO's fee model has evolved over time - and will continue to do so - to ensure it reflects changes in each member's packaging footprint and system needs.

	Reporting and assurance requirements will be strengthened to ensure accurate reporting of packaging data needed to support the proposed new fee model.
Maximising the scale collective action	<p>The scale of the problems outlined in Section 3 require an at-scale response. Acting collectively and pooling resources under the Covenant will enable a scale of impact that will drive not only increased system output, but increased capacity, market depth and system resilience.</p> <p>APCO has almost 2,500 members, with recruitment and retention of members supported by state and territory EPAs under the NEPM.</p>

5.2 Changing expectations

Responding to rising stakeholder concerns

Community expectations that brand owners will deliver environmentally friendly packaging are rising, while confidence in recycling has declined.

Government has responded to community concern, including through Ministerial intervention on soft plastics and ACCC focus on environmental claims. Environment Ministers' Meetings have stated clearly their intent that brand owners take responsibility for the packaging they place on the market. Community concern has been brought to the fore through Parliamentary inquiries.

Taking decisive action now will provide a solid base from which to restore community and political confidence and ensure that any future criticism can be countered with evidence of effective action.

Responding to regulatory uncertainty

Ministers, through their letter to APCO, and DCCEEW through its reform consultation paper, have emphasised the importance of the work of APCO and its members in preparing for a reformed regulatory framework.

The outcomes of the consultation undertaken by DCCEEW was that stakeholders favour a national EPR scheme like APCO's 2030 Strategic Plan over the other options offered. In APCO's view, this would be a better outcome for brand owners than a more direct regulatory approach targeting individual brand owners, without the collective impact of EPR.

By acting now, APCO and its members will maintain the initiative in the transition to a national EPR scheme, helping to inform the reform process.

The least favourable outcome would be a fragmented regulatory approach, if the national approach failed to meet the expectations of state and territory governments, which could require brand owners to take different actions for packaging in different states.

State governments continue to prioritise waste and circularity: for example, the *Product Lifecycle Responsibility Act 2025*, which provides for regulations to be developed to mandate labelling and other stewardship activity for products including packaging within NSW.

Section 6 | Impact

Unlocking impact and circular value through collective action

APCO's proposed approach is calibrated to deliver substantial increases in collection, recycling and availability of recycled content. These will be sufficient to make significant progress towards the NPTs by driving investment in new capacity and capability - enabling further gains in the future years.

Modelled estimates show that by FY30, these interventions will divert **353 kilotonnes** of material from landfill annually. This will result in significant improvements to national recycling rates for key materials:

- **Soft plastics:** from 6% to 19%
- **Rigid plastics:** from 28% to 37%
- **Fibre packaging:** from 65% to 70%

Critically, this recovery is not theoretical—it directly supports **domestic end markets**. By FY30, the system will generate an additional **262.5 kilotonnes of PCR content** for reuse in packaging.

APCO modelled and assessed three cost / benefit scenarios to estimate benefits arising from these investments by APCO members, expressed as an increase in kilotonnes of recovered material, as outlined in Table 11.

This paper assumes the estimated benefits of delivering Scenario B, which has been assessed to provide the optimal return on proposed costs and forms the basis of proposals in this paper. Scenarios A and C are outlined in the Appendix.

Table 11 | Estimated annual material recovery benefit from service payment interventions

Benefit scenarios	FY27	FY28	FY29	FY30
Scenario A	17.2 kt	36.0 kt	71.0 kt	111.0 kt
Scenario B	36.0 kt	82.0 kt	164.0 kt	353.0 kt
Scenario C	68.5 kt	153.0 kt	305.0 kt	715.0 kt

Scenario B will deliver increases in recycling and recycled content and driven the private investment needed to address capacity gaps in collection, sortation, reprocessing and end-markets and enabling targets to be achieved, albeit over a longer timeframe than 2030.

Table 12 | Estimated annual material recovery benefit for priority materials under Scenario B

Recovery (kt)	FY27	FY28	FY29	FY30
Soft plastics	6.0	22.0	44.0	83.0
Rigid plastics	10.0	20.0	40.0	70.0
Fibre	20.0	40.0	80.0	200.0
Total	36.0	82.0	164.0	353.0

Table 13 below shows the outcomes and impact of service payments under Scenario B in 2030. This shows substantial gains made in recovery, with 353 kilotonnes diverted from landfill including 200 kilotonnes of fibre. Significant increases in the availability of PCR for packaging-to-packaging – an additional 262.5 kilotonnes, which is equivalent to 3.3% of total packaging placed on the market in 2030.

APCO's modelling assumes that the service payment interventions for priority materials are supported by a national consumer education campaign to drive the changes in consumer behaviour needed to deliver the substantial increase in collection. Furthermore, additional diversion of other materials from landfill will be achieved through consumer education and supply chain facilitation.

This will include an additional 42 kilotonnes of soft plastic PCR material, equivalent to 6.4% of soft plastics placed on the market in 2030, and for all plastics the additional available PCR material will be equivalent to 6.0% of all plastic packaging placed on the market in 2030. Importantly, the level of recovery of soft plastics – 83 kilotonnes of additional recovery, bringing the total recovery rate to 19%, is sufficient to support a national kerbside collection network and substantial mechanical and chemical reprocessing capacity.

Table 13 | Material recovery and PCR outcomes and system impact in 2030 for priority materials

Scenario B 2030	Additional recovery (kt)	(% of POM)	Total recovery (% of POM)	Additional PCR (kt)	Additional PCR (% of POM)
Soft plastic	83.0	12.7%	19.0%	41.5	6.4%
Rigid plastic	70.0	8.2%	36.3%	49.0	5.7%
Total plastic	153.0	10.1%	28.8%	90.0	6.0%
Fibre	200.0	4.2%	69.7%	172.0	3.6%
Total	353.0	4.4%	63.6%	262.5	3.3%

Recycled content

Increased use of post-consumer recycled (PCR) content in packaging is a critical system benefit supported by the proposed scenario. Under Scenario B, it is projected that an additional 262.5 kilotonnes of PCR material will be available for use across soft plastics, rigid plastics and fibre packaging by 2030—representing approximately 3.1% of all packaging placed on the market.

This uplift in recycled content not only reduces demand for virgin materials, but also helps to close the loop by creating stronger demand signals for collection, sorting, and reprocessing services. Importantly, these volumes are expected to support domestic reprocessing capacity, contributing to the viability of Australian-made PCR materials, including for packaging-to-packaging applications.

