

IPSA WORKSHOP



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WHAT IS EPR ?



1. **Extended Producer Responsibility (EPR)** is a resource management tool whereby producers have to take over an **individual responsibility** for the end-of-life management of their used products/packaging.
 - This can include **financial and/or operational** responsibility for the collection, sorting and treating these products/packaging for their recycling and recovery.
2. This individual responsibility **can be partly transferred** to a collective entity, the so called “Producer Responsibility Organisation” (PRO)
3. This PRO should fulfil the obligations of their members in the most efficient and effective way, so usually fulfil inter alia the recycling targets set by the national government or on top, additional targets set by the owners of the PRO.
4. The needed (usually external) **costs shall be internalized** into the product price
5. **Higher costs for non-recyclable or difficult to recycle packaging should motivate industry to eco-design their packaging (eco-modulation of fees)**

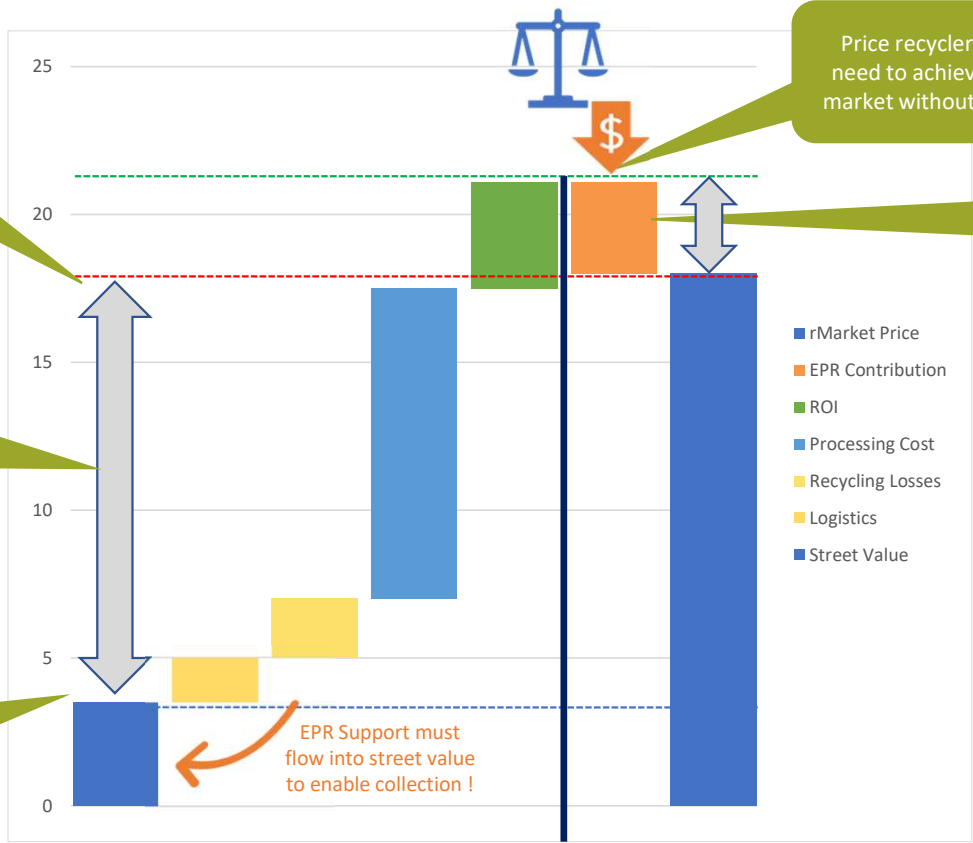
EPR IN CONTEXT: Closing the Gap



"rMarket value" is the price the market is willing to pay for the processed material

Incremental value must more than cover the recycling value chain to result in sustainable recycling.

"Street value" sets a minimum value below which the material is not collected.



