

There's a great future in plastics



A Hong Kong activist has won the backing of the financial community to raise awareness and help change attitudes about plastic usage *writes Lara Wozniak.*

If you have ever swum in Hong Kong's open ocean waters you know that jelly fish are a concern, sharks are of no worry (they're finless here), but plastic bags and bottles are a genuine hazard.

No surprises then, that a long-standing ocean swimmer who lives in Hong Kong, Doug Woodring, would be one of the driving forces behind a global initiative to induce corporations to use plastic in more responsible ways — a project that has the backing of investment managers with more than \$5.8 trillion in assets under management as they increase their socially responsible investment metrics.

The Plastic Disclosure Project (PDP), launched at the opening plenary session of the Clinton Global Initiative in September, aims to encourage corporations to be more responsible in their use of plastic. And how best to do that? Get the investment community to do the questioning.

Each year a survey will be conducted on behalf of the investment community, asking companies how they use and treat plastic. When asked how long will this project run, Woodring said: "There is no deadline here... people will ask about carbon until our world has solved those issues... so, likely the same with plastic and other materials that are harming our planet."

The idea of the survey is to get the managers at both investment firms, as well as within companies themselves, to start thinking about where money can be saved, how new designs can be adopted, and if material reductions can be made to help reduce environmental, waste and health impacts.

"Global consumption of plastic has outstripped our infrastructure in waste management and recycling capacity," said Woodring. "It is estimated that more than 70% of the plastic and other waste in the ocean enters from land-based sources, and this has spurred urgent attention on its

environmental impact."

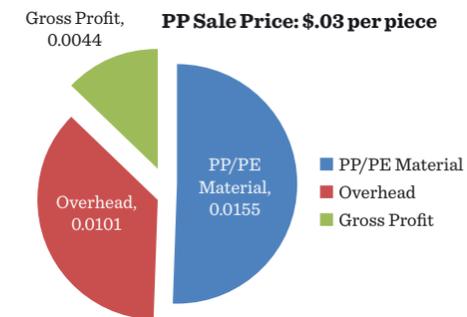
Woodring is the co-founder of Project Kaisei, which studies the trends and causes of plastic pollution in our ocean, and is planning for the coordination of large-scale clean-up initiatives. But for this effort, he founded Ocean Recovery Alliance, which will work with the Association for Sustainable and Responsible Investment in Asia to do the legwork on behalf of the investor signatories. This group has experience in working with annual carbon-disclosure questionnaires in the region and will coordinate the polling and research on plastic use. This past summer, the collaboration also worked with MBA students from the Hong Kong University of Science and Technology to undertake an initial survey of global investment managers to gauge their support of the project.

Corporate responses to the survey will be made publicly available, where agreed upon by the responding

HOW MUCH DOES THAT PLASTIC WIDGET COST? BY JOHN VIOLETT

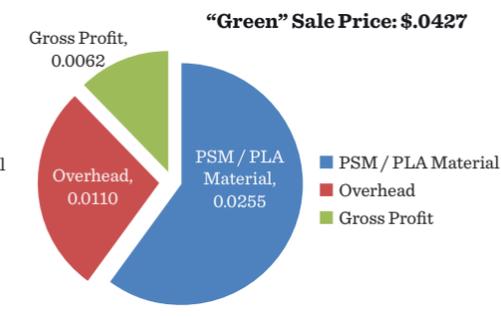
A manufacturer's selling price of a plastic widget comprises three main factors: raw materials, direct/indirect overhead costs and the profit margin. Sounds simple enough, so what's the big deal about switching to a material that is environmentally friendly? Well, as they say, it's all in the numbers.

The standard widget is usually made of a polyethylene (PE) or polypropylene (PP) material, which is not biodegradable without the addition of specialised and costly additives. Both are hydrocarbon-based materials, hence subject to the inputs of the natural gas and petroleum markets. Average pricing for these materials runs between \$1.55 to \$1.90 per kilogramme, depending on specifications. Starch and glucose-based bio-alternatives, deemed "green" materials due to some but not all grades being biodegradable, are subject to the commodity market price of sugar cane, corn, rice, wheat and even potatoes, and cost on average between \$2.55 to \$3.85 per kilo. As a general rule in packaging, manufacturers don't want the portion of raw material cost to exceed 50% of the total unit price due to the volatility of material inputs.



If you look at the charts above, the unit of measure/cost for the raw material input per part is communicated in grammes — so a 10-gramme widget made of PP would cost 1/100th of a kilo or \$.0155 based on the lowest cost noted above. If you substitute the cost of PP/PE for a "green" alternative the total unit price jumps by almost 30%.

Most of us would agree a \$.0127 per-unit price increase is a reasonable cost to be more environmentally responsible. Unfortunately, market history has shown that consumers are extremely price sensitive and will switch brands as quickly as the wind blows for even the most minimal savings, rarely considering



the downstream impact of the secondary waste. Therefore, this cost is usually left to the manufacturer and branded reseller to absorb. One needs to understand that in the hot-button world of consumer packaging, goods such as these widgets are produced and sold in tens of millions of units per year, so that modest increase translates into an annual burden of \$150,000 just for one product. So a show of hands: who is going to volunteer their annual bonus to save the planet one widget at a time?

John Violett is the managing director of a specialty plastics and automation firm, Global Solutions, located in Hong Kong.

corporations — so it's a venue for the more green companies to get some publicity when they are doing things right, which isn't a bad way of shaming others to follow suit.

"As an incredibly versatile material, plastic is ubiquitous, but its improper disposal also makes it a major contributor to coastal zone and marine pollution," said Ben Ridley, head of sustainability affairs for Asia-Pacific at Credit Suisse, Asia. "The PDP can help get the issue onto the business radar and is a reminder of everyone's responsibility to reduce, reuse and recycle."

Of course, getting it on the radar screen is just a first step. Would an investor actually not invest in a company because it's not recycling enough? Woodring said: "Although there is no secondary market in trading a unit of reduction in plastic, by bringing transparency and annual metrics to plastic use, it will inherently drive efficiencies, cost savings, better



Doug Woodring

designs and improved processes."

"Everyone has to be involved at the same time," added Woodring. "Studies show that consumers are willing to pay a premium in some countries or markets if they know the products they are buying are ecologically friendly. At the same time, we need large companies to start making orders of the new materials, so that economies of scale can come in on production and keep the costs similar, or cheaper, than what is being used today.

"It is likely that via PR and brand recognition companies can gain in the long run with consumer support and loyalty if they know the brands are making real, long-term, beneficial changes to their products.

"The companies that lead, and are creative and engaging with their user-base along the way, will get a head start on others, and will likely reap rewards from doing so for their brand and reputation." ■

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