In addition to the direct environmental benefits, financial incentives such as modulating discounts are proposed from FY28 to encourage brand owners to adopt and verify the use of PCR content in their packaging. These discounts will recognise members that make verified contributions to circular outcomes, with potential eligibility tied to certification under ISO 14021, ACCC guidance, or internationally recognised schemes such as ISCC Plus or the Global Recycled Standard.

Market development interventions—including service payments and supply chain facilitation—will complement these discounts by addressing structural barriers to recycled content uptake, such as price competitiveness, traceability, and technical specifications. Together, these measures will play a key role in improving the resilience and performance of Australia's circular packaging system.

Section 7 | Costs

Taking a fair and equitable approach to costs and recoveries

The proposed investment in delivering these solutions will require funding from APCO members, in addition to APCO's core operating costs. This section outlines the estimated costs of delivery and the proposed funding mechanism to recover these costs from members through a new fee model.

Cost scenarios

APCO modelled and assessed three cost / benefit scenarios to estimate the range of costs needed to drive system impact through a new funding mechanism and fee model for member contributions. The three scenarios and comparative assessment are provided in the Appendix. **This paper assumes the estimated costs of Scenario B, which has been assessed to provide optimal returns.**

Table 14 | Estimated total cost of scenarios A, B and C

Cost scenarios	FY27	FY28	FY29	FY30
Scenario A	\$28.2 – 29.4m	\$44.2 – 47.3m	\$74.2 – 79.9m	\$97.0 – 107.7m
Scenario B	\$38.4 – 41.5m	\$76.1 – 87.4m	\$139.6 – 162.1m	\$230.4 – 272.9m
Scenario C	\$46.1 – 50.5m	\$107.1 – 121.0m	\$219.6 – 256.0m	\$408.9 – 482.1m

Note: Estimated costs in FY27 dollars

Member contributions

APCO also considered a number of options in relation to the most appropriate fee model and funding mechanism through member contributions, outlined below. The comparative assessment is provided in the Appendix. This paper assumes estimated costs would be recovered from members through the 'base plus modulated' fee model.

Fee models	
Turnover-based fee model	APCO's existing tiered, turnover-based fee model to cover APCO's core operating costs, APCO's operating costs of supporting or managing EPR schemes and intervention costs.
Modulated fee model	changes to APCO's existing model with member contributions are modulated in line with the volume and type of packaging they place on market, covering all operating costs and system intervention costs.
Base plus modulated fee model	a base fee for APCO's core operating costs based on turnover, and a modulated EPR fee based on the volume and type of packaging the individual members place on market, to cover the cost of downstream interventions

The scenarios, models, costs, projections and impacts outlined in this section are estimates, based on certain assumptions and information available at the time of publication. These estimates have been provided to illustrate how a proposed EPR approach could impact members, to inform feedback to this Consultation Paper and subsequent decision making.

The assumptions and information used to develop those scenarios, models, costs, projections and impacts may not continue to hold true following the publication of this Consultation Paper, and accordingly, the proposed outcomes may not materialise.

Following consultation, APCO will provide more specific detail about costs and impacts, based on the actual design, shape and scope of the EPR approach.

7.1 Member contributions for core business

The proposal is that APCO's core operating costs will continue to be recovered from members, as outlined in Table 15. For the purposes of comparison, these costs are broadly in-line with the current cost structure and member contributions.

Table 15 | Member contributions for base costs

Member contributions	FY27	FY28	FY29	FY30
Base fee	\$14.8m	\$14.8m	\$14.8m	\$14.8m

Note: Member contributions in FY27 dollars

7.2 Member contributions for EPR interventions

The proposal is that the costs of incremental system interventions will also be recovered from members. Some of these costs (such as consumer education and supply chain facilitation) will be applied across all material streams, as outlined in Table 16. Other costs will be incurred directly as a result of targeted interventions in specific material streams (such as service payments) as outlined in Table 17. For the purposes of comparison, these costs are incremental to current member contributions.

Table 16 | Member contributions for EPR costs – consumer education and supply chain facilitation

Member contributions	FY27	FY28	FY29	FY30
Consumer education	\$1.7m	\$10.5m	\$25.5m	\$25.5m
Supply chain facilitation	\$2.3m	\$2.3m	\$2.3m	\$2.3m
Total	\$4.0	\$12.8m	\$27.8m	\$27.8m

Note: Member contributions in FY27 dollars

Table 17 | Member contributions for EPR costs – service payments

Member contributions	FY27	FY28	FY29	FY30
Service payments - soft plastics	\$12.0 – 15.0m	\$33.7 - 45.0m	\$67.4 - 90.0m	\$127.2 - 169.7m
Service payments - rigid plastics	\$4.4m	\$8.9m	\$17.7m	\$31.0m
Service payments - fibre	\$3.2m	\$5.9m	\$11.8m	\$29.6m
Service payments - total	\$19.6 – 22.7m	\$48.5 - 59.8m	\$97.0 - 119.5m	\$187.8 – 230.3m

Note: Member contributions in FY27 dollars

Note: Soft plastic costs between \$1,996 - 2,508 per tonne (FY27) and \$1,531 - 2,044 per tonne (FY28-30)

Recovery of estimated EPR costs for service payments will be based on POM volumes for each member, calculated as an amount in dollars per tonne applicable to each material type.

A calculator will be available on APCO's [website](#) to help members to calculate indicative contributions. This calculator is solely for use with the scenarios presented in this paper. Actual material fees for FY27 and the method for calculating them may differ at the time of implementation.

The calculator applies the indicative costs per tonne outlined in Table 18, based on member-reported data and the estimated intervention costs outlined in this paper.

It should be noted that the amounts in Table 18 are indicative only. It is expected that FY fees will be informed by more comprehensive member data reported in FY26, greater clarity on downstream costs and a single, final scenario to be determined following completion of this consultation process.

Table 18 | Estimated EPR fees for packaging materials under Scenario B

Material	EPR Fee by material (\$ per tonne)			
	FY27	FY28	FY29	FY30
Soft Plastic	39 - 49	111- 147	223 - 295	415 - 551
Rigid Plastics	9	18	37	60
Fibre	2	5	11	19
Other Materials	1	3	6	6

Note: EPR costs in FY27 dollars

Note: Other materials include glass, wood and metal that require less funding to support interventions.