Price recycler would need to achieve in the market without support

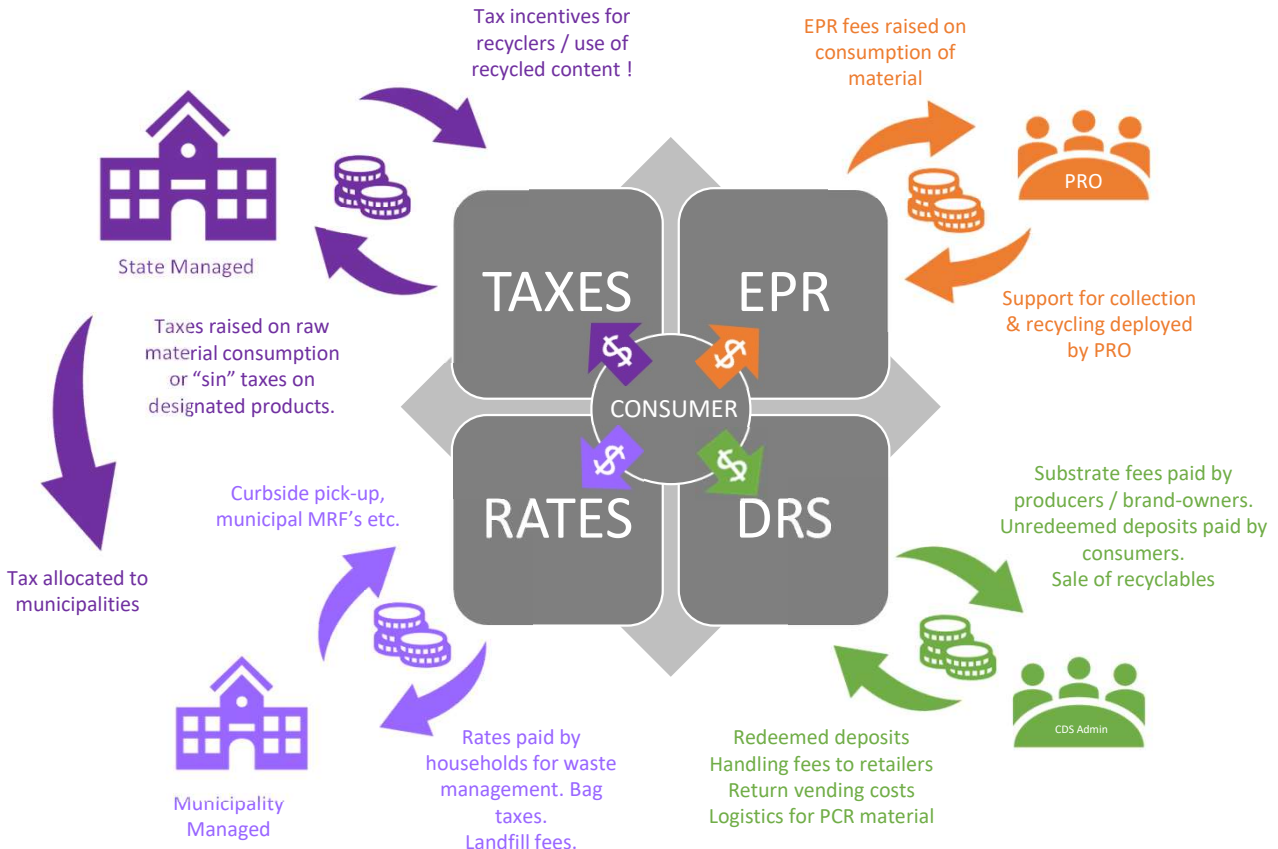
Where a gap exists EPR systems need to close it or recycling will stagnate & stop.



NOTE : The quantum of support is usually unique, not only to the material & market, but also to the targeted collection / recycling level. Increased demand will change the dynamics of the supply chain. As such EPR models must evolve over time !

NOTE : Although there is often a demand for recycled material, this does not necessarily mean that collecting & recycling is a sustainable commercial activity. Where gaps exist, EPR seeks to find ways to close them or eliminate them.

EPR IN CONTEXT: Fiscal Instruments



NOTE : At the end of the day, the cost of efficient waste management & recycling must be paid by the consumer ! As such we should support a mechanism that is most efficient and achieves the end goals (e.g. % collection rate) at the lowest cost.

EPR & a Circular Economy: *Closing the Gap*



As targeted collection & recycling rate increases, value chain / economics change!



