COEX
Container Exchange

CONTAINERS FOR CHANGE

Scheme Pricing Consultation Pack

June 2025

How to use this document

- This Consultation Pack is a summary of the rationale behind the opportunities Container Exchange (COEX) is seeking input on from beverage manufacturers registered with Containers for Change in Queensland.
- The pack should be reviewed alongside the Discussion Paper for full context of the opportunities and what impact they may have on individual beverage manufacturers.
- COEX strongly recommends that manufacturers seek independent advice on the pricing models presented in this Pack and the Discussion Paper.
- Questions detailed in this pack can be responded to in the submission form available on the COEX website.
- A series of webinars is being held to support beverage manufacturers as they review the Discussion Paper and the Consultation Pack.
- If you have any questions on the consultation or the changes being proposed, please email schemepricingconsultation@containerexchange.com.au

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Introduction

Context and rationale

- Container Exchange has recently reviewed the scheme's current pricing framework and has identified several opportunities to enhance the scheme and improve the beverage manufacturer experience.
- The opportunities include the creation of a revised structured framework and pricing review process to improve transparency and increase pricing certainty for beverage manufacturers.
- The introduction of a zero-fee container threshold for all beverage manufacturers and changes to payment terms are also being considered.
- Container Exchange wants feedback from the beverage industry on these opportunities.

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Current scheme pricing approach

The current approach to determining the scheme price is anchored in forecasted total costs to support COEX's Strategic and Operational plan and Budget. Costs are then allocated based on material-level weightings. **(NB: Figures below are illustrative only.)**

Establish scheme costs to deliver the strategic and operational plan

The total scheme costs underpinning the execution of the strategic & operational plan.

$80,000
Gross scheme costs

Offset revenue generated

Minus forecasted commodity sales revenue and interest income ($6,000).

$74,000
Net scheme costs applied to calculate scheme pricing

12-month forecast of beverage manufacturers sales

Aluminium	Glass	LPB
300,000 Beverage Manufacturer sales	200,000 Beverage Manufacturer sales	100,000 Beverage Manufacturer sales

Forecast beverage manufacturer sales by material

Allocate net scheme costs by material

Aluminium	Glass	LPB
$36,000	$24,667	$13,333

Net scheme costs are allocated based on beverage manufacturer sales volume by material.

Set scheme price per material

Aluminium	Glass	LPB
$0.120	$0.123	$0.133

Scheme price paid by beverage manufacturers per material

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Enhancing scheme pricing

Key challenges | Accounting for material-type cost allocation, enabling transparency and long-term pricing pathways and aligning requirements for beverage manufacturers and standard industry practices present opportunities to evolve scheme pricing.

Proposed changes | A cost-reflective pricing model, a long-term pricing formula, a zero-fee container threshold and revised payment terms aim to address today's key challenges.

Benefits for beverage manufacturers | The proposed changes aim to drive greater transparency, accuracy and predictability in prices, as well as improved financial outcomes and standard industry practice alignment for beverage manufacturers.

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Proposed changes in detail

Transitioning to a new pricing model

Transitioning to a pricing model reflecting the costs associated with recycling each material and considers factors such as:

- material specific costs, values and volumes
- mechanisms to manage over-recovery
- costs to ***not*** recycle a material

Option 1: Cost-reflective | Scheme costs are calculated by material type, based on the units recycled using forecasted recovery rates.

Change overview – What's different?

Changed

Not changed

Forecast volume of containers to be recycled & funded → Establish scheme costs to be funded → Allocate scheme costs by material → Offset revenue generated → **Set scheme price per material**

- Sales and recycling volumes are forecasted for each material type based on expected recovery rates.
- Variable costs per container are based on **material level cost allocation**
- Total variable costs are calculated based on the **budgeted containers recycled for each material type**
- **Only fixed costs are allocated based on the proportion of Beverage Manufacturer sales** of that material, **total variable costs are then added** to give the cost allocation per material type
- **Revenue from selling recycled materials is subtracted** from the total cost allocation per material type
- This leaves a net scheme cost for each material type to be funded
- The scheme price per container to be paid by the Beverage Manufacturers is then calculated by the net scheme cost per forecasted Beverage Manufacturer sales

Illustrative worked example only:

	Step 1			Step 2			Step 3	Step 4		Step 5
	Beverage Manufacturer Sales	Recovery Rates	Volume recycled	Variable Cost/ Container	Total Variable Cost	Fixed Cost	Cost allocation	Commodity Revenue	Net Scheme costs	Scheme price
Aluminium	300,000	74%	**222,000**	0.099	**$29,637**		**$40,208**	($4,000)	**$36,208**	**$0.121**
Glass	200,000	83%	**166,000**	0.128	**$25,564**	**$20,000**	**$33,469**	($2,000)	**$31,469**	**$0.157**
LPB	100,000	32%	**32,000**	0.048	**$4,794**		**$6,324**	-	**$6,324**	**$0.063**

Why change?