Table 19 | Estimated total costs under Scenario B

Estimated costs	FY27	FY28	FY29	FY30
Base costs	\$14.8m	\$14.8m	\$14.8m	\$14.8m
EPR costs				
Consumer education	\$1.7m	\$10.5m	\$25.5m	\$25.5m
Supply chain facilitation	\$2.3m	\$2.3m	\$2.3m	\$2.3m
Service payments - soft plastics	\$12.0 – 15.0m	\$33.7 - 45.0m	\$67.4 - 90.0m	\$127.2 - 169.7m
Service payments - rigid plastics	\$4.4m	\$8.9m	\$17.8m	\$31.0m
Service payments - fibre	\$3.2m	\$5.9m	\$11.9m	\$29.6m
Total EPR costs	\$23.6 – 26.7m	\$61.3 – 72.6m	\$124.8 – 147.3m	\$215.6 – 258.1m
Total base plus EPR fees	\$38.4 – 41.5m	\$76.1 – 87.4m	\$139.6 – 162.1m	\$230.4 – 272.9m

Section 8 | Considerations

Providing transparency on definitions, assumptions and choices

Key considerations of the APCO in outlining its proposal is whether costs should be recovered on the basis of volume or revenue, whether exemptions for certain types of packaging should be applied, and whether a liability threshold should be applied in FY27 to limit impact on smaller members. Over time, other considerations may include measures to support Australian recycled content, and modulating discounts to support a more granular, eco-modulated fee model.

8.1 Definitions

Definitions: packaging ‘placed on market’

To ensure that EPR fees are only levied once on packaging, it is proposed that fees be levied at the point at which packing is placed on the market, with the member that places the packaging will be liable for the applicable fees. In most cases, this will be the brand owner of the packaging.

For example:

- Packaging for branded products sold through a separate retailer would be considered to be placed on the market by the brand owner, not the retailer.
- Packaging for a retailers own-brand products, such as packaging for own-brand food and beverage products, would be considered to be placed on the market by the retailer.
- Packaging of imported products where the member is the importer and both the retailer, as the first business to sell the imported product in Australia to end-consumers. This is regardless of whether they own the brand of the imported products.
- Packaging that has been added or modified when placing the product on the market for sale to end-consumers. For example, the addition of protective packaging used by a manufacturer to distribute their products.

There are scenarios where the identification of packaging placed on the market is more complicated. For example, there are some instances where responsibility for B2B packaging is not immediately clear. APCO has engaged with some participants in the Fee Model Member Reference Group and will continue to work to resolve these issues.

Definitions: recovery

The term ‘recovery’ in all tables in this section refers to the volume of materials (in kilotonnes) available for recovery to be contracted in the financial year. Timing of delivery of recovery services, and therefore the impact on annual recovery rates and post-consumer recycled material availability, may vary. In addition, there will be a delay between when initial fees are collected, and interventions can be fully implemented and effective.

Definitions: brand owner

The term brand owner is defined in the Covenant and includes the following:

- The owner or licensee in Australia of a trademark under which a product is sold or distributed, regardless of trademark registration status;
- The Australian franchisee of a business arrangement permitting operation under an established business name;

- For imported products, the first person to sell the product in Australia;
- For in-store packaging, the supplier of the packaging to the retailer;
- For plastic bags, the importer, manufacturer, or retailer providing the bag to consumers for transporting purchased products.

Definitions: modulation

Modulation links fees paid by members to the amount and type of packaging they place on the market, based on the downstream costs that APCO will incur to improve outcomes for those materials.

From FY27, it is proposed that there are two types of costs recovered from members.

- Base fee - APCO's operating costs. The base fee will apply to all APCO members.
- EPR fee - Costs to deliver downstream interventions. The EPR fee will apply to brand owners that place packaging on the market. The amount that each brand owner pays will be modulated to the volume and type of packaging they place on the market.

Definitions: eco-modulation discounts

From FY28, there is the potential for the system to move towards eco-modulation, which could involve offering a discounted EPR fee to members that are able to demonstrate a commitment to EPR principles.

In the first instance, this could reward incremental avoidance and reduction, reuse, removal of hard-to-recycle materials and formats, and the inclusion of locally-sourced recycled content. Assessing member applications for eco-modulation and agreeing any discount to the EPR fees will require detailed, high-quality data and verification of claims made.

For some members, the availability and quality of data currently provided to APCO may be a barrier to accessing any potential discount in modulated fees, even where members are engaged in recognised EPR schemes. APCO is committed to working with members to address gaps and errors in currently available packaging data to ensure the brand owners enjoy the full financial benefit of modulated fees.

8.2 Exclusions

Some packaging will be excluded from coverage by EPRs to ensure that brand owners do not pay twice to recover the same packaging and ensures they are rewarded for initiatives that are effective at keeping packaging materials in the circular economy.

In FY27, APCO proposes excluding packaging from an EPR fee where brand owners can provide evidence that:

- Materials are eligible for CDS or CRS.
- Reusable packaging has been placed on the market for a second or subsequent time.
- Brand owners are participating in voluntary, member-operated EPR schemes, such as take back schemes, and commercial recycling of onsite packaging waste. However, exemptions for voluntary EPR-schemes would be subject to adequate reporting and assurance processes being in place.
- Proposes a reduction in this participation threshold to \$50 million in reported revenue from FY28.

8.3 Thresholds

A threshold for liability for EPR fees of \$100 million in reported revenue is proposed for FY27. A \$100 million turnover threshold for FY27 would enable:

- SME brand owners to have additional time to develop the robust data collection, assurance and reporting processes needed to inform EPR fees
- Cost-effective administration by containing the expected increase in support that APCO will need to provide to brand owners as they adjust to the new model.

Brand owners below the \$100 million threshold will continue to pay the base fee. Any threshold for EPR fee liability would be reviewed annually, including the potential to reduce this participation threshold to \$50 million in reported revenue from FY28.

8.4 Incentives

At this stage, the fee model beyond FY27 will either be based upon the FY27 model and exclusions, or a different model that could potentially offer discounted EPR fee for members that are able to demonstrate and verify an incremental commitment to EPR initiatives. APCO will consult with members and will be conducting further modelling to ensure a data-driven recommendation.

As noted, consideration is also being given to potential changes to the fee model in FY28. The purpose of eco-modulating discounts is to incentivise members financially to design packaging for recyclability, such that the downstream costs associated with managing the material are reduced. Discounts for post-consumer recycled content are also contemplated.

Proposals for the operation of modulating discounts include:

- Discounts would be expressed in dollars per tonne. For example, if 100 tonnes of packaging met the criteria for a discount of \$50 per tonne, then each of the 100 tonnes of that packaging would receive a \$50 discount from the material fee.
- Discounts would be set at a level sufficient to incentivise brand owners to adopt packaging features that support recyclability and reduce downstream system costs, including eliminating disruptive packaging.