Step 1 – Organic Recycling

- No EPR support
- Materials with value are recycled at low levels

Step 2 – Increase the street value

- Introduction of EPR based support
- Increasing street value increases collection

Step 3 – Broaden Collection

- Collection from a larger geography
- Increased support required to offset logistics

Step 4 – Growing Collection

- Higher street value to access new material
- Increased investment / recycling = more support

Step 5 – Increased rMaterial value

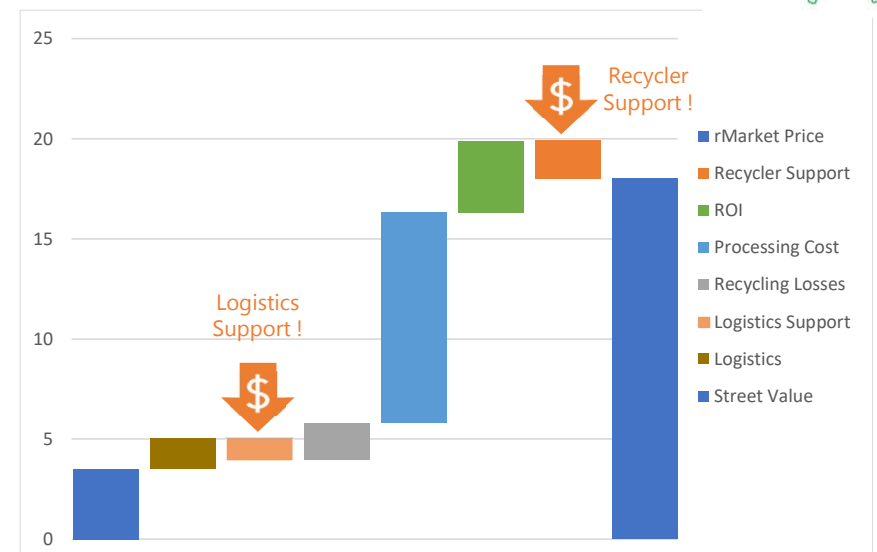
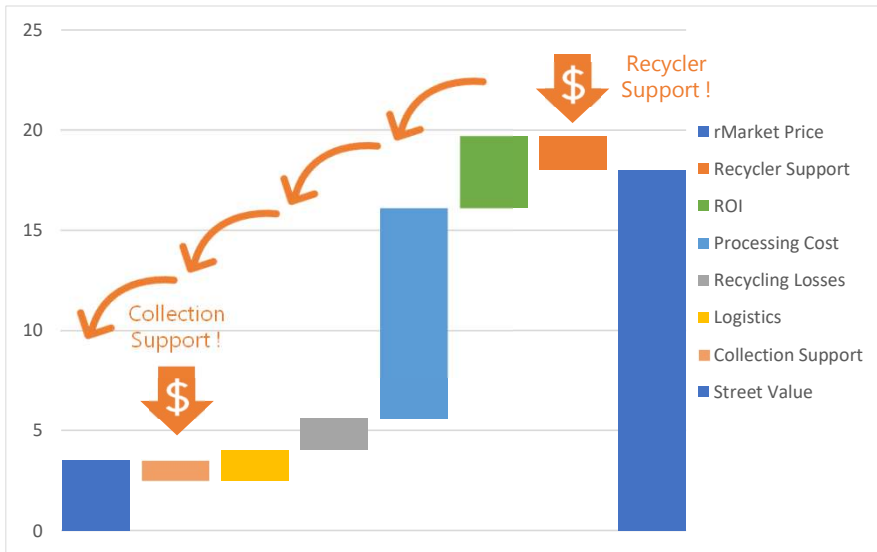
- Demand / legislation increases PCR value
- Higher street value without increased support

NOTE : Although it may not be impossible, in general in order to achieve “sustainable” or “publicly acceptable” levels of recycling, some end of life support is necessary. I.e. **the recycling value chain seldom is self funding !**

EPR in Context : *Varying models for Support*



EPR Support can vary greatly in terms of where & how it supports the value chain.



Collection Support : Applicable both to formal & informal channels in the form of pro-rate subsidy or even payment for collection to increase supply of PCR material **without** increasing the cost to the recycler.

