

# Funding Product Stewardship Initiatives



**Product  
Stewardship  
Centre of  
Excellence**

Webinar, 12 May 2022

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Product Stewardship Centre of Excellence



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# Today's speakers



Kapil Kulkarni  
*RPS, Australia Asia-Pacific*



Warren Overton  
*Australia and New Zealand  
Recycling Platform Limited &  
Techcollect*





# FUNDING PRODUCT STEWARDSHIP

## 12<sup>TH</sup> MAY 2022

RPS Presentation at Product Stewardship Centre of Excellence Webinar

Kapil Kulkarni (Director, RPS Strategy & Investment)

[rpsgroup.com](https://rpsgroup.com)





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## Why funding matters?

- Funding is more than just about cost recovery
- Funding is crucial for supporting the delivery of scheme objectives
- Forecasting is always uncertain – how can a funding model help manage risk and uncertainty?
- Scheme participation / membership relies on an equitable approach

# Why is the funding and financial model important?

## FUNDING & FINANCIAL MODEL

- Levy vs member contributions, offset by sale of materials
- Weight, units, value, other?
- Eco-modulation?
- Contingency and risk mitigation?
- Fee passthrough?

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## MEMBERSHIP

- Industry participation
- Free riding
- Who pays and who are members (brands, supply chain, customers)?

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## OUTCOMES

- Sustainable design / recyclability
- Reuse
- Recycling
- Use of recycled content
- Social (e.g. employment etc.)

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## EXPENDITURE

- Direct funding vs outsourcing vs payment for service?
- Administration
- Marketing and education
- R&D and market development

Funding and financial model affects outcomes

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## Models used in Australia

### Volumetric fee

- Battery Stewardship (per equivalent unit / weight)
- Paintback (per litre)
- drumMUSTER (per litre)
- Tyre stewardship (per equivalent unit / weight)

### Market share

- NTCRS
- MobileMuster
- Cartridges

### In development

- Mattresses
- Soft plastics
- Plant pots
- Coffee pods
- Fashion
- Among others

- No eco-modulation in Australia like seen in some schemes in Europe and North America
  - Differential pricing (value) likely to require ACCC authorisation
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## Fee passthrough and transparency is desirable but there's no silver bullet

- Objective is usually that fee is applied at one point in the chain (usually upstream) and pass down through the chain to the consumer
- This may even be an explicit line item, backed by an ACCC authorisation
- However, the extent to which it is passed through is not guaranteed and depends on market dynamics, negotiating power and margin policies, among other things
- The above must be considered when determining a workable fee and complementary measures to avoid free riding (e.g. enterprise-to-enterprise agreements, visibility to consumers, scheme promotion)

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## Funding model principles and best practice process to develop options

- Should be financially sustainable to handle risk and uncertainty
- Must consider impacts on incentives and outcomes (e.g. responsiveness of supply side to rebate incentives)?
- Assess using a holistic methodology (cost efficiency, equity, effectiveness etc.)
- What is the alternative to a voluntary initiative, also known as the “counterfactual”, including co-regulation (government sets rules, ensures compliance but industry manages funds and implements initiative – e.g. NTCRS or NEPM for used packaging) or mandatory (e.g. government sets rules, collects levy and pays rebates, manages initiative)





# Thank you



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# Product Stewardship Funding

Warren Overton – CEO ANZRP

May 2022



# Presentation Outline

- **What** are the costs of product stewardship?
- **How** are funds raised?
- **Who** pays for product stewardship programs?
- **Where** else can funding be obtained?

# Product Stewardship Costs

- **Collection** – infrastructure and logistics (15-50%)\*
- **Recycling\*\*** – manual/mechanical separation into resources (30 – 75%)
- **Marketing/Promotion** – variable cost with a significant impact (0 – 10%)
- **Administration** – Data systems/reporting, compliance and governance are major costs (10 – 20%)

\*Cost distributions changes significantly with program scale and maturity. Establishment costs can be high.

\*\*Reuse/repair can turn costs into revenue

# PS Funding Models

- **Typical** model is that the manufacturer (liable party) bears the full cost (EPR model).
- **All Players** model involves all in the product lifecycle – manufacturer, retailer, consumer, etc.
- **Funding** can be cash as well as in-kind (e.g. collection sites and logistics)
- **Government** has an important role in supporting infrastructure and setting supportive policy (e.g. buy recycled).



# Liable Party Contributions

- **Market Share/units** is typically used to calculate liability
- **Collection Targets** have a big impact on liability calculation
- **Fixed Unit Fees** can be estimated up front and improved with data collection.
- **Up-Front Payment** of some kind is required to provide cash flow. Or other seed funding.
- **Reconciliation** of costs can be used to determine if rebates/charges need to apply.
- **Transparency** is vital to ensure efficiency and effectiveness

# Reuse and Repair

- **Reuse/repair** can turn costs into revenue
- **Small** proportion of collected items can still make a significant financial contribution
- **Collection Systems** need to be designed to maximise potential for reuse/repair
- **Corporate Donations** are a good source of material



# Thank you

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# Questions & Answers

# Contact us

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