Discounts would be cumulative within each material type. For example, rigid plastic packaging that is mono-material and meets colouring criteria would receive a discount for both elements.

Table 20 | List of materials that could attract potential EPR discounts

Materials	
Glass	
Material composition	Amber, flint or green glass.
Rigid plastics	
Material composition	Mono-material where the packaging is made from a single recyclable polymer (e.g. PET, HDPE, PP), and non-polymer additives (adhesives, labels, closures) are limited
Colours	Light, natural and clear colours
Additives and fillers	Additives and fillers are limited and do not impact sorting processes such as float separation

Soft plastics	
Material composition	Mono-material structures, light natural or clear colours, additional materials (adhesives, coatings, inks) are limited. Disruptive material components eliminated
Barrier layers	Proven recyclable barrier layers
Inks/ Lacquers	Lacquers and inks are limited and categorised as low impact
Fibre	
Material composition	Mono-material wood fibre-based structures: With minimum by weight fibre %age and no non-paper constituents.
Barriers/ layers	Water-soluble functional coatings, layers and barriers: constituent detaches proven compatible with recycling technologies Repulpable coatings, layers and barriers: materials proven compatible with recycling technologies.

Note: APCO will complete a detailed consultation process to define the above in more detail.

Table 21 below sets out possible timeframes for the incorporation of the features discussed above into the cost allocation model over the period to 2030.

Table 21 | Proposed fee model features and implementation dates

Feature	Proposed option	Proposed implementation date
Turnover threshold for SMEs	a. \$100m b. \$50m c. No threshold	a. FY27 b. FY28
Packaging exclusions	a. CDS and Reusable b. EPR schemes; own recycling programs; commercial recycling	a. FY27 b. As soon as reporting and assurance requirements are met
Modulating discounts	a. Initial list as outlined above b. Further discounts	a. FY28 b. Progressively from FY29
Support for Australian PCR	a. Service payments and market development b. Modulating discounts	a. FY27 b. FY28

8.5 Market development

The NTP establish packaging as an important market for Australian PCR content. The use of Australian PCR in packaging will be a critical driver of deep and resilient markets for PCR that are essential to the viability of expanded collection and reprocessing systems. Multiple levers will be available to support Australian PCR. These are described below.

Service payments

Operating subsidies provided through service payments will be the primary financial vehicle to support use of Australian PCR materials. This will effectively provide a per-tonne contribution to the cost of producing Australian PCR materials, with the aim of improving the price competitiveness of these materials.

The intent is that service payments will be set at a level that is sufficient to enable materials to be

placed on the market at a competitive price, including for packaging-to-packaging use.

Although future prices of virgin materials and imported PCR materials are difficult to forecast, the level of subsidies will be determined through contracts between reproprocessors and liable entities, who will need to reach commercial terms that incentivise reprocessing at a cost that brand owners can support.

Market development

This supply chain facilitation intervention includes funding for a business development approach to establishing and expanding markets for Australian PCR materials. This will include working with operators in relevant sectors such as civil engineering, researchers, governments and standard-setting bodies. The aim will be to support downstream operators to access and service markets, creating pull-through for packaging waste and reducing risks and costs associated with shallow and unreliable markets.

Modulating discount for PCR content

A modulating discount for PCR content, although not solely targeted at Australian PCR, will provide some support for Australian PCR.

A modulating discount could offset costs incurred by brand owners from incorporating recycled content into their packaging. It could also support the business case for adopting recycled content and support robust tracking and verification of PCR materials.

To maintain consumer confidence, brand owners will need to be able to demonstrate traceability and certification on any claims made in applying for a discount on EPR fees. This requirement could be achieved through:

- a) compliance to ISO14021 in relation to packaging claims;
- b) compliance to equivalent ACCC guidance; or
- c) certification under a recognised international framework, such as ISCC Plus or the Global Recycled Standard.

8.6 Scope

The scope of this Consultation Paper is the activation of APCO's 2030 Strategic Plan, which sets out how APCO will deliver its obligations under the Australian Packaging Covenant, particularly the Goals of the Covenant and the National Packaging Targets.

There are two Goals of the Covenant:

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

The NPTs (see Figure 4) were established in 2018 and are part of the [National Waste Policy Action Plan](#) agreed by all governments in 2019. 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.

Following APCO's review of the NPTs in 2022-23, Minister Plibersek wrote to APCO, on behalf of all environment ministers, emphasised that the NPTs remain in place to guide industry action while packaging regulation is reformed.

Figure 4 | National Packaging Targets



8.7 Regulatory factors

The **NEPM** establishes a national, co-regulatory product stewardship arrangement for consumer packaging which sets obligations for certain businesses to manage their packaging waste in a sustainable way. It requires all states and territories to provide and enforce regulations to reduce the environmental impacts of consumer packaging across Australia. The NEPM is given effect through regulation and policy in seven jurisdictions. Brand owners with turnover above \$5 million are required to comply with the NEPM in all jurisdictions in which their products are sold.

New South Wales

In NSW, the NEPM is currently supported through *Part 8 of the Protection of the Environment Operations (Waste) Regulation 2014*.

In the case of companies that choose to be regulated by the EPA rather than joining APCO, the Waste Regulation includes the following targets:

- 90% recovery of all materials used in packaging products up to and including 30 June 2026
- 100% of new and existing packaging must be reviewed using the Sustainable Packaging Guidelines.

Victoria

In Victoria, brand owners that are not members of APCO are regulated under Part 4.3 of the *Environment Protection Regulations 2021*. Regulated brand owners must meet a recovery rate of at least 70% for the following packaging materials:

- paper and cardboard
- glass
- steel
- aluminium
- plastics.

Brand owners must also give consumers enough information about how the packaging can be recovered. This includes information about where to take the materials for recycling and how to reuse or recycle the materials.

Queensland

In Queensland, the NEPM is implemented under Part 13 of the *Waste Reduction and Recycling Regulation 2023*. Regulated brand owners are required to achieve a recovery rate for their packaging materials of at least 70%.

South Australia

In South Australia, the NEPM is implemented under the *Environment Protection Policy 2012*. Regulated brand owners are required to meet recycling targets of:

- 80% for paper and cardboard
- 60% for glass
- 65% for steel
- 75% for aluminium
- 60% for HDPE and PET
- 35% for other plastics.

Western Australia

In WA, brand owners that are not APCO members are regulated under the *Environmental Protection (NEPM-UPM) Regulations 2013*. Obligations include achieving average recovery rate of 70 per cent for all consumer packaging in each financial year.