Logistics Support : where transport of material to recycler is cost prohibitive, logistics support can enable collection & recycling from areas further from primary recyclers or end use markets. This could also be municipal collection or separation !

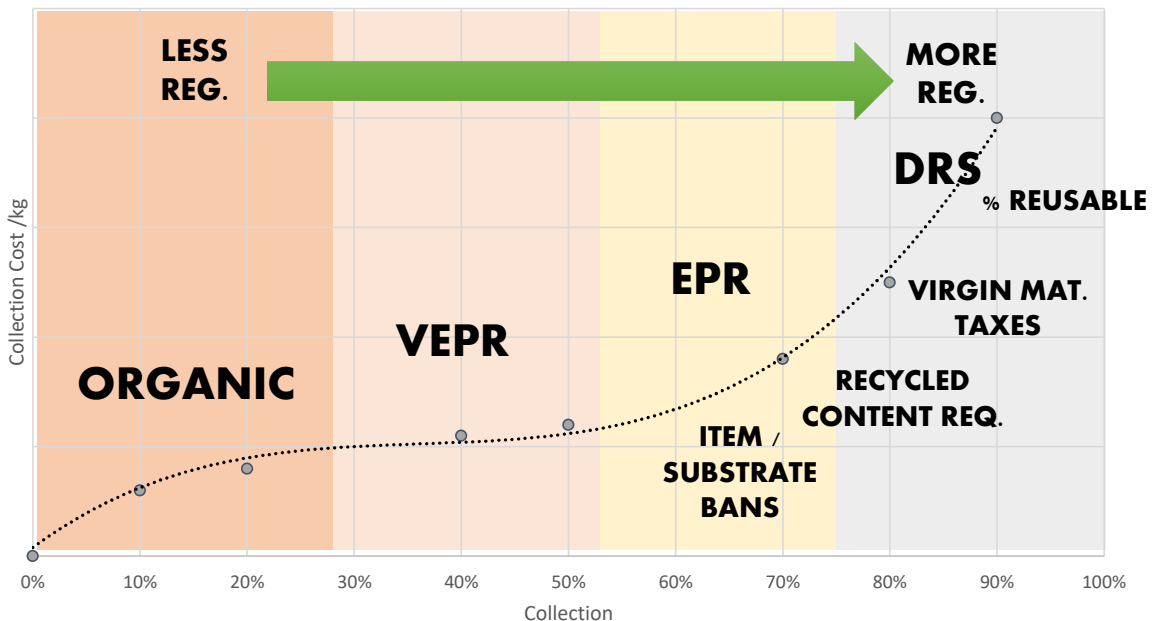
Recycler Support : generally, either in the form of a pro-rata input / output-based subsidy or a capital grant / low interest loan to close the gap between market pricing & required price for sustainable ROI.

Non EPR Support : other non EPR measures include government backed “green” incentives (e.g. lower taxes) and mandated recycled content targets to increase demand for AND critically rMaterial pricing.

