



The European Organization for Packaging and the Environment

Beyond Legislation: Sustainability's Impact On The Global Packaging Value Chain

Julian Carroll, Managing Director, EUROPEN

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Ladies and gentlemen,

It is a great pleasure for me to be back at the Sustainable Packaging Forum. I was last on this podium 2 years ago in Pittsburg, when I spoke about Wal-Mart's packaging scorecard. Some of you may recall that I expressed the hope that this initiative should not become a de facto global standard for packaging.

As you all know, a lot has changed in our world since then. And, I would say, it has changed, and is changing, for the better.

I know this is not a majority view, so what I hope to do now is to share with you the grounds that make me take a sunny view of our industry's prospects.

There are a number of global developments, all designed to make our lives easier. They will help us reduce our costs. And they will help us achieve our sustainability goals. We are, at long last, moving towards a global approach to tackling the role of packaging in sustainable development. Two key advances, each complementing the other, show great promise. They have the potential to be strong catalysts, and I believe will usher in a brighter future for our entire industry.

Before I get there, let's take a moment to recall where we started from, several years ago.

Back then, we were facing increasingly strident demands for "more sustainability" all along the packaging value chain. And all along that chain, our response was uncoordinated. Sometimes, it was even in direct conflict with what was happening somewhere else along that chain.

We had to learn to deal with an unusual new type of risk, arising not directly from our own actions, but from our uncoordinated reactions to new pressures.

Demands for greater sustainability have mushroomed across the global business agenda. They were, and are, being felt by companies everywhere.

The consequences for our business have been far-reaching. As packaging, the green lobby's favourite whipping boy, increasingly came to be seen as a symbol of humanity's fallen environmental state, recycling became more than a sensible household chore. It became an act of grace, a source of redemption.

This phenomenon, sweeping the US, Europe and many other parts of the globe, is stoked by the fears associated with globalization. For millions, packaging waste has become a symbol of a world suffering from the evils of global integration.

As we know, those views are deeply mistaken. Far from being a source of iniquity, globalization has brought extraordinary benefits to the world.

In his fine new book, "why globalization works", the Financial Times' Martin Wolf goes to great pains to show that at no previous time in history have so many people been lifted out of poverty, so quickly. He is but the latest to do so. The World Bank, the IMF, and the world's most distinguished economists all agree: globalization is an extraordinary engine of poverty reduction.

And that, my friends, should be a source of immense pride to us and our industry. We have played a crucial part in this extraordinary tale. Without packaging, there is no globalization. No trade in manufactured goods. No Asian economic miracle.

Global business models, and thus global prosperity, are impossible without packaging.

But that tale is not well known. Instead, our business is under scrutiny. Consumers, environmentalists and regulators all have opinions – and these are seldom positive. They look at packaging in isolation, cheerfully ignoring its fundamental role of improving people's lives.

Sadly, this commonly held but uninformed opinion is not new. Ever since the birth of modern environmentalism, in the 1970s, packaging has been attacked. The present economic downturn has not lessened this threat. "Globalization and its discontents", to quote from economics Nobel Prize winner Joseph Stiglitz, continuously increase the pressure we operate under.

Governments everywhere are developing new regulations, adopting new policies and mandating new targets. Corporations are taking a multitude of initiatives all aimed at achieving sustainability goals.

These efforts are sometimes counterproductive and often conflict with the well-intended goals of others in the supply chain. The French and British governments, as well as the European Commission, are encouraging retail to develop their own packaging reduction programs, often failing to recognize the dangers of contradictory demands being placed on suppliers. Germany is discriminating between beverage containers on criteria that have little to do with overall environmental impact. In Canada there is talk about provincial targets. South Korea, Taiwan and China all have rules dictating the allowable ratios between packaging space and product volume.

When seen in isolation, each of these initiatives may have merits. The trouble is that collectively, they risk being counterproductive. Without coordination or commonly agreed goals, they are quite likely to disrupt supply chains. In the end, that means they may achieve little overall environmental gain. On the contrary, they may raise environmental burdens.

The multiplication of packages required to meet this rapidly increasing variety of national—and sometimes even local—rules results in higher costs and larger environmental impacts. Those of you active here, in the US, know this problem well, since many of the fifty states are increasingly mandating their own different regulations.

Thankfully, within Europe at least, this problem has become history. The European Union first introduced regulations about the environmental impact of packaging in the early '90s. It did so not just for

environmental reasons, but also, even primarily, to facilitate open trade within the different countries of its Union.

In other words, the European Commission recognized that conflicting packaging policies and regulations were a technical barrier to cross border trade. This same regulation also introduced producer responsibility for the management of packaging waste.

At the time, most of our industry was against it. And no wonder. Who wants fresh, onerous legislation? Despite this opposition, change came. In retrospect, it was inevitable. Municipalities and public authorities were facing the strain of dealing with increasing amounts of packaging waste. Consumers—and voters—rewarded politicians that promised to deal with the issue.