Tasmania

The NEPM is given legal effect in Tasmania under section 12A of the *State Policies and Projects Act 1993* and is implemented via Environment Protection Notices (EPNs) issued by the EPA under section 44(1)(c) of the *Environmental Management and Pollution Control Act 1994*.

Australian Capital Territory

In the ACT, the NEPM is given effect under the Waste Management and Resource Recovery (Environment Protection- Used Packaging Materials) Code of Practice 2020. Regulated brand owners must maintain their post-consumer packaging recycling rate at a minimum of 70%, including ensuring a minimum overall recovery rate of 70% for the following consumer packaging materials: paper and cardboard, glass, steel, aluminium, PET plastics (Code 1), HDPE plastics (Code 2), plastics (Codes 3–7).

Section 9 | Stakeholders

Engaging stakeholders to ensure transparency and support

The proposals set out in this paper have been informed by extensive consultation with members and system stakeholders. The 2030 Strategic Plan was informed by extensive consultation with members and system stakeholders, and this process has continued throughout the development of the proposals set out in this paper. APCO's intent has been to ensure transparency and accountability in decision-making and to ensure a fair, reasonable and attainable industry-led transition.

9.1 Stakeholder engagement

- A Fee Model Member Reference Group (MRG) has been operating to test key concepts and issues with members regarding eco-modulated fees and cost allocation models. This group includes representatives from ~90 members who self-selected. Figures 6 and 6 below provide a summary of the demographics of this group.
- Three webinars attended by 556 members presented findings and concepts related to the needs of the system and EPR fee models with over 153 questions being received and analysed.

Figure 5 | MRG 2024 by Industry sector

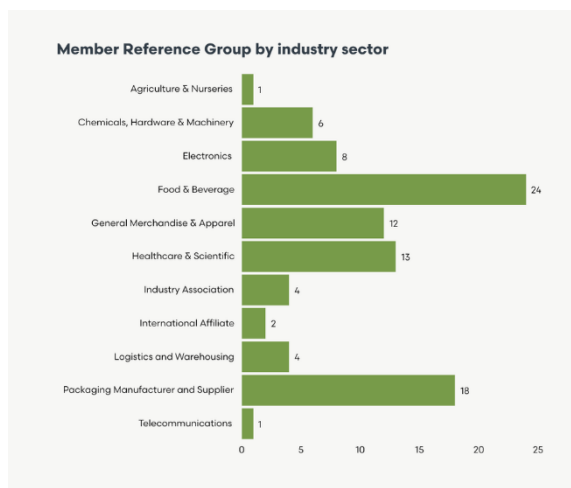
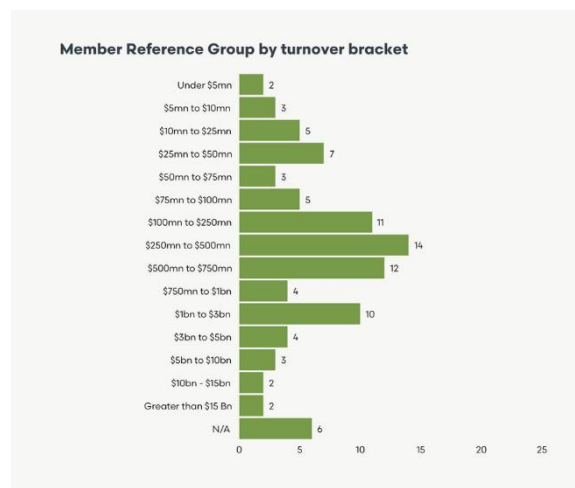


Figure 6 | MRG 2024 by turnover



Packaging system engagement and consultation

- APCO engaged independent advisors including EY and Evello Partners to provide input.
- Consulted with the CAG, which represents major stakeholders across the packaging system, ensuring alignment with industry priorities. See details here.
- Engaged downstream operators and stakeholders to assess infrastructure readiness and funding mechanisms. This included over 30 meetings with collectors, sorters, reprocessors and local governments.

Material Stewardship Committees

- APCO convenes five material-specific committees to provide insights, guide packaging design, recyclability improvements, and align supply chain integration.
- Insights from these Committees have been used to assist in the development of Material Pathway Plans. The purpose of these plans is to provide:

- Clarity around the volume of material able to be diverted relative to the interventions required.
- Clear design guidelines to improve recyclability.
- Defined recovery pathways that align with current and emerging infrastructure.
- Alignment across the value chain, ensuring industry, government, and consumers work towards shared outcomes.
- Market-driven insights, helping create demand for recycled content and encourage investment.
- With over 70 subject matter experts involved across the Committees, APCO has sought feedback from these forums on our initial list of potential modulating discounts. Modulating discounts aim to financially reward members for designing packaging for recyclability as that reduces the downstream costs associated with managing the material.

9.2 Member engagement and consultation

The consultation process based on this paper will be open for six weeks, until 11.59pm (AEST) on Friday, 16 May 2025. APCO cannot guarantee that responses received after that date will be considered. Responses to this paper are invited through:

- Responses to the member [survey](#) and
- Written submissions.

9.3 Member communications

Following a review of responses, APCO will develop its final position on the scenarios and fee model options, for consideration and endorsement by the APCO Board in June 2025. Documents to be published following this consultation period include:

- A description of the intervention scenario and fee model and how these will be implemented
- A roadmap setting out the activity, outcomes, impacts and costs expected from FY27 to FY30
- A cost-effectiveness analysis of implementation of the roadmap.

Reviews of these three documents and the program of work that they describe will be implemented each year, along with annual reviews of the 2030 Strategic Plan. In addition to annual reviews, a comprehensive review of the Strategic Plan, including its impact, targets, outcomes, and approach is required prior to 2030.

The release of a detailed breakdown of member contributions for FY27 will be informed by the member revenue and volume data provided by members through APCO's annual reporting process. Typically, these data are consolidated and published in October each year.

Changes to the base fee or EPR fees will be published annually, with the aim of providing high-level guidance to members about any substantive increase with 12 months' notice and a more detailed breakdown of increases with six months' notice.

Appendix | Principles

Six principles to deliver interventions and recover costs from members are set out below. These principles have informed the development of scenarios presented in this paper and provide a basis for assessing and comparing different approaches.

- **Effective:** drives positive environmental outcomes (raising funds, reducing waste) and directly addresses the problem at hand.
- **Efficient:** optimises use of resources, time and effort to achieve outcomes, considering administrative burden and implementation complexity.
- **Equitable:** fair and reasonable for all members with a direct link between packaging, fees, member benefits and outcomes.
- **Scalable & flexible:** can change year-on-year depending on needs.
- **Transparent & accountable:** clearly outlines how fees are calculated, how interventions are designed and delivered and their measurable outcomes and impact; fosters accountability.
- **Viable:** meets the needs and expectations of stakeholders; is likely to succeed.

