The winners and losers of a more sustainable approach to plastics

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Demand for convenience has seen plastic use multiply and today plastics are fundamental to many aspects of daily life. As consumers we interact with plastics many times a day. Whether it be drinking water from a PET bottle, eating yoghurt from a flexible plastic pouch, or using shampoo from a rigid plastic bottle, the applications are numerous within a modern consumer economy.

Plastics combine unrivalled functional properties with low cost. This has seen plastic use increase 20x over the past 50 years. And plastic use is expected to double again over the next 20 years. So, what are the key challenges for both consumers and producers of plastics in the twenty first century? In this insight, we look at the environmental and social costs of plastic use, the future of plastics and the challenges for consumers and companies in plastics. We conclude that companies offering a technology focus – whether it be shelf life, recyclability, and ultimately less waste dictating terms are expected to be winners from the change to more sustainable plastics use. Whilst companies less adept to change, will be expected to continue to lose market share and may be left behind.

The environmental impact of plastics has been largely ignored… until now!

One third of the 300 million tons of plastics used every year is only used once (single-use plastics). In addition, one third of disposed plastics escape collection systems at a cost to oceans, natural landscapes and urban infrastructure. At present, only 15% of plastic packaging is collected for recycling globally.

Recent media attention on marine pollution including the BBC's Blue Planet series, has shone a new light on the problem of plastic waste and garnered significant backlash against this convenient substrate. Plastic has become a serious environmental and social issue that warrants attention and action. Policymakers, NGOs, industry and local community action groups have led the initiative to reduce our consumption of plastics.

Are all plastics bad?

Growing awareness of plastic waste impact is now triggering action. Single-use plastics such as plastic straws, bags, cutlery, lids and wrappers are being challenged by policy makers and communities, particularly where a more sustainable alternative is available. The city of Seattle recently became the first major US city to ban single-use plastic straws, with other US states following suit. Chile has approved a nationwide ban on plastic bags, while at home in Australia consumers now pay for plastic shopping bags.

So, should consumers expect further restrictions on single use plastics? Our view is yes. Given the wave of public support we expect more regulatory power to protect the environment against plastic waste. There is little doubt support exists for the view that all plastics are bad and should be banned or replaced by other more earth friendly substitutes. This is possible in some cases, e.g. paper straws replacing plastic straws, and will likely continue to garner favour. However, the phasing out of plastic packaging and plastic consumer products is highly unlikely and poses significant challenges and complications for modern society.

Certain plastics cannot be easily substituted. Some plastics provide significant benefits to consumers and society that can't be matched by other substrates. In our view, these technologies will continue to gain prevalence. For example, a high barrier film packaging helps improve the shelf life of fresh produce, reduces spoilage and can even extend distribution opportunities. Most supermarket meats and cheese products utilise high barrier films, where the product is vacuum packed, minimising exposure to the external environment. This enables delivery of a fresher product resulting in reduced waste, extended produce life, reduced transport costs and lower carbon footprint.

The benefits of high barrier plastic technology seem obvious, yet a third-party survey by Sealed Air, a major global packaging provider, in the US showed that 40% of consumers aren't familiar with vacuum packaging features and/or benefits. The same survey also found that once educated on the features of barrier packaging, nearly 90% of respondents acknowledged the benefits of these products to the wider community, while 70% said they were willing to pay more to ensure a fresher more sustainable product is delivered and consumed.

The plastic challenges are multi-faceted and complex in nature. Whilst some plastic technologies can have material benefits to consumers it is clear there is a significant environmental cost to plastic use. Below we look at the response to these challenges from both a corporate and government level as different stakeholders respond to consumer demands to find solutions to the environmental and social costs of plastic use.

How corporations are responding?

Increasingly major corporations around the world are taking their own initiative towards more sustainable business practices. Amcor is a flexible plastic packaging company owned within the Firetrail portfolios. It is the global market leader in high barrier packaging and the world's largest buyer of resin, the key raw material input in producing plastic.

So how has Amcor been responding to the challenges facing the plastic industry over the next two decades? Amcor was the first global packaging company pledging to develop all its packaging to be recyclable or reusable by 2025. Today, around half of Amcor's products are fully recyclable. Amcor's large US$200m annual R&D commitment will focus on developing more recyclable materials wherever they are used, while at the same time also using more post-consumer recycled resin – lowering demand for virgin resources.

The company is also a signatory to the Ellen Macarthur Foundation's New Plastics Global Commitment (EMF), an organisation that is leading the initiative against plastic waste. The EMF includes signatories from over 400 other companies that include packaged goods, retailing, hospitality and food service companies, raw materials producers, durable goods producers, the recycling industry and investors. Major brands such as The Coca Cola Company, Danone, L'Oreal, Mars, PepsiCo and Unilever are working with other key industry stakeholders to create a circular economy for plastics that starts with packaging. At its core EMF is focusing on the elimination of problematic plastic packaging through re-design, innovation and recycling. The EMF believes approximately 70% of plastics can ultimately be reused or recycled.

Increasingly corporations are responding to the public's concerns regarding environmental issues such as plastics which is resulting in innovation and change. In our view, governments will likely be the next force to ban highly wasteful and damaging plastic products such as shopping bags and straws as we have seen in some parts of the world. Importantly, governments will also need to invest in the infrastructure to reuse and recycle waste streams to ensure these are in place to support a more sustainable future.

The winners and losers of a more sustainable approach to plastics

Plastics will continue to play an important part in consumer packaging. However, this role will likely be very different to today. Companies like Amcor will continue to benefit from the obsession by consumers on freshness, recyclability, and ultimately less waste dictating terms. Other sectors that may benefit are fibre and aluminium packaging, which is seen as having higher recyclability rates compared to plastic. Companies orientated around recycling should also be winners, albeit we believe this is longer dated and requires government support to improve collection and processing infrastructure, and ultimately returns.

In our view, businesses not adept to change such as commodity style single-use plastic packagers will continue to see share losses and revenue pressures. Producers of virgin materials, such as resins, are also likely to suffer as the proportion of recycled plastics increases over time.

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