- **Transparent structure**: Prices are based solely on the scheme's recycling costs.

Key considerations

- **Cross-subsidisation:** Materials with high recovery rates may compensate for more expensive low recovery rate materials.
- **Product stewardship**: Weakens product stewardship as costs don't fully match the material choices.

Materials impacted

Price decrease | Price increase | Neutral impact

Aluminium | Glass | HDPE | PET | LPB / Steel / Other

Option 2a: Cost-reflective (100% recovery rate) | Under this approach the scheme cost is calculated as if all materials were 100% recovered.

Change overview – What's different?

Changed | **Not changed** | **Changed**

Forecast volume of containers to be recycled & funded

- Total Beverage Manufacturer sales forecasted for the next 12 months
- Recovery rates are **assumed to be 100%**

Establish scheme costs to be funded

- Variable costs per container are calculated based on the **material level cost allocation to recycle a container of that material**
- Total variable costs are calculated **as if all materials were 100% recovered**

Allocate scheme costs by material

- **Only fixed costs are allocated based on the proportion of Beverage Manufacturer sales** of that material, **total variable costs are then added** to give the cost allocation per material

Offset revenue generated

- Revenue from selling recycled materials is subtracted from the total cost allocation per material type
- This leaves a net scheme cost for each material type that must be funded

Set scheme price per material

- Scheme prices for each material **are scaled down** by the percentage over-recovery to ensure forecast **revenue is equal to forecast costs**, but the **relativities between material prices is maintained**

Illustrative worked example only:

	Step 1		Step 2			Step 3	Step 4		Step 5	
	Beverage Manufacturer Sales	Recovery Rates	Variable Cost/ Container	Total Variable cost	Fixed Cost	Cost allocation	Revenue	Net Scheme costs	Scheme price	Scaled Pricing paid by Beverage Manufacturers
Aluminium	300,000	100%	0.1335	**$40,055**	**$20,000**	**$50,055**	($4,000)	**$46,055**	$0.154	**$0.114**
Glass	200,000		0.1540	**$30,802**		**$37,469**	($2,000)	**$35,469**	$0.177	**$0.131**
LPB	100,000		0.1498	**$14,980**		**$18,313**	-	**$18,313**	$0.183	**$0.136**

Why change?

- **Supports circular economy**: Prices linked to recyclability encourage recycling.
- **More accurate pricing**: Materials are further aligned to their underlying cost to recycle

Key considerations

- **Product stewardship**: Beverage manufacturers pay for the material level cost allocation of their materials.

Materials impacted

Price decrease | Price increase | Neutral impact

Aluminium | Glass | HDPE | PET | LPB / Steel / Other

Option 2b: Cost of Not Recycling | In this approach cost reflective pricing is applied plus a cost of not recycling which is attributed to each material based on the cost of non-recycled materials being sent to landfill/littered.

Change overview – What's different?

Changed | **Not changed** | **Changed**

Forecast volume of containers to be recycled & funded	Establish scheme costs to be funded	Allocate scheme costs by material	Offset revenue generated	Set scheme price per material
The number of containers to be recycled is based on the expected recovery rates for each material.	• Costs are based on the material level cost allocation to recycle for each material and the number of containers expected to be recovered. • It also includes the cost of not recycling.	• Fixed costs are shared based on the sales of each material. • Then, variable costs and the cost of not recycling are added to calculate the total cost per material.	• Revenue from selling recycled materials is deducted from the total cost for each material. • This gives the net cost that needs to be funded for each material.	• If revenue exceeds the budgeted costs (over-recovery), prices for each material are reduced by the over-recovery percentage. • This ensures forecast revenue matches the forecasted costs while keeping the price differences between materials the same.