Principles – Cost / Benefit Modelling

APCO's investment in the system will require funding from APCO members. Three investment scenarios were modelled with different system outcomes.

Table 22 below provides an effectiveness assessment of the three scenarios against these six principles. The assessment assumes the adoption of a base fee plus a volume modulated EPR fee for all downstream interventions. Scenario B has been rated 'High' against four out of six principles.

Table 22 | Assessment of the base case and scenarios against the principles

Principles	Scenario A	Scenario B	Scenario C
Effective	● Low	● Medium	● High
Efficient	● Medium	● Medium	● Medium
Equitable	● High	● High	● Medium
Scalable & Flexible	● High	● High	● Medium
Transparent & Accountable	● High	● High	● Medium
Viable	● Medium	● High	● Low

APCO's preferred scenario is Scenario B, as it offers the optimal balance between impact, viability and risk management. Scenario B would:

- Drive significant system impact and attract private investment to close infrastructure capacity gaps, supporting more substantial recycling and PCR material availability than Scenario A.
- Enable more effective management of implementation risks and scalable growth than Scenario C.
- Provide a more adaptive approach than Scenario C, which demands rapid expansion with little flexibility for recalibration.
- Enable greater transparency and accountability by avoiding the governance challenges posed by Scenario C's accelerated pace.

- Be more effective than Scenario A in demonstrating that an industry-led framework is preferable to a more direct regulatory approach.

The scenarios, models, costs, projections and impacts outlined in this section are estimates, based on certain assumptions and information available at the time of publication. These estimates have been provided to illustrate how a proposed EPR approach could impact members, to inform feedback to this Consultation Paper and subsequent decision making.

The assumptions and information used to develop those scenarios, models, costs, projections and impacts may not continue to hold true following the publication of this Consultation Paper, and accordingly, the proposed outcomes may not materialise.

Following consultation, APCO will provide more specific detail about costs and impacts, based on the actual design, shape and scope of the EPR approach.

Principles – Member contribution and fee model

To determine the most appropriate fee model for FY27, APCO compared a number of potential funding models against the principles noted in Section 4. Models that were considered include:

- **Turnover-based fee model:** APCO's existing tiered, turnover-based fee model to cover APCO's core operating costs, APCO's operating costs of supporting or managing EPR schemes and system intervention costs.
- **Modulated fee model:** changes to APCO's existing model with member contributions are modulated in line with the volume and type of packaging they place on market, covering all operating costs and system intervention costs.
- **Base plus modulated fee model:** a base fee for APCO's core operating costs based on turnover, and a modulated EPR fee based on the volume and type of packaging the individual members place on market, to cover the cost of downstream interventions.

The principles-based assessment of these three funding models is provided in Table 23 below. APCO's preferred option is the **base plus modulated fee model**.

Table 23 | Assessment of the alternative funding models against the principles

Principles	Turnover-based fee model	Modulated fee model	Base plus modulated fee model
Effective	● Low	● Medium	● High
Efficient	● High	● Medium	● Medium
Equitable	● Low	● Medium	● High
Scalable & Flexible	● Low	● High	● High
Transparent & Accountable	● Medium	● Low	● Medium
Viable	● Medium	● Low	● Low / Medium

For base operating costs, the existing fee model will deliver more near-term certainty to members, and there are categories of members that may place relatively little packaging on the market directly, such as packaging manufacturers, but still have a role in contributing to cost allocation. The volume modulated component will ensure that members are allocated intervention costs relevant to their materials place on market, with no cross-subsidisation of interventions between these materials.

Appendix | Scenarios

APCO's investment in the system will require funding from APCO members. Three investment scenarios are modelled with different system outcomes. An indicative estimated material fee is provided in dollars per tonne. This section seeks feedback on three scenarios for delivery of system outcomes from FY27:

- Scenario A: Low
- Scenario B: Target
- Scenario C: High

The term 'recovery' in all tables in this section refers to volume of material (in kilotonnes) for recovery to be contracted in the financial year. Timing of delivery of recovery services, and therefore the impact on annual recovery rates and post-consumer recycled material availability, may vary. In addition, there will be a delay between when initial fees are collected, and interventions can be fully implemented and effective.

The scenarios, models, costs, projections and impacts outlined in this section are estimates, based on certain assumptions and information available at the time of publication. These estimates have been provided to illustrate how a proposed EPR approach could impact members, to inform feedback to this Consultation Paper and subsequent decision making.

The assumptions and information used to develop those scenarios, models, costs, projections and impacts may not continue to hold true following the publication of this Consultation Paper, and accordingly, the proposed outcomes may not materialise.

Following consultation, APCO will provide more specific detail about costs and impacts, based on the actual design, shape and scope of the EPR approach.

Table 24 below provides an effectiveness assessment of the three scenarios against the six principles outlined in Section 5.1.1. The assessment assumes the adoption of a base fee plus a volume modulated EPR fee for all downstream interventions. Scenario B has been rated 'High' against four out of six principles.

Table 24 | Assessment of the base case and scenarios against the principles

Principles	Scenario A	Scenario B	Scenario C
Effective	● Low	● Medium	● High
Efficient	● Medium	● Medium	● Medium
Equitable	● High	● High	● Medium
Scalable & Flexible	● High	● High	● Medium
Transparent & Accountable	● High	● High	● Medium
Viable	● Medium	● High	● Low

APCO's preferred scenario is Scenario B, as it offers the optimal balance between impact, viability and risk management.

Scenario A

Scenario A will deliver the system interventions called for in the 2030 Strategic Plan. Outcomes will be uplifted for all key material streams through:

- A national consumer education campaign for all B2C materials
- Supply chain facilitation for B2B recycling and reuse and the development of stewardship initiatives for niche materials

For soft and rigid plastics and fibre, service payments will be used to drive additional recycling and production of recycled content.

Table 25 shows the outcomes and impact of service payments under Scenario A in 2030. This shows significant improvements to recovery, with 111 additional kilotonnes recovered, including 60 kilotonnes of fibre, as well as delivering more than 83 kilotonnes of Post-consumer Recycled (PCR) material into the market for packaging-to-packaging use.

The contribution to increasing recycling of soft plastics – 21 kilotonnes of additional material recovered bringing the total recovery rate to 9.6%. However, it is likely to be insufficient to support a national kerbside collection network or support substantial new reprocessing capacity.