EVOLUTION OF POLICY

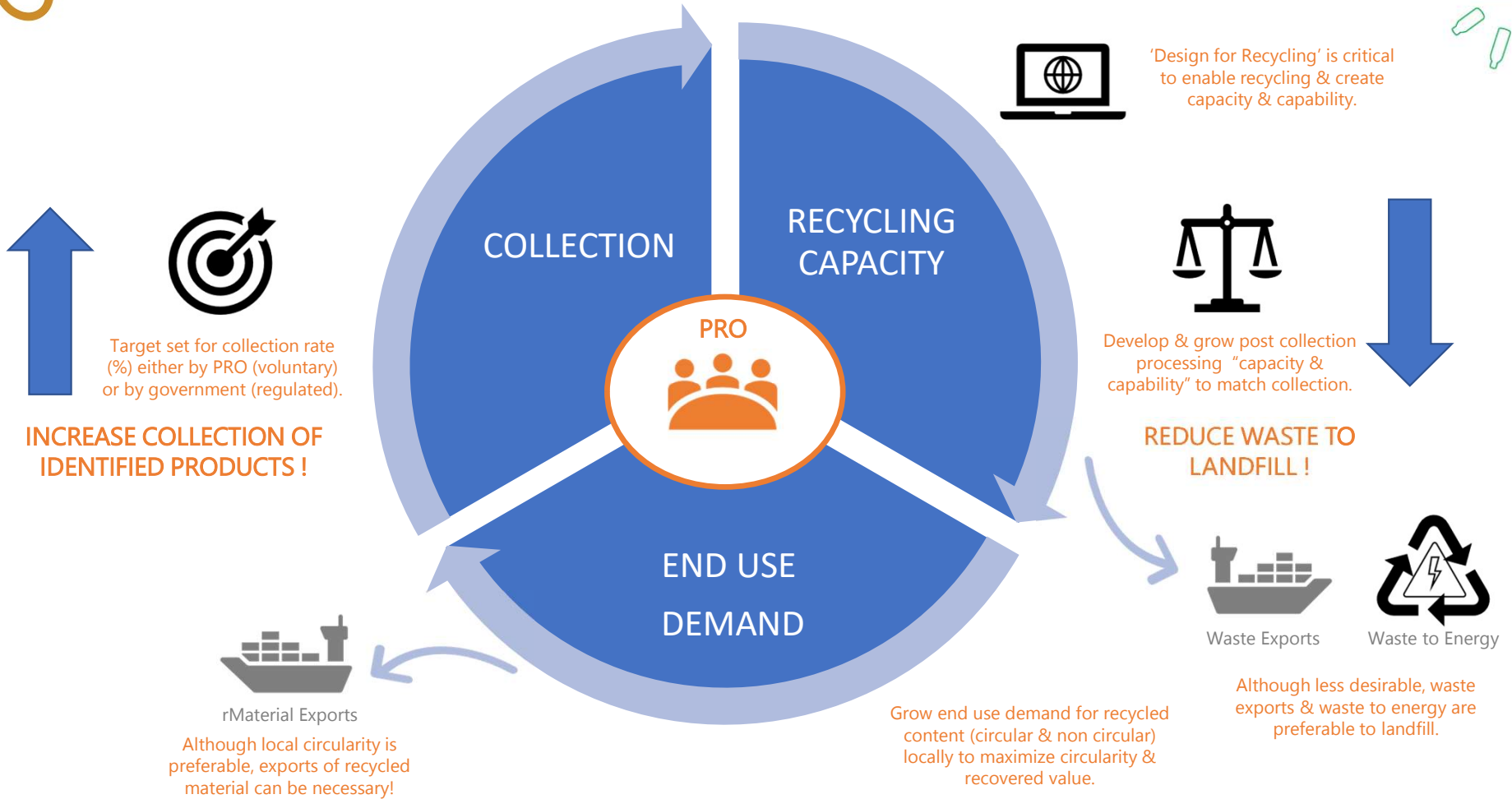


Collection cost vs. Collection %



NOTE : Because increasing collection rate typically requires intervention in one form or another, countries typically move from unregulated to highly regulated in order to FORCE higher levels of collection over time. Understanding that increased collection rates generally result in higher collection costs, EPR based support must increase over time and gov. tools and policy to ensure collection increases must also change.

DRIVING THE CIRCULAR ECONOMY



SPECTRUM OF COLLECTION



COLLECTION METHODS WILL VARY WIDELY BY PRODUCT, USE & LOCAL ENVIRONMENT

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WHQ, is the Producer ?