Illustrative worked example only:

	Step 1			Step 2				Step 3	Step 4		Step 5	
	BM Sales	Recovery Rates	Volume recycled	Variable Cost/ Container	Total VC	Fixed Cost	Variable Cost/ Container	Cost allocation	Revenue	Net Scheme costs	Scheme price	Scaled Pricing paid by BMs
Aluminium	300,000	74%	**222,000**	0.1335	**$29,641**	**$23,400**		**$63,612**	($4,000)	**$59,612**	$0.199	**$0.1149**
Glass	200,000	83%	**166,000**	0.1540	**$25,566**	**$10,200**	**$20,000**	**$43,670**	($2,000)	**$41,670**	$0.208	**$0.1205**
LPB	100,000	32%	**32,000**	0.1498	**$4,794**	**$20,400**		**$26,717**	-	**$26,717**	$0.267	**$0.1545**

Why change?

- **More accurate fees**: Producers of materials that cost more to recycle may be incentivised to review packaging choices.
- **More accurate costs**: Fees are better aligned to costs, making cost-sharing more accurate for everyone.

Key considerations

- **Product stewardship**: Producers pay for the impact of their material choices.
- **Data complexity**: Detailed data on waste and environmental damage is needed, making it complex to manage.
- **Cost recovery**: Prices might need adjusting to prevent over recovery of costs and to keep costs accurate

Materials impacted

Price decrease | Price increase | Neutral impact

Questions: Cost-reflective pricing

- Do respondents agree that COEX should set cost-reflective prices? If not, why not?
- Do respondents consider that COEX has correctly identified the methodologies for estimating cost-reflective prices as detailed in the Discussion Paper? If not, what alternatives other than the options presented in the discussion paper do stakeholders suggest?
- Which cost-reflective pricing options should be implemented?
- Under the option preferred above, do respondents consider that COEX should continue to charge on a per container basis, or should COEX move to a mix of per container, per container volume and/or per container weight pricing basis? Please explain the reasons for this answer.
- Can beverage manufacturer respondents please describe the extent to which they are able to substitute between container types (material, volume and weight) in response to changes in COEX pricing?

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Questions: Cost-reflective pricing (continued)

- Can beverage manufacturer respondents please describe the extent to which there are container types that COEX has not identified (including those not currently in use) that have low/high costs of recycling and which should attract a lower/higher price from COEX? For example:
  - If designs existed for LPB containers that would lower the cost of recycling those containers COEX could consider introducing a separate lower price for that type of LPB.
  - If some forms of PET or aluminum cans are higher recyclable value than others COEX could similarly differentiate between those.
- Do respondents consider that there should be differential pricing between:
  - Clear versus coloured PET (to reflect the latter's lower resale value).
  - Refillable containers.

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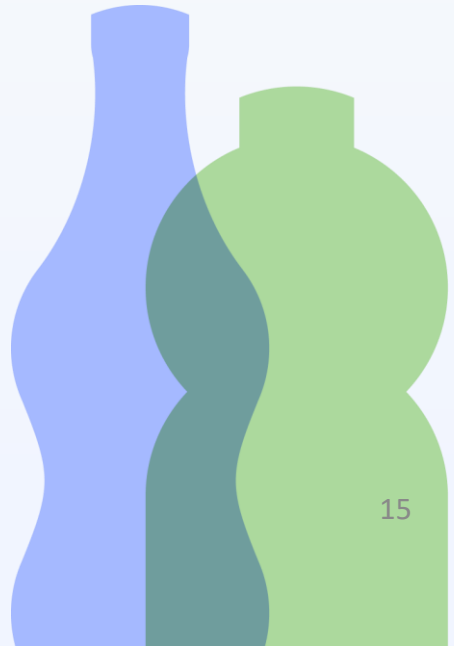
Setting a long-term pricing formula

Committing to the same price structure for an extended period, with automatic adjustments for changes in cost drivers such as CPI and recovery rates.

Pricing would be revisited only in the context of a consultation.



2. Setting a long-term pricing formula | It is proposed that COEX would commit to a set pricing formula for an extended period (e.g. 5 years), and pricing would be revisited only in the context of a consultation.

This change will create a defined set of parameters for the scheme which will act as the driver for decisions on changes to scheme pricing within the defined time period.

Change overview – What's different?

A proposed formula represents a **prediction of how scheme costs per container produced vary with relevant cost drivers** & includes an **"unders & overs" mechanism,** which accounts for the difference between the scheme actual liquid assets and target liquid assets.