Sounds familiar, doesn't it?

Well, let me tell you, it worked. It worked wonders, in fact.

Take the example of the country where I live, Belgium. Some of you will have heard the presentation that Henry Meirsonne, the Managing Director of the Belgian packaging waste recovery system FOSTPlus, gave to SPC members here two days ago. He told us how producer responsibility, shared between industry, the public authorities and consumers, has enabled Belgium to achieve a packaging waste recycling level of more than 93% and an overall recovery rate of 96%.

Those are outstanding numbers. Now, almost twenty years later, you will find very few voices on my side of the Atlantic who still oppose the principle of extended producer responsibility. Simply put, a common approach has made many of the headaches with which we are so familiar on a global scale a thing of the past in Europe.

There's no more producing different packages for different countries—or even counties. No more hodgepodge of well-meant but in practice impractical, expensive or even counterproductive legislation.

The high recovery rates achieved under extended producer responsibility have led to a remarkable reduction in the public criticism of packaging waste. In Europe, at least, we've been let off the hook a little.

On this side of the pond, producer responsibility is more and more under discussion, in a number of different states. State delegations, notably from California, have visited us in Brussels to learn more about the systems used in EU member states.

My work, and my EUROOPEN members, are focused on Europe. But, as a witness, I want you to know this. I have been working with EPR in Europe for many years, and have seen our industry's attitude change from antagonism to acceptance.

The companies that operate under EPR in Europe—many of whom also operate here, in the United States—have not gone bust because of it. On the contrary, EPR removed one irritant from the mix of pressures they have to operate under. The experience has had its costs, for sure, but has also had a hugely positive impact on the entire packaged goods sector.

Nothing about that experience was uniquely European. And so, if I may, I would like to draw some conclusions which, I am convinced, apply here just as much as they do in Europe.

Our experience proves that embracing extended producer responsibility offers a much more certain future for our business. It is far less costly. It avoids the disruption caused by dozens, or even hundreds, of various rules in different cities, counties or states.

Last week, at a seminar I attended in Zurich, a spokesman for one European packaging waste recycling system put it well: "the voluntary acceptance of responsibility is the price for freedom".

The risk of inefficiencies and disruption caused by a lack of coordination among different stakeholders was recognized early in Europe. So was the need for a dispassionate, balanced and factual discussion about the place of packaging in the broader sustainability agenda of companies. We didn't like EPR when it was first mooted, but now we embrace it.

When I review that history, I am reminded of St. Augustine, one of Christianity's greatest theologians. Before his rise to grace, Augustine famously said, "Give me chastity and continence Lord, but not yet." Virtue can be a bitter pill to swallow and, like St. Augustine, we in Europe tried to resist it. But let me tell you: we, as an entire industry, feel much, much better now that we have done so.

Today, the debate in Europe has moved on. It is bringing new challenges, threats, and opportunities. It is not about the advisability of EPR anymore. That battle was settled a long time ago. Today, the stakes are perhaps even higher. We must ensure that all corporate packaging initiatives fit into the overall sustainable development picture. The packaging supply chain is often so very long and diverse that the risk of disruption due to uncoordinated initiatives remains very real.

And so, to educate corporate decision-makers up and down the supply chain, EUROOPEN member companies decided to team up with ECR Europe, a platform of brand owners and retailers. The result was a practical guide tailored to decision-makers' needs.

It is short, sharp, and to the point; and it focuses on the steps that can be taken to ensure that packaging decisions in the name of sustainability really do produce positive, supply-chain wide results.

Everyone attending today will be sent a copy of this guide in PDF format along with the presentations from this Forum. I commend it to you because it contains sound advice and presents it in a clear and concise manner.

The advances I have described in Europe are significant and worthwhile. As far as the wider world is concerned, however, we have a lot of catching up to do.

Global trade has exploded since the early 1990s. Many of the same issues that bedeviled European trade twenty years ago bedevil global trade today. Different environmental rules in different markets constitute barriers to trade. They raise costs along the supply chain, and as a result they can actually lead to sub-optimal environmental performance.

In part because of the positive European experience, there are now serious global efforts to deal with this problem. The impetus for this work comes from both sides of the Atlantic. In Europe, as you would expect, there are twin driving forces: public policy, backed up in some cases by legislation, and the same market forces you are familiar with here.

Here, it is largely driven by the companies which you folk in this room represent. They are responding to market driven demands for accountability, and your consumers' demand for your products, the packaging associated with them and the production processes for both to be as sustainable as possible.

We all recognize the truism: packaging is essential, but is seldom seen to be so. Misinformation, even confusion, is the inevitable result of ignorance. Calls for packaging to be 'sustainable' grow relentlessly.

As you all know, companies end up having to deal with the conflicting demands of consumers, regulators and other stakeholders. This is time-consuming, expensive, and a source of friction between companies and the communities in which they operate.