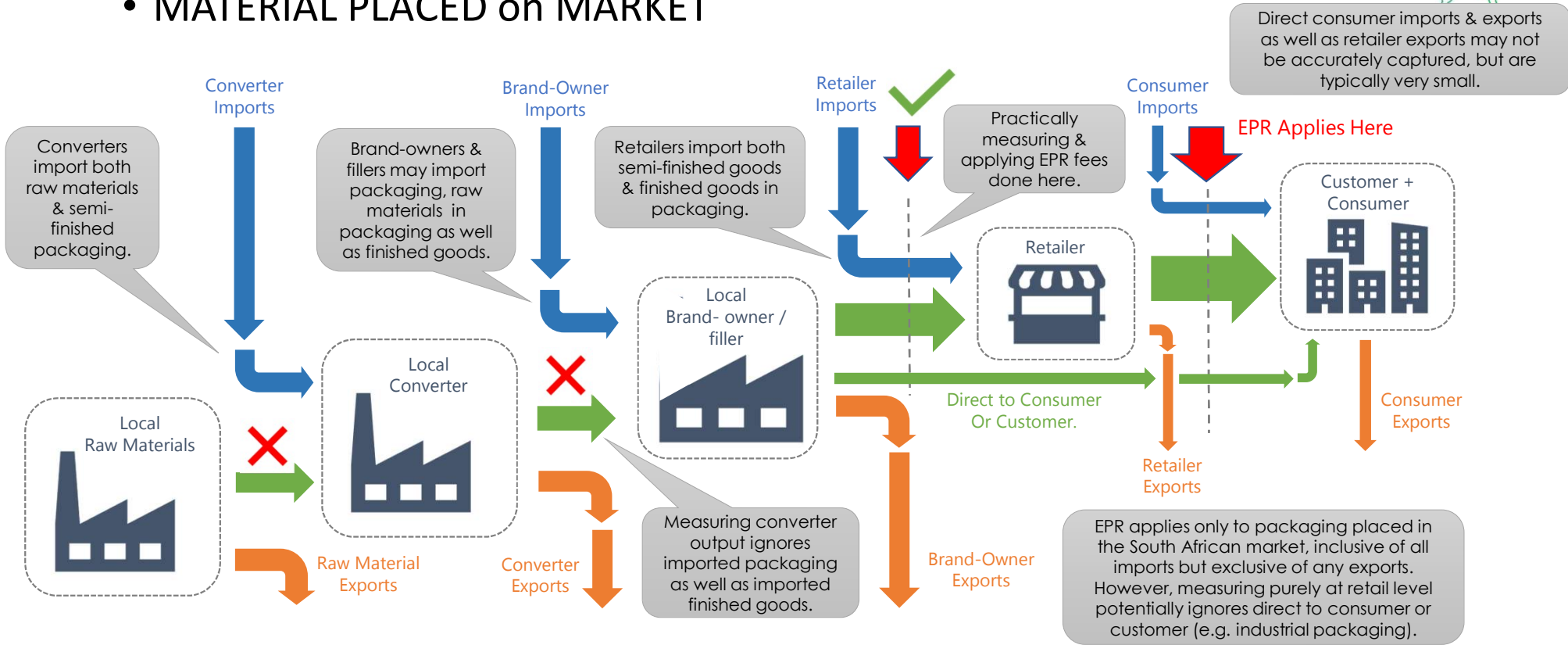
BUT WHO IS THE PRODUCER ?



WHAT & WHERE TO MEASURE ?