Features of the proposed formula:

- **Time:** It is proposed that the formula set be reviewed only in the context of consultation **every 5 years**.
- Key Cost Drivers that the formula can be adjusted between consultation periods to account for fluctuations.
    - **CPI –** As prices incurred by the scheme that are impacted by inflation.
    - **Recovery rates** – The level of materials recycled directly impacts scheme costs (the higher the recovery rate, the higher the costs to the scheme).
- **"Unders & Overs" mechanism:** An "unders & overs" mechanism has been incorporated to adjust for any potential over or under recovery of costs as the pricing model is based on forecasted estimates.

Why change?

- **Stability and predictability:** Provides consistent cost expectations and lowers risks while also adjusting for changes in primary cost drivers.
- **Enables cost-reflective pricing adjustments:** Formula can incorporate factors such as periodic adjustments based on CPI and recovery rates, ensuring that pricing remains accurate and sustainable over time.

Key considerations

- Should a pricing formula such as the one detailed in the discussion paper be implemented?
- Is a 5-year periodic review appropriate?
- Are cost drivers such as CPI and recovery rate suitable, or should others be considered?
- Should an "unders and overs" adjustment mechanism be included in the formula?

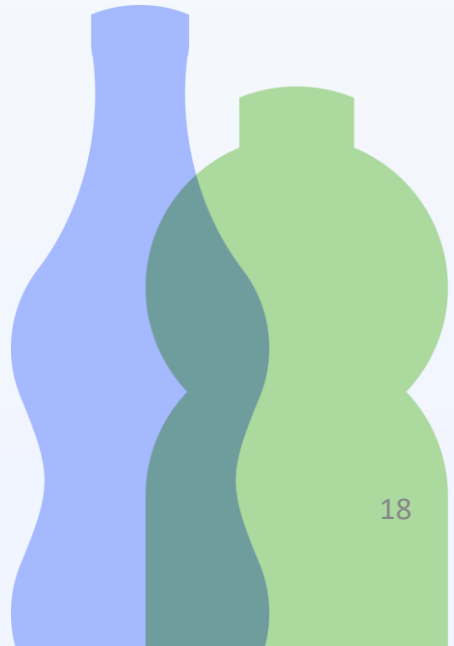
Questions: Setting long-term pricing

- Should a pricing formula such as the one detailed in the Discussion Paper be implemented?
- Is a 5-year periodic review appropriate?
- Are cost drivers such as CPI and recovery rate suitable, or should others be considered?
- Should an “unders and overs” adjustment mechanism be included in the formula?

Introducing a zero-fee container threshold

No beverage manufacturer will pay scheme price on their first 20,000 sales per year.

Beverage manufacturers are still required to register eligible products and report sales.



3. A zero-fee container threshold | Introduction of a threshold, whereby all beverage manufacturers will not pay scheme price on the first 20,000 beverage sales each year.

As the scheme has evolved and expanded the participant landscape has changed, current administrative processes are becoming increasingly challenging. The introduction of a zero – fee threshold will reduce the financial impact on the beverage industry and particularly support small businesses.

Change overview – What's different?

Current State

- There is no container threshold in the current scheme

Challenge

- Aligning initiatives with other states
- Changing participant mix featuring a larger cohort of small and micro-beverage manufacturers

Solution

- Introduction of a zero-fee container threshold which will apply to all beverage manufacturers
- Rationale of 20,000 as the threshold:
  - Aligns to the threshold set by another jurisdiction
  - Provides the highest level of benefit to stakeholder groups

Why change?

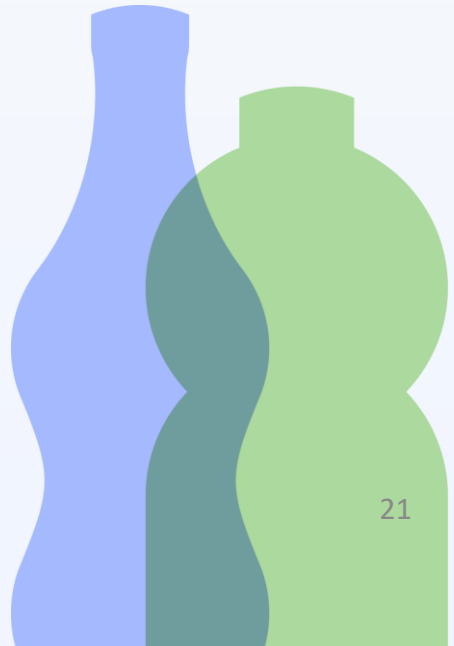
- **Industry benefits:** The 20,000 threshold applies universally to all beverage manufacturers, supporting in reducing the impact on the beverage industry.
- **National alignment:** The proposed introduction of a 20,000-container threshold, is similar to that seen in the Tasmanian scheme. Aligning elements of schemes nationally brings us closer to national scheme harmonisation unlocking benefits, efficiencies and cross-jurisdictional learnings for all stakeholder groups.

