COCA-COLA POSITION PAPER ON THE COMMISSION PROPOSAL FOR THE REVISION OF PACKAGING AND PACKAGING WASTE REGULATION (COM(2022) 677)

INTRODUCTION

Tackling the global packaging waste crisis requires cross-sector collaboration and alignment on common principles and targets**. Coca-Cola's global packaging strategy called World Without Waste, is anchored by three fundamental goals**: collection, design and partnerships, that are being delivered together with the bottling companies in Europe, Coca-Cola Europacific Partners and Coca-Cola Hellenic Bottling Company: making 100% of our primary packaging **recyclable** globally by 2025— and using at least 50% **recycled material** in our primary packaging by 2030 (Design); **collecting** and **recycling** a bottle or can for each one we sell by 2030 (Collect); and bringing people together to support a healthy, debris-free environment (**Partner**). In Europe, we are working hard to accelerate those targets where possible.

In 2022, The Coca-Cola Company announced **a new global reusable packaging goal**. By 2030, we aim to have at least 25% of our beverages sold by volume worldwide in refillable/ returnable glass or plastic bottles or in fountain dispensers with reusable packaging. It is key for the industry to have a supportive legislative framework that enables us to integrate reusable beverage systems within our recycling efforts and investments, while appropriately assessing the environmental impact. We believe that reuse should be applied with a broad perspective in mind based on the four modalities of reuse defined by the Ellen MacArthur Foundation, so that producers and distributors can apply the most effective reuse modality from a geographical, environmental, economic and infrastructure perspective. For example, in Nordic markets, due to the geography of these markets with the long distance between production plants and communities, the return logistic distances for reuse could have a worse environmental than one way formats that are part of a well-functioning DRS with high collection rates.

A World Without Waste, where materials are reused and recycled as part of a circular economy, is a world with dramatically lower carbon emissions and climate impacts, which is why our packaging and climate strategies are intertwined. Because packaging accounts for around 40% of our overall carbon footprint (percentage varies among different Member States), our **World Without Waste efforts are essential to meeting our science-based target to reduce greenhouse gas (GHG) emissions and our vision to be net zero carbon**. We're reducing our carbon footprint by lightweighting our packaging, incorporating more recycled and renewable material, investing in local recycling and collection programs, and increasing our use of reusable packaging. We continue to rethink our beverage packaging to become more sustainable and explore options to increase reuse.

The Commission's Packaging and Packaging Waste Regulation (PPWR) proposal is aligned with Cola-Cola's World Without Waste packaging strategy: both aspire to do more with less, recognise the intertwined nature of the packaging and climate strategies, support the waste hierarchy, and in this vein, reuse, high collection rates, as well as an enhanced use of recycled content. For these ambitions to be achieved, the main challenge lays in setting the right enabling conditions, which we outline below.

This paper touches upon the enabling conditions to scale collection, use of recycled content and reuse, in Europe.

1. COLLECTION & DEPOSIT RETURN SYSTEMS

Coca-Cola supports mandatory Deposit Return Systems (DRS) and the need for minimum requirements as guardrails of how these systems will operate (list in Annex X of the proposal). We also support the proposed exception by the European Commission, for the countries that achieve above 90% separate collection via different collection systems. For DRS across Europe to be effective and cost efficient, the proposed minimum requirements need to be complemented with the following elements:

- The system should be owned and managed by the industry financing and participating in the system, in a not-for-profit structure.
- Beverage producers financing the DRS as part of their extended producer responsibility have a priority fair priority access to the feedstock for recycling issued from the packaging material they put on the market and that was collected via the system they have financed. Such a mechanism would support high-quality

recycling, avoid downcycling of cans or PET bottles into non-food applications, and encourage all other sectors to invest in their own circularity rather than to free-ride on the beverage circular system.

- The revenues coming from the sales of the collected materials and unredeemed deposits stay in the system to cover both setup and operational costs. This is key to ensure that DRS revenues are not allocated to other initiatives, to the detriment of the functioning of the DRS itself.
- New DRS should accommodate refillable beverage packaging, where possible from the outset to drive synergies financially, logistically and make it shopper / consumer friendly to facilitate the return and collection of all packaging.