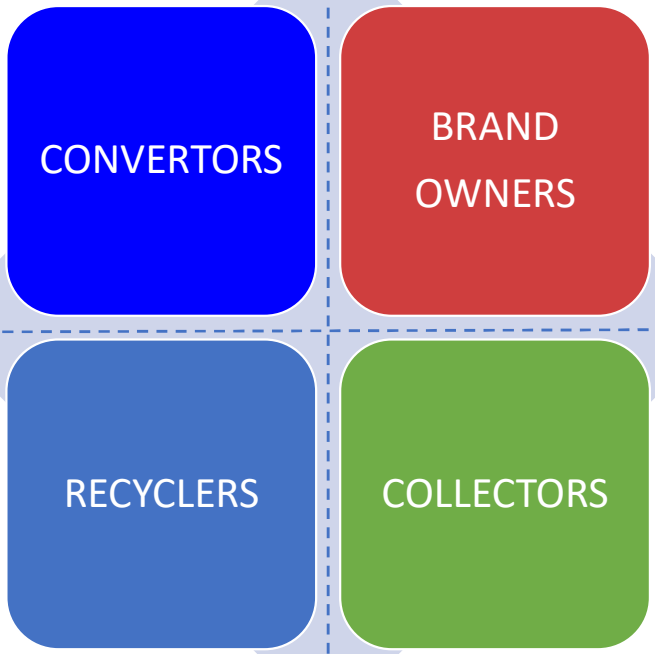
• MATERIAL PLACED on MARKET



STAKEHOLDER DIVERSITY



EPR Contributors

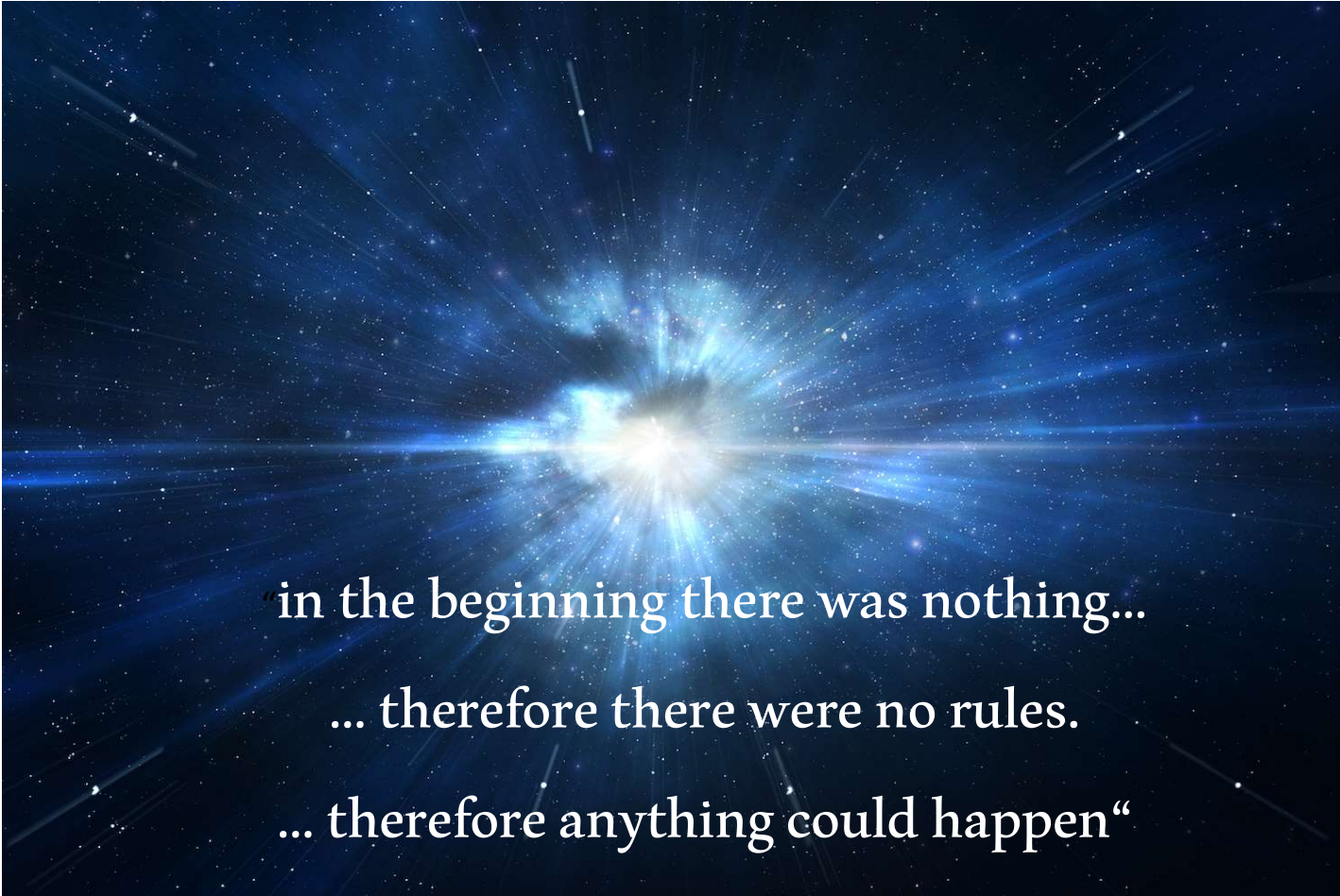


Single or related materials

Multiple & unrelated materials

EPR Beneficiaries

WHY REGULATE ?