For all materials, the outcomes of Scenario A, in terms of volumes recovered and available as PCR, will be incremental rather than transformative, and its impact on recovery and recycled content targets will be modest. It will deliver system impact through improvement in existing sorting capability for targeted materials and improvements to the operational efficiency of existing reprocessing plants.

Table 25 | Outcomes and Impact in 2030 for Scenario A

Scenario A	Additional recovery (kt)	(% of POM)	Total recovery (% of POM)	Additional @Pet PCR (kt)	Additional PCR (% of POM)
Soft plastic	21.0	3.2%	9.6%	10.5	1.6%
Rigid plastic	30.0	3.5%	31.6%	21.0	2.4%
Total plastic	51.0	3.4%	22.1%	31.5	2.1%
Fibre	60.0	1.3%	66.8%	51.6	1.1%
Total	111.0	1.4%	60.6%	83.1	1.0%

The costs of service payments to the system to deliver higher volumes for material recovery are outlined in Table 26 below.

Table 26 | Outcomes and cost of service payments under Scenario A from FY27 to FY30

Scenario A	Estimated recovery (kt)				Range of estimated costs (\$ million in FY27 dollars)			
	FY27	FY28	FY29	FY30	FY27	FY28	FY29	FY30
Soft plastics	2.2	6.0	11.0	21.0	5.2 - 6.3	9.2 - 12.3	16.9 - 22.5	32.1 - 42.9
Rigid plastics	5.0	10.0	20.0	30.0	2.4	4.4	8.9	13.3
Fibre	10.0	20.0	40.0	60.0	1.8	3.0	5.9	8.9
Total	17.2	36.0	71.0	111.0	9.4 - 10.6	16.6 - 19.7	31.6 - 37.3	54.3 - 65.1

Scenario B

Scenario B will use the same set of drivers as Scenario A, but on a greater scale designed for substantial system impact. By 2030, it will have delivered large increases in recycling and recycled content and driven the private investment needed to address capacity gaps in collection, sortation, reprocessing and end-markets and enabling targets to be achieved, albeit over a longer timeframe than 2030.

At the same time, progress under Scenario B will be carefully managed, with the rate of increase in system activity scheduled with the aim of avoiding diseconomies of scale and delivery risk that would occur at a more rapid rate of growth, such as stockpiling of material.

Table 27 below shows the outcomes and impact of service payments under Scenario B in 2030. This shows substantial gains made in recovery, with 353 kilotonnes diverted from landfill including 200 kilotonnes of fibre. Significant increases in the availability of PCR for packaging-to-packaging – an additional 262 kilotonnes, which is equivalent to 3.3% of total packaging placed on the market in 2030.

This will include an additional 42 kilotonnes of soft plastic PCR material, equivalent to 6.4% of soft plastics placed on the market in 2030, and for all plastics the additional available PCR material will be equivalent to 6.0% of all plastic packaging placed on the market in 2030. Importantly, the level of recovery of soft plastics – 83 kilotonnes of additional recovery, bringing the total recovery rate to 19%, is sufficient to support a national kerbside collection network and substantial mechanical and chemical reprocessing capacity.

Table 27 | Outcomes and Impact in 2030 for Scenario B

Scenario B	Additional recovery (kt)	(% of POM)	Total recovery (% of POM)	Additional PCR (kt)	Additional PCR (% of POM)
Soft plastic	83.0	12.7%	19.0%	41.5	6.4%
Rigid plastic	70.0	8.2%	36.3%	49.0	5.7%
Total plastic	153.0	10.1%	28.8%	90.5	6.0%
Fibre	200.0	4.2%	69.7%	172.0	3.6%
Total	353.0	4.4%	63.6%	262.5	3.3%

Inevitably, the greater outcomes and transformative impact of Scenario B will come with a higher cost than Scenario A. The costs of service payments in the system to deliver higher volumes for material recovery are outlined in Table 28 below.

Table 28: Outcomes and cost of service payments under Scenario B from FY27 to FY30

Scenario B	Estimated recovery (kt)				Range of estimated costs (\$ million in FY27 dollars)			
	FY27	FY28	FY29	FY30	FY27	FY28	FY29	FY30
Soft plastics	6.0	22.0	44.0	83.0	12.0 - 15.1	33.7 - 45.0	67.4 - 90.0	127.1 - 169.7
Rigid plastics	10.0	20.0	40.0	70.0	4.4	8.9	17.8	31.0
Fibre	20.0	40.0	80.0	200.0	3.2	5.9	11.8	29.6
Total	36.0	82.0	164.0	353.0	19.6 - 22.7	48.5 - 59.8	97.0 - 119.5	187.8 - 230.3

Scenario C

Like Scenario B, Scenario C will deliver system impact, driving private investment to close capacity gaps and delivering increases in recycling and recycled content. It will exceed Scenario B in its progress towards targets, but final achievement of targets will still not occur by 2030.

Table 29 below shows the outcomes and impact of service payments under Scenario C in 2030. This shows rapid gains made in recovery, with 715 kilotonnes diverted from landfill including 360 kilotonnes of fibre. This will create significant increases in the availability of PCR material for packaging-to-packaging – an additional 529 kilotonnes, which is equivalent to 6.6% of total packaging placed on the market in 2030.

This will include an additional 72 kilotonnes of soft plastic PCR material, equivalent to 11% of soft plastics placed on the market in 2030, and for all plastics the additional available PCR material will be equivalent to 17.3% of all plastic packaging placed on the market in 2030. The level of additional recovery of soft plastics – 143 kilotonnes of additional recovery, bringing the total recovery rate to 28.2%, is sufficient to support substantial mechanical and chemical reprocessing capacity.

Table 29 | Outcomes and Impact in 2030 for Scenario C

Scenario C 2030	Additional recovery (kt)	Additional recovery (% of POM)	Total recovery (% of POM)	Additional PCR (kt)\$	Additional PCR (% of POM)
Soft plastic	143.0	21.9%	28.2%	71.5	11.0%
Rigid plastic	212.0	24.7%	52.8%	148.4	17.3%
Total plastic	355.0	23.5%	42.2%	219.9	14.6%
Fibre	360.0	7.6%	73.1%	309.6	6.5%
Total	715.0	8.9%	68.1%	529.5	6.6%

The rapidly increasing intervention in the system would demonstrate maximum commitment of brand owners to driving the system changes needed to meet recycling and PCR targets. However, it would come at a higher cost relative to the other Scenarios. The costs of Scenario C from FY27 to FY30 are set out in Table 30 below.

