

OPINION

## Why the cannabis industry must address the plastics problem

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As the Canadian cannabis industry prepares to roll-out its 2.0 offering of edibles, topicals, beverages, concentrates and vapes, it will also be rolling out thousands of kilograms of new plastic waste in the form of individual packaging.

Almost immediately after the legalization of recreational cannabis in October, 2018, the amount of non-recycled plastic waste became an issue for the young industry. Health Canada's regulations were stringent when it came to safety, and include tamper-resistant packaging. While the use of plastic is not compulsory under the Cannabis Act for packaging, plastic became the cost-competitive material of choice for LPs. Health Canada does in fact encourage "the use of innovative and environmentally sound packaging approaches, provided the requirements in the Regulations are satisfied."

But, it has been estimated that a 3.5-gram package of dried flower (the default size of most transactions), comes with more than 70 grams of plastic packaging.

However, like most problems, solutions to the abundance of plastic present a golden marketing opportunity for Canada's cannabis companies. Conversely, the failure to offer greener packaging will almost certainly impact future bottom lines.

Some companies responded quickly after Oct. 17, 2018: TerraCycle partnered with several Canadian LPs and retailers to initiate recycle collection programs; Seattle-based retailer CannaWest incentivized customers to recycle by launching a loyalty program; and B.C.-based

Tantalus Labs has been identified as a Canadian LP with focused reduction in its packaging sizes.

However, based on the estimated 95,850 kilograms of dried cannabis flower sales alone in Canada between October, 2018 and August, 2019, and assuming between 70-78 grams of plastic packaging are generated for every one gram of flower, an estimated 5.8 to 6.4 million kilograms of plastic cannabis packaging still ended up in Canadian landfills during this 11-month time period (from dried cannabis flower containers alone).

So, while the Canadian cannabis industry ramps-up its new product offerings using mostly plastic packaging, there is growing consumer demand for brands committing to greater sustainability. A 2018 New York University-Stern School of Business study found that sustainability-marketed products experienced a 29-per-cent growth rate between 2013 and 2018, growing more than five times faster than conventional products, and more than three times faster than general CPG products. In more than 90 per cent of CPG individual product categories, sustainably marketed products outpaced the growth of their respective categories.

Inspired packaging innovations are well underway with leading brands and partnerships in the CPG space. In September, Coca-Cola and its strategic bottling partners Coca-Cola HBC and Coca-Cola European Partners (CCEP) announced it will end the use of shrink-wrapped plastic on its beverage multipacks across Great Britain by the end of 2021, saving 2,000 tonnes of plastic and 3,000 tonnes of CO<sub>2</sub> annually. In October, Danish brewer Carlsberg presented their Towards Zero Initiative designs for the world's first paper beer bottle, created by Denmark-based Paboco, made with sustainable and recyclable wood fibres. The new bottles will provide a 30-per-cent reduction in their full value-chain carbon footprint. Both of these are options that Canadian cannabis beverage companies can take direction from. Furthermore, new packaging standards, such as the Cradle-to-Cradle Certification, is a globally recognized measure towards safer, more sustainable product packaging made for a circular economy, taking account of material health, material reutilization, renewable energy, water stewardship and social fairness.

In Canada, the failure to adopt more sustainable packaging practices could soon come with hefty costs. In Ontario, for example, the provincial government is exploring the options of further transferring recycling costs from municipal taxes, to producer companies. Extended Producer

Responsibility (EPR) places the costs (and potential benefits) of recycling with brands, and brand coalitions. A 2019 ECCC (Environment and Climate Change Canada) study by Deloitte emphasized that to turn around the plastic industry in Canada and eliminate waste, the country needs actionable movement toward viable-end markets for recycled plastics, onboarding of collection systems, and the extension of plastic life durability to incentivize greater reuse.

The federal government, meanwhile, has indicated potentially banning several single-use plastics, as soon as 2021, in line with EU regulations. According to the ECCC study, only 9 per cent of the 3.2 million tonnes of plastic waste produced in Canada annually is actually recycled.

Cannabis brands clearly have an opportunity to distinguish themselves on the material impact of their packaging. Those that do will build greater loyalty with consumers and investors – a worthwhile goal at a time when access to new capital has become significantly more challenging.

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