



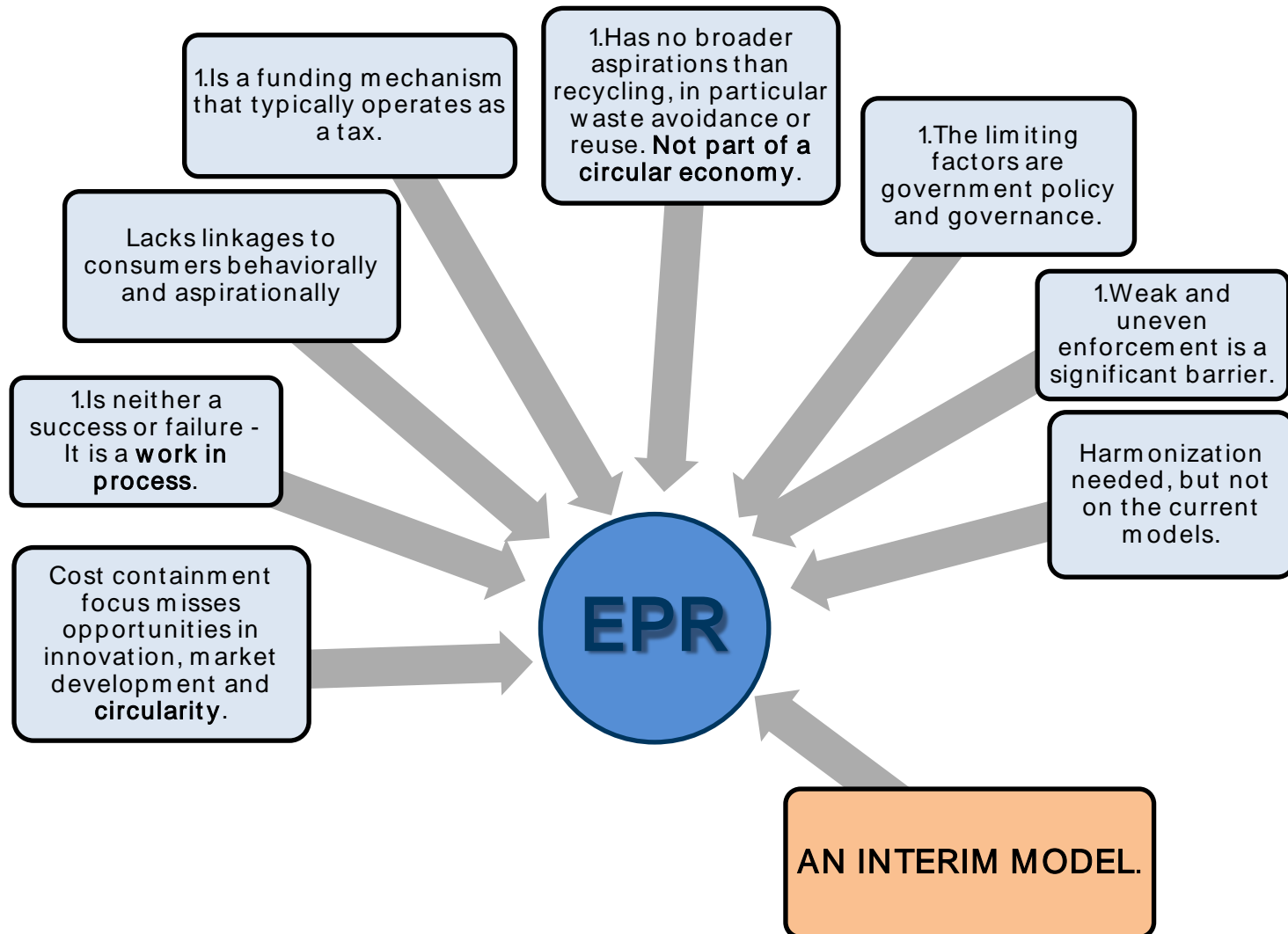
# THE EPR MODEL



# *WHAT WE DID*

1. Structured qualitative/ quantitative depth interview s/ survey.
2. 30+ participants representing stakeholders across the EPR spectrum .
3. Brand owners, consumer goods, grocery, retail, electronics, tires, pharma, paint, oil, supply chain & processors, industry organizations.
4. Two waves, from September 2016 to January 2017.

