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Plastic Packaging Meets Recycling: A Happy Marriage?

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Plastic packaging is a fantastic material... but could rethinking recycling help the industry overcome the environmental challenges it poses?

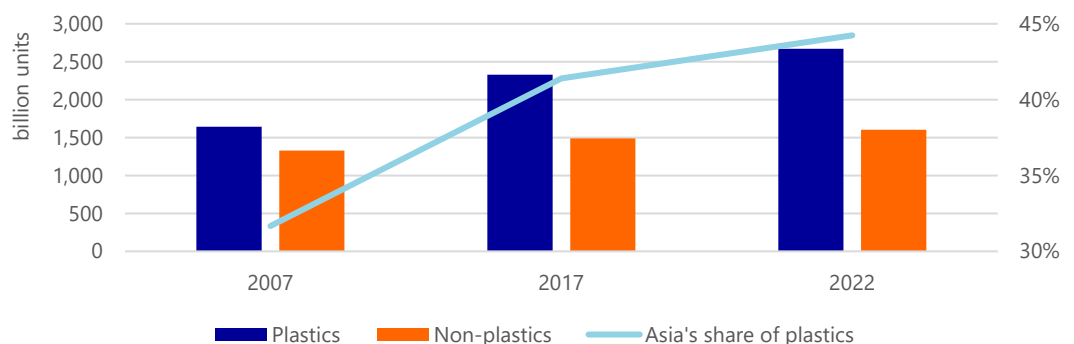
Plastic packaging is (still) here to stay

Plastic packaging is a fantastic material: it's cheap, and it has great properties. For one, it's very sturdy. And exactly this also poses one of the key issues for plastics: its degradation takes centuries and leads to environmental challenges in the process. One example is marine litter: an estimated 8m tonnes of plastics end up in our oceans every year. This, however, is largely due to a lack of sufficient infrastructure to collect, sort, and recycle plastic packaging globally, as well as a lack of consumer responsibility. In fact, the global recycling rate of plastic packaging is estimated to be no more than 5%!

In the past 12 months or so, countless stakeholders – from consumers, investors, and NGOs to regulators – have been calling for a move toward more sustainable solutions, such as the increased use of recycled feedstock in plastic packaging. Rabobank expects that this will lead to a shortage of recycled plastic resins which, in turn, will lead to different business models – in particular, more integration in the chain with recycling activities.

Despite the growing level of concerns and anti-plastic packaging measures being taken around the world, demand for plastic packaging units continues to grow steadily, largely driven by Asia (see Figure 1). This is a result of several factors, ranging from the inherent positive properties of plastic packaging and demographics to the growing popularity of convenience food and e-commerce. Indeed, we have become highly dependent on plastic packaging – and for many reasons, simply replacing all of it with other materials won't be an option in the future. Therefore, not only do we face a lack of infrastructure today, but the potential negative environmental impact will also be exacerbated.

Figure 1: Global demand for primary packaging, 2007 vs. 2017 vs. 2022f



Source: GlobalData 2018, Rabobank 2019

Brand owners: dedicated recycling in Europe

The number of companies who are launching 'sustainable packaging policies' in response to public pressure to curb single-use plastic packaging is growing daily, especially in Europe. Each strategy differs, although most companies have embraced a target of increasing the share of

recycled material in plastic packaging. Leading brands like Mars Petcare UK, pladis UK & Ireland (McVitie's), and Walkers Crisps (PepsiCo) have recently set up dedicated collection and recycling chains for their own plastic packaging. All three are based in the UK, and all have partnered with TerraCycle to collect and recycle their packaging into plastic pellets, which can then be used to produce items like garden furniture. (For food safety reasons, it is not yet possible to recycle these pellets into new food packaging.) Each partnership is a fully dedicated chain for each specific brand, where consumers can deposit used packaging at defined drop-off points or post it to TerraCycle for free. Mars Petcare even extended an open invitation to competing pet food manufacturers, urging them to join the initiative.

The future: more recycling marriages

The plastic packaging industry claims that, globally, there is more recycled feedstock today (e.g. from PET or HDPE) than demand. Brand owners have not yet been willing to pay a premium for the higher production costs. This balance is poised to flip, though, as Rabobank believes that recycled feedstock availability will be scarce due to the growth in the sustainable packaging strategies mentioned above. This is why strategic access to recycled feedstock is becoming increasingly important.

Consequently, Rabobank expects more and more formal 'marriages' between players along the entire chain, helping to find joint solutions on lifting plastic recycling rates. This trend really took off in Europe in 2018 – by way of acquisitions, (semi-)investments, partnerships, long-term contracts, or loans (see Table 1). We have seen a steadily growing number of examples and interestingly, most of these are related to PET.

Table 1: Examples of recycling 'marriages' in Europe, 2018

Acquirer	Industry	Target	Industry
Borealis	Chemicals/plastic resins	Ecoplast	PET recycler
Færch Plast	Packaging	4PET RECYCLING	PET recycler
ALPLA	Packaging	Texplast	PET recycler
Indorama	Chemicals/plastic resins	SOREPLA Industrie	PVC and PET recycler
Coca-Cola	Beverages	Ioniqa Technologies	Innovative PET recycling technology
IKEA	Retail	Umincorp	Mixed plastics sorting

Source: Rabobank 2019

All of these developments only mark the beginning of a new trend, we believe. And more importantly, this trend is spreading beyond Europe. Indorama, for example, recently invested in the Canadian Loop Industries' reportedly new PET recycling technology. The full production of Loop's plant – still to be built – has already been locked in via long-term contracts with global brands like PepsiCo, Coca-Cola, L'Oréal, and Evian.

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