In order to have well-designed Deposit Return Schemes in place that are efficient and effective, the minimum requirements need to be applicable to all schemes in Europe If this is not possible and there are existing well-functioning schemes, that may not adhere to all minimum requirements: In order for them to not incur costly or disruptive changes without bringing a positive impact on the collection rates we believe it is important (art. 44) to differentiate between mandatory criteria all DRS should comply with (owned by beverage industry, not for profit, priority access and revenues staying in the system) and the other requirements. For existing systems that don't comply even with those three criteria we would ask for more time (e.g. by 2028) for them to be able to comply for a smooth transition.

RECYCLED CONTENT IN PET BOTTLES

We support the increased use of recycled content in beverage packaging & promoting high-quality, closed loop recycling. Packaging sustainability is also about ensuring that the recyclable materials being collected are recycled in a closed loop. Using recycled content in our cans and bottles also contributes to lowering our emissions. The beverage industry therefore needs to have access to its own food grade feedstock for recycling to contribute to Europe's net zero goal.

In addition to circularity, food safety requirements only allow beverage cans and bottles to be used in recycled content for beverage packaging making **priority fair access** a critical element in the uptake of recycled content.

We welcome the Commission's ambition to increase the part of recycled content in packaging by setting new recycled content targets for various types of packaging (Art.7). However, a pre-condition to this ambition is the creation of a well-functioning market for recycled materials that:

- gives the sectors covered by the scope of the targets a fair access to sufficient recycled materials to meet the targets
- promotes high-quality recycling and avoids downcycling

In this respect, we believe that some elements of the proposal need to be strengthened.

a. Defining & encouraging high-quality recycling:

The PPWR proposal states that Member States shall ensure that systems are set up to provide for the return and separate collection of all packaging waste in a way that facilitates its preparation for re-use and high-quality recycling (Art. 43.1).

However, the proposal does not include any definition of high-quality recycling or any measure that would guarantee that high-quality recycled materials suitable for food-grade applications are used in priority in food-grade applications. This means that high-quality materials (complying with EU food safety requirements) can be downcycled and used in applications which do not require the same level of quality.

We therefore propose:

- As a first step, **to define high-quality recycling** in Article 3 as *"any recovery operation, as laid down in Article 3 point (17) of Directive 2008/98/EC, which ensures that the distinct quality of the waste material collected is preserved or recovered during such recovery operation so it allows further recyclability and can be re-used in the same way and for a similar application, with minimal loss of quantity, quality or function".*

- Then, to **amend Art. 43.1 to mandate Member States to ensure that a system is set up to give priority to high-quality recycling.**

The rational for defining the quality of recycling has been outlined in the 2023 EU JRC Report "Towards a better definition and calculation of recycling"[1] which states that *"A definition of high-quality recycling could help developing policies focused on improving the quality of recycling outputs by the entire recycling chain, ultimately ensuring a greater level of resource circularity."*

b. Supporting closed-loop recycling of packaging collected by the obliged industry via DRS and all industry-financed schemes:

The EU legislation sets both packaging safety requirements and recycled content targets on the beverage sector but does not foresee any mechanism that would guarantee it has access to the food-grade recycled content required.

Without the necessary support on feedstock access, the targets set in the PPWR will be extremely challenging to achieve. New targets for other package types and applications will put further stress on the rPET market. In addition, 68% of PET beverage bottles are downcycled into other PET applications - like polyester textiles (60%), automobile or toys - where it cannot be recovered and recycled back into new bottles. This is not circularity. Granting unconditional access to food-grade recycled content to other sectors which do not require such level of quality does not incentivize them to invest in collecting and recycling their own materials. It promotes downcycling instead of closed-loop recycling.

The PPWR proposal also states that DRS will contribute to the increase of the supply of good quality secondary raw material suitable for closed-loop recycling and reduce beverage containers litter. However, the text does not include in the DRS minimum requirements listed in Annex X any priority right for beverage producers to the necessary food-grade recycled feedstock to ensure closed-loop (bottle-to-bottle) recycling.