# DEFINING EPR



# THE CIRCULAR ECONOMY

1. EPR is not circular economy. It is waste management. The main gap is in (not) sourcing raw materials.
  2. Circularity best defined as using recycled/ repurposed materials to make something different from origin.
  3. Competing forces from producers to governments combine to create a blockage.
  4. Manufacturers don't ask for circularity because consumers aren't aware and demanding it. Circularity clashes with consumer behavior and lifestyle marketing.
  5. There is no legislative framework for developing circularity, penalties (along with incentives and subsidies) would drive packaging & circularity decisions.
  6. EPR is inherently linear and does not distinguish between circularity and dead outcomes.
- EPR can be a tool to drive the circular economy.** Administrative followed by legislative harmonization is required, followed by a change in governance and global mind-set.
  - EPR can evolve to circularity, particularly if education and promotion becomes a core part of the mandate. Global harmonization must evolve concurrently.

# CHALLENGES & GAPS

1. Governments really don't want to do EPR, they just want producers to pay. Competing interests maintain systemic inefficiencies.
2. Governments are unwilling to implement disposal bans. Out of home is both a major gap and opportunity. Lack of penalties and incentives for brand owners is an inhibitor.
3. Governments have a provincial myopia, while globalization is already moving past national harmonization.
4. Closing the behavioral loop with consumers is a major gap. Right now few PRO's are doing anything, and most is high level – needs to be right down to retail level. Increasing awareness among consumers pays dividends with free riding, promotion increases diversion and leads to increased efficiency and expanding markets.
5. Retail and supply chain input in governance is a major gap. PRO's have supply chain expertise from the retail end, but are missing the reverse supply chain.
6. Investing in end of life holistically, rather than just diversion, is a gap.
7. Competition is defined wrong by governments. PRO's are the means to drive competition, open competition will be a choke point, reduce outcomes and end markets, and obscure accountability.

# THE OPTIMAL EPR MODEL

1. The MMBC model was frequently cited, with caveats. Too sensitive to type of materials. Those seen as a black box operating as a pure tax, or impeded by regulation or legislation, were seen as least optimal.
2. Models that are not 100% control and cost restrict innovation and efficiency. 100% control must be straight down to the municipal level.
3. Advocacy, education, promotion initiatives are key measures of success and drivers of growth.
4. Harmonization can only be administrative, and ultimate harmonization must be continent wide.
5. With one exception, PRO's were seen as inherently blocking linkages to the consumer.
6. Expectations – increase transparency, act as a matchmaker. Create a scorecard to rate PRO's. Create 'optimization guides' on most efficient materials, most environmentally friendly, available markets.
7. Cost containment focus among PRO's creates artificial cost reductions that block innovation and are self-defeating long term.

# HARMONIZATION & COMPETITION

1. The thirst for harmonization is universal, but defining it is not. Full harmonization is not realistic, administrative harmonization is. An industry has sprung up to fill that void.
2. Harmonization with retention of regional identity is important.
3. Efficiencies in harmonization can fund innovation.
4. Unitary governance is not achievable.
5. Legislative harmonization is the ultimate goal. Definitions and rules are the key objectives. Legislative harmonization is a trade issue. Cross-border harmonization is ultimately needed.
6. Without harmonization, higher order development cannot be achieved, and EPR will be stuck operating as a tax .
7. Competition can only be at the municipal and supply chain level. Need to create a scorecard on efficient municipalities.
8. More commodities are needed to achieve scale. Promotion and advocacy are key.
9. Competition will create winners and losers among commodities. Increase some values and uses, reduce others.

# GOVERNANCE

1. Most follow good governance practices.
  2. The obstacle is in the governance representation mix.
  3. Lacks inputs bringing expertise from supply chain and retail.
  4. Focus on cost containment blocks innovation and forming a link to consumers. Investing in innovation leads to outcomes with higher value.
  5. The root cause is legislative. *PRO's can lead the conversation on standards, guidelines and markets.*
- PRO's have defined their interests too narrowly. If PRO's focus on creating markets for manufacturer's products at end of life, markets will reward them, and consumers will as well – making the argument for government to get out of the way.**



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***THANK YOU!***



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