“in the beginning there was nothing...
... therefore there were no rules.
... therefore anything could happen“

GOLDEN RULES FOR GOOD EPR REGULATION



#	BEST PRACTICE	WATCH OUTS
1	PRODUCER is clearly defined to be the BRAND-OWNER or local licensed agent, the RETAILER (for their own brands) or the IMPORTER.	Producer is not clearly defined, defined as CONVERTER/RAW MATERIAL SUPPLIER or defined to include the entire supply chain!
2	PRO & EPR funding should be ring fenced and controlled by the PRO's and their members - ie. it should not go to gov. / fiscus.	PRO is run by the state or EPR fees are first paid to the state and then paid in part to PRO's
3	Regulations require PRO/s to be NOT FOR PROFIT entities.	PRO can be for profit / commercial entities, enabling either profit making PROs (e.g. controlled by PLPs) or waste management companies operating as PROs.
4	EPR APPLIES TO ALL PACKAGING (could be primary only or all levels equally)	EPR applied only to PET, Plastics or Beverages creating incentives for packaging changes or other EPR avoidance.
5	EPR regulations enable / encourage PROs to effectively represent multi-substrate waste streams.	EPR regulations either specify substrate focus or force fit multiple dissimilar waste streams into a single PRO (e.g. include plastic items with plastic packaging).
6	EPR regs should acknowledge re-usable packaging systems & DRS as legitimate & alternative EPR schemes and not force PRO membership.	Regulations don't differentiate between single use & re-usable packaging and those running DRS or re-usables are forced to join PRO's and essentially pay twice.
7	EPR regulations & EPR fees should ideally replace existing non-aligned taxes & levies.	EPR regulation & as a result EPR fees become an additional burden to brand owners & potential EPR funding is diverted from "PROs" & EPR initiatives.
8	EPR Regulations set out clearly defined KPI's & targets that are realistic but progressive with realistic timelines.	EPR regulations don't specify any targets, set unrealistic targets or unrealistic time frames for compliance.
9	EPR policy focuses on the WHAT and not the HOW. I.e. setting out objectives without being unnecessarily prescriptive i.t.o how to achieve these goals and how to implement EPR schemes.	EPR policy can err on the side of being overly prescriptive in terms of how objectives should be achieved. As local conditions and requirements for different materials can differ greatly, this can be counter productive.

PRO TOOLBOX



PRO SUPPORT	MECHANISM	WHEN TO USE IT	IMPACT
Purchase Assistance Fee	PRO pays recycler R/tonne support based on proven purchases of collected post consumer materials.	Used generally to grow collection rate and investment in recycling capacity in order to reach targets. Quantum will differ by material based on value chain needs.	Increases prices paid to collectors and incentivizes and supports recycler growth.
Logistics Support	PRO pays R/tonne or R/load subsidy to recyclers or BBC to cover transport cost for specific routes.	When rural/regional collection is inhibited by low local prices.	To raise the prices paid for PCR in rural/regional centres.
Recycler loans/financial support	PRO provides project specific loans to recyclers on preferential terms (low interest/low interest)	When collection ambitions are limited by lack of recycling capacity or recycling capability.	Reduces risk / cost of capital for recycler increasing investment and indirectly increasing prices paid for PCR.
Finished Goods Subsidy	PRO pays R/tonne support to recycler based on proven finished goods sales. (i.e. output based)	When rMat price is higher than market expectations & as a result substitution with virgin is limited, limiting investment in recycling capacity.	Increases competitiveness of rMat vs. virgin. Helps grow local recycling capacity and capability.
Export Subsidy	PRO pays recycler or collector subsidy based on proven exports (i.e. output based).	Used when local finished goods demand or recycling capacity is insufficient to consume targeted collection rate.	Prevents potential negative impact of excess PCR supply, helps grow local recycling capacity.
Waste Picker Service Fee	PRO pays R/kg to WP based on recyclables sold within "system".	Will apply to all transactions between registered WP's and participating BBC's.	Increase earnings of WP's directly. May increase collection of some lower value materials.
Material Specific Support	PRO pays R/kg to BBC / WP to support the collection of specific materials recorded in the "system".	Used when recycling capacity exists but input price is too low to support informal collection at desired rate.	Raises incentive for informal collection & trade in targeted material.