As a result, food-grade recycled content obtained from the beverage packaging collected via the DRS can be sold for use in non-food applications and break the beverage packaging recycling loop, undermining our efforts to reduce our emissions.

We propose to include in the DRS minimum requirements in Annex X a priority right which would guarantee that beverage packaging collected via the DRS is recycled and used again in priority in new beverage packaging in a closed-loop recycling system. We also propose to include this requirement for all feedstock for recycling collected by the obliged industry in an industry-financed scheme.

CALCULATION FOR RECYCLED CONTENT

Another pre-condition to the proper implementation of the proposed recycled content targets is the development of an appropriate calculation methodology.

The PPWR proposal sets recycled content targets for each packaging unit, therefore distancing itself from the approach adopted for beverage packaging in the Single-Use Plastics Directive (SUPD) where recycled content is calculated on average within the territory of a Member State.

This change in the methodology has significant implications:

- First, having a target on each packaging unit does not lead to a better environmental impact: the same amount of recycled plastic will be used and there is therefore no environmental justification to that change.
- Industrial, technical, and economic constraints can push manufacturers to integrate more recycled content in some formats and brands rather than in others, or in some production lines rather than in others. A target on each packaging unit would considerably reduce this flexibility as well as the potential for manufacturing optimization, without changing in any way the amount of recycled content that is used by each producer.

[1] Towards a better definition and calculation of recycling, JRC, 2023, page 77, 7.1

- Furthermore, the current market for recycled PET is already very tight, creating serious access issues. A target on each packaging would likely amplify supply constraints as manufacturers won't have the possibility to adapt the amount of recycled content used at a certain point in time to the evolving offer for recycled content.
- Calculating recycled content on average also protects the European circular economy from external unpredictable geopolitical events that may impact the value chains and considerably reduce the availability of recycled PET, impeding manufacturers from placing their products in the market.

We therefore propose to amend Art. 7 so the recycled content targets are calculated on average per manufacturer within the territory of a Member State.

TRANSITION TO REUSE

We agree with reuse being part of the EU's strategy to prevent waste generation, reduce single use packaging and **complement - rather than substitute -** the progress being made on beverage packaging recyclability, collection rates and recycled content. We believe that the former should not jeopardize the latter.

Reuse targets should therefore be set in a way that takes into account geographical, environmental, economic and infrastructure factors and assessement; this is why it's important to have a wide scope of reuse and not limit it only to refillables.

A wide scope that includes the four modalities of reuse as defined by the Ellen Macarthur Foundation (ie refill and reusable/dispensed) is needed. Currently the Commission proposal includes refill and reusable dispensed in what counts towards reuse. Our position is that it should also include at-home solutions, which is included in the EMF definition. This will encourage producers to provide solutions that are not only HORECA or retailers' oriented, but also solutions for home and this would bring scale to reuse.

We propose that the calculation method is one of sales unit equivalent in order to capture all types of reuse methods. This would essentially translate to number of bottles / cans sold (ie transactions) and for dispensed/refill solutions volumes to be the equivalent unit of final beverage (ie servings, eg 250ml or 500ml).

Regarding accountability for the attainment of the targets, we welcome the Commission's proposal for those to be on each manufacturer and final distributor per Member State. This would lead both manufacturers and final distributors to work together to find the best ways to bring reuse solutions to the consumer. At the same time, having a target that applies to each economic operator (except micro-enterprises as currently exempted in the proposal) and not on all industry in general, has the advantage that it incentivizes all operators to achieve reuse and avoids situations of free riding and competitive disadvantage of the early movers(vs business as usual) that would have to do the very heavy investments and business disruptions for the entire sector. In countries where there has been an industry target vs an operator target, the burden is shouldered only by very few of those companies. Importantly, the consumer is not benefited by increased competition of solutions.

Consumer acceptance is not a given, in all Member States, but especially in those that the habit of returning the packaging is not established we need to help the consumer embrace this change. This may be facilitated as well by allowing, when suitable, in non DRS countries to set up joint collection systems for reusable and non-reusable bottles to help the consumer and create synergies in the systems.