Companies are constantly seeking new ways of reacting to this pressure. And they each do so in different ways. Some focus on packaging weight as a reasonable proxy for sustainability. Lower weight, they reason, means fewer raw materials, reduced transport, less waste and lower CO₂ emissions. But this emphasis on weight has some unintended consequences, including greater wastage if the packaging becomes too fragile.

Other companies use life cycle analysis to help them measure sustainability. This is a more comprehensive approach. But it is resource intensive and, in the absence of a commonly agreed methodology, its impact is limited.

These are just two examples of the numerous different ways in which the sustainability of packaging could be assessed. If they are not coordinated, these different initiatives can disrupt the supply chain and undermine packaging's contribution to sustainable development.

To deal with this I'm pleased to report that global work has started on two fronts, each complementing the other.

Firstly, the biggest consumer product producers from both sides of the Atlantic have teamed up with the largest retailers (yes, including Wal-Mart) in a Global CEO Forum packaging project. They have tasked themselves with developing a set of global principles defining the contribution packaging makes to sustainability. These, the Forum agreed, should include a common vision, indicators, metrics and definitions, designed to ensure maximum sustainability while avoiding disruptions to the supply chain.

Secondly, to underpin this work, ISO, the International Standards Organization, has agreed that work is to be started on the formulation of international standards for packaging and the environment. The first meeting of a new ISO sub-committee devoted to the issue will be held in Stockholm in December. This sub-committee will be co-chaired by the standards authorities of Sweden and China.

The Global CEO Forum brings together the leaders of the world's largest consumer goods and retail businesses. For the packaging project a team of experts from all sectors of the supply chain from both sides of the Atlantic has been assembled.

Three working sessions have already been held, in Washington DC, London and Brussels. Work is progressing quickly: common indicators should be available in the first quarter of next year. They will be extensively tested in actual trading situations before being disseminated as widely as possible.

But I need to stress one thing. These tools are the voluntary creation of industry. They cannot work miracles: national regulations will still exist, and some will still be barriers to trade.

But thanks to these tools, we will have arguments and indicators that are the same from Beijing to Santiago, from Brussels to Johannesburg, or from Los Angeles to Bombay. As we each work with our national regulatory authorities, we will push for common rules based on these common global principles.

Over time, the differences between various regulations will diminish. The global consumer goods industry, up and down the supply chain, will help shape regulations that minimize the disruption to trade.

The importance of common global positions on these and other matters is increasingly recognized by industry.

In June this year, global consumer goods retailers and manufacturers joined forces to transform and rename the Global CEO Forum into a new permanent organization to be called the Consumer Goods Forum. Its inaugural co-chairs are A.G. Lafley of Procter and Gamble and Pierre-Olivier Beckers, CEO of the retailer Delhaize, which trades in this country under the brands Food Lion, Bloom, Bottom Dollar, Harveys, Hannaford Bros., and Sweetbay.

Almost its first act was to take on the effort of the Global CEO Forum packaging project. When the results of this work become available next year, they will have the backing of companies with combined sales of two thousand nine hundred billion—yes, 2.9 trillion—dollars.

I cannot stress enough the importance of getting this right. The evidence from the EU illustrates the wisdom of international legislation to deal with producer responsibility.

The Asian Packaging Federation has recognized the validity of this approach. They have adopted guidelines on 'environmentally conscious packaging' to achieve a harmonized approach within the Asian region and so respond to increasing government pressure to regulate on this topic. The Asian guidelines are very closely modeled on the European CEN Standards on packaging and the environment.

Here in this country, you all know of the Sustainable Packaging Coalition's vision of "sustainable packaging" and all of the great work SPC is doing to raise awareness of these issues. Moving up from these European, Asian and American efforts to arrive at agreed global definitions is the logical next step.

That is why a global set of metrics is so important to us. A unified global approach will enable companies and organizations to work together more effectively and allow them to reap numerous benefits.

These include cost reductions flowing from fewer national versions, better coordination up and down the supply chain and greater compatibility between various regulatory regimes. We will also be able to reduce the global environmental impact of our business, because we will be able to analyse the data to identify and eliminate environmental "hot spots".

Up and down the supply chain, companies and organizations will have greater confidence that their legal and social obligations are being met, reducing compliance monitoring costs. Better data and common metrics will allow us to improve consumer perceptions, too, since we will be able to demonstrate, through solid data, the impact our efforts are having.

One may ask whether these benefits justify the effort.

The answer is an emphatic yes. The European example shows that common rules bring huge benefits, including some that were totally unforeseen at the time they were agreed such as much greater freedom to operate and innovate than before.

The alternative to voluntary global standards is not business as usual. It is a confusing set of contradictory, mandatory, and perhaps even incompatible national standards.

We have a chance to avoid this fate and take our destiny into our own hands. We are seizing it.

Thank you