

Response to the Australian Productivity Commission's Interim Report on Australia's circular economy: Unlocking the opportunities

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Submission Date: April 11 2025

About Third Pillar

Third Pillar is a specialist consultancy with global experience in the circular economy and product stewardship. We provide practical insights from working across sectors and countries, bridging policy, strategy, and on-the-ground implementation.

Response to Information Request 6.1: Protections for consumers of textiles and clothing

International Insight on Labelling and Greenwashing

The findings from *Fashion Takes Action's* 2024 consumer survey, although specific to Canada, provide valuable insights that could inform the development of labelling and anti-greenwashing policies in Australia. Nearly half of Canadian respondents reported difficulty identifying greenwashing, and many relied on third-party certifications such as Fair Trade and GOTS to validate sustainability claims on clothing. The study highlights how generic claims like “conscious collection” or “sustainably sourced” can mislead consumers, reinforcing the need for regulated labelling frameworks and credible certification systems.

Implementation Considerations for Australia

If comparable Australian data does not already exist, a similar study should be undertaken to better understand local consumer perceptions, behaviours, and trust in sustainability claims

within fashion and textiles. This would provide an evidence base to guide labelling reform and policy development, ensuring that any national labelling framework or greenwashing regulation reflects the specific informational needs and trust gaps of Australian consumers.

Insights from such a study could also support:

- The development of government accredited labelling schemes should prioritise clarity, transparency and accessibility for consumers. In designing these schemes, the government should look to similar models in related industries, such as the Climate Active certification for carbon neutral products, as a source of insights and lessons learned from their development and implementation.
- Determining which third-party certifications are most recognised and trusted locally.
- Identifying key areas where misleading or ambiguous language contributes to consumer confusion or inaction.
- Informing regulatory alignment with international efforts to combat greenwashing while tailoring approaches for domestic relevance.

Conducting this type of research would also support and strengthen existing efforts to improve product stewardship and extended producer responsibility (EPR) for textiles by ensuring consumers are equipped with accurate, trusted information throughout the entire product lifecycle.

Response to Information Request 6.2: Product Labelling for Textiles and Clothing

Effective product labelling schemes provide consumers with critical information for proper maintenance and end-of-life management, while simultaneously facilitating material identification and processing efficiency for recycling, reuse, and upcycling operations within the circular economy value chain.

Although the following examples are not specific to textiles, the underlying principles offer valuable insight into how labeling and product information systems can support circularity in the clothing and textile sector:

- **California – Integration of EPR and Truth in Labeling Laws:** California demonstrates a coordinated approach through SB 54, the *Plastic Pollution Prevention and Packaging Producer Responsibility Act*, and SB 343, the *Truth in Labeling for Recyclability law*. SB 54 requires CalRecycle, the State agency which oversees waste management and recycling programs, to apply the recyclability criteria established under SB 343 when

assessing materials covered by EPR. This ensures that producer obligations under EPR are directly informed by clear and truthful labeling requirements for consumers.

- **New York Fashion Act – Proposed Labelling and Disclosure Requirements:** The proposed [New York Fashion Act](#) would require fashion brands to label and publicly disclose information on material inputs, environmental impacts, and supply chain practices. Designed to complement a proposed textiles EPR law, it aims to increase transparency and accountability across the product lifecycle, supporting more sustainable and circular practices in the fashion sector.
- **Nordic Swan Ecolabel – Lifecycle-Based Certification:** The [Nordic Swan](#) is a well-established regional ecolabel that evaluates products based on strict environmental and quality criteria across the lifecycle, including chemical use, resource efficiency, durability, and recyclability. It is widely trusted by consumers and enables informed purchasing aligned with circular economy goals.

Information