Questions: Introduction of a zero-fee container threshold

- Should a container threshold be implemented? Please provide reasons for this response.
- Should the threshold be set at 20,000 containers? Please provide reasons for this response.

Reviewing payment terms

Review payment terms to enable manufacturers to better align to industry standards and optimise cash flows.



4. Review payment terms | Review current payment terms to improve the alignment of cashflows.

This change is being considered as it could assist scheme participants better align their cashflows and provide greater flexibility to manage any unexpected fluctuations.

Change overview – What's different?

Current State

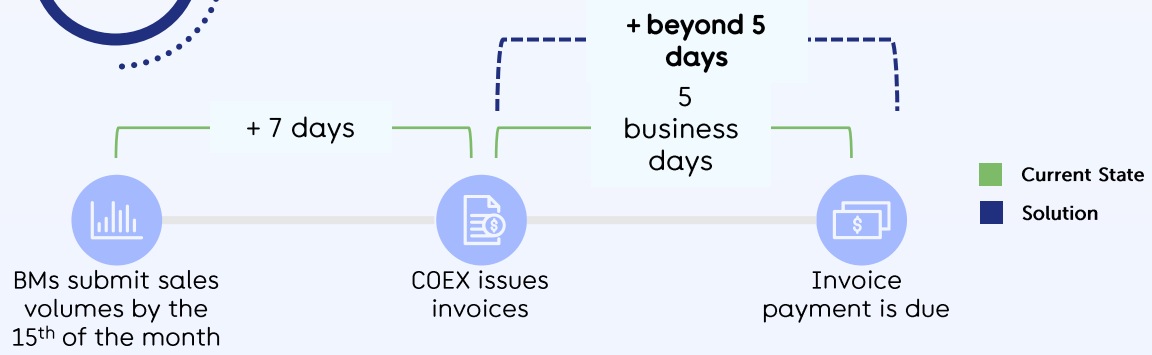
- Beverage manufacturers submit sales volumes by the 15th of the month
- COEX issues invoices within 7 days
- Invoice payment is due within 5 business days of issuing

Challenge

Payment terms for a commercial agreement can be substantially longer. This means that in many cases, beverage manufacturers pay scheme invoices before their suppliers pay them, which can create cash flow issues.

Solution

Introduce more favourable payment terms beyond 5 business days



Why change?

- **Enhanced flexibility:** Longer payment terms can allow stakeholders greater flexibility to manage any unexpected expenses or invest in growth opportunities.
- **Better management of cashflow:** Introducing payment terms beyond 5 business days will support all beverage manufacturers to better align their cashflows.
- **National alignment:** The feedback could drive a harmonised approach with other jurisdictions.

Questions: Payment terms review

- Should current payment terms be revised? Please provide reasons for this response.
- What is the optimal payment term? Please provide reasons for this response.

Glossary of key terms

Term	Definition
Cost-reflective pricing	A pricing model where scheme prices are based on the actual material-level costs to collect, process, and recycle beverage containers.
Container threshold	A policy mechanism where Beverage Manufacturers are exempt from paying scheme prices on the first 20,000 containers sold annually.
CPI (Consumer Price Index)	An economic indicator used to measure inflation, proposed as a cost driver for adjusting scheme prices over time.
Cross-subsidisation	A condition where materials with higher recovery rates or lower costs unintentionally subsidise more expensive or lower-performing materials.
Long-term pricing formula	A pre-determined structure for calculating scheme prices over a multi-year period, with adjustments based on cost drivers.
Material-type cost allocation	The process of assigning costs to each material stream (e.g., glass, aluminium, PET) based on their specific collection, transport, and recycling costs.
Over-recovery	When the amount collected from BMs exceeds the actual costs of running the scheme, often due to conservative forecasting or volume variance.
Recovery rate	The percentage of containers recovered within the scheme, used to forecast processing volumes and scheme cost allocations.
Scheme price	The amount Beverage Manufacturers pay per container to fund the scheme, reflecting net scheme costs after accounting for any offsetting income.
Unders & Overs mechanism	A pricing adjustment tool to reconcile forecasted vs. actual scheme costs, helping to prevent under- or over-recovery of funds.

Thank you

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