Furthermore, the rapid ramp up in operations and commissioning of new infrastructure carries risk. It is likely to create diseconomies of scale as material was sourced from more challenging locations and sources, and as more contaminated and low-quality materials were sorted and reprocessed. Other implementation risks include lags in reprocessing capacity and end-market development, leading to stockpiling.

Table 30 | Outcomes and cost of service payments under Scenario C from FY27 to FY30

Scenario C	Estimated recovery (kt)				Range of estimated costs (\$ million in FY27 dollars)			
	FY27	FY28	FY29	FY30	FY27	FY28	FY29	FY30
Soft plastics	8.5	27.0	71.0	143.0	13.0 - 17.4	41.4 - 55.2	108.8 - 145.1	219.0 - 292.3
Rigid plastics	20.0	66.0	114.0	212.0	8.3	29.2	50.5	94.0
Fibre	40.0	60.0	120.0	360.0	6.0	8.9	17.8	53.3
Total	68.5	153.0	305.0	715.0	27.3 - 31.7	79.5 - 93.3	177.0 - 213.4	366.3 - 439.5

Appendix | Glossary

This glossary is provided to support readers engaging with the consultation paper. It defines key technical terms, acronyms, and concepts used throughout the document, particularly those related to regulatory reform, cost modelling, and sustainability strategy in the packaging system.

2030 Strategic Plan: Four-year strategic plan developed by Australian Packaging Covenant Organisation outlining the roadmap to transition Australia's packaging system toward a more sustainable, circular model and regulatory framework. It outlines actions, targets, and funding mechanisms—including eco-modulated fees - to close system gaps and increase recovery rates.

Australian Packaging Covenant | Covenant: Co-regulatory agreement between government, industry, and APCO Members to reduce the environmental impact of packaging.

Australian Packaging Covenant Organisation | APCO: Independent member-based organisation registered with the ACNC and endorsed as a co-regulator between industry and government under the Australian Packaging Covenant to reduce the environmental impact of all Packaging in Australia

Australasian Recycling Label | ARL: Labelling system used in Australia and New Zealand that provides consumers with easy-to-understand disposal information on packaging

Base fee: A standard membership fee paid by all APCO Members to fund core operations. It is calculated using Member turnover and is separate from EPR fees.

Brand Owner: An entity defined by the Convent as:

- The owner or licensee in Australia of a trademark under which a product is sold or distributed, regardless of trademark registration status;
- The Australian franchisee of a business arrangement permitting operation under an established business name;
- The first person to sell the product in Australia - for imported products;
- The supplier of the packaging to the retailer - for in-store packaging; or
- The importer, manufacturer or retailer providing bags to consumers for transporting purchased products,

Container Deposit Schemes and Container Return Schemes | CDS and CRS: Programs that offer refunds when consumers return eligible drink containers for recycling. Operate separately from kerbside recycling.

Circular economy: An economic model that designs out waste and pollution, keeps products and materials in use, and regenerates natural systems.

Cost allocation model: The structure used to determine how financial responsibility for packaging system interventions is shared across Members.

Downstream system: The part of the packaging lifecycle after consumer disposal—collection, sorting, recycling, and end-market reuse.

Eco-modulation: A fee adjustment system based on the environmental performance of packaging, encouraging better design through financial incentives.

Extended Producer Responsibility | EPR: An approach where producers (e.g. Brand Owners) are financially or physically responsible for packaging waste management.

EPR Fee: A financial contribution paid by Brand Owners under the Extended Producer Responsibility framework. The fee covers the cost of downstream system interventions, such as collection, sorting, and recycling, based on the volume and type of packaging placed on the market. Fees are intended to reflect true system costs and will be modulated to incentivise sustainable packaging design over time.

Fibre: Paper and cardboard-based packaging materials.

Gate fee: A fee paid to facilities to accept and process packaging materials. Used in calculating recycling economics.

Implementation risk: The risk of underperformance or inefficiencies during delivery of new system

reforms, infrastructure, or policy changes.

Material Flow Analysis | MFA: A method to track how packaging materials move through the economy and recycling system.

Material stream: A category of packaging material (e.g. fibre, soft plastics) that shares common properties and recycling pathways.

Member: A business or organisation that has joined APCO, usually with obligations under the National Environment Protection Measure.

Modulating discount: A reduction in EPR fees offered to encourage more recyclable packaging design or use of recycled content.

Member Reference Group | MRG: A group of Members who provide feedback on proposed initiatives like eco-modulated fees and system models.

Member Value Model (MVM): A strategic framework used by APCO to identify, articulate, and measure the value provided to its members.

Member Value Proposition (MVP): A clear statement of the benefits APCO offers its members, explaining why membership is valuable and how it meets their needs.

National Packaging Targets | NPTs: Voluntary goals that industry has agreed with government for packaging sustainability in Australia, such as 100% reusable, recyclable, or compostable packaging by 2025.

National Environment Protection Measure | NEPM: A legal instrument that supports national environmental objectives, including packaging regulation under the Covenant.

Operating subsidy: Payments to offset the gap between recycling costs and revenue, to incentivise greater recovery and reprocessing.

Packaging placed on the market | POM: Packaging that is made available to end users in Australia. The entity placing it on the market is liable for associated fees.

Post-Consumer Recycled (PCR) content: Recycled material sourced from waste that has been used and discarded by consumers.

Post-consumer materials: Waste products that have been used and disposed of by end-users, distinct from manufacturing scrap.

Producer Responsibility Organisation | PRO: An entity that manages collection and recycling on behalf of producers to meet EPR obligations.

Reprocessing: The industrial activity that converts collected packaging waste into usable materials (for example plastic pellets and paper pulp).

Reusable packaging: Packaging designed to be reused multiple times rather than discarded after a single use.

Rigid plastics: Hard plastic packaging materials such as bottles and tubs.

Scenario modelling: The process of comparing implementation options based on cost, impact, and risk. Used to select preferred system interventions.

Service payments: Payments made to collectors, sorters, and recyclers to support improved recovery outcomes not viable through market forces alone.

Soft plastics: Flexible plastics like wrappers and bags, typically difficult to recycle through kerbside systems.

Social license: The acceptance and trust an organisation holds with the public and stakeholders. Built through credible, transparent action.

Stewardship: An approach where producers take full responsibility for their products' environmental outcomes, including end-of-life management.

Supply chain facilitation: Efforts to bring together all actors in the packaging system to collaborate on circularity and recycling improvements.

System intervention: Targeted measures to close gaps in collection, recycling, or markets—for example, education campaigns or infrastructure funding.

Turnover threshold: A financial cut-off (for. \$100 million) used to determine which businesses are subject to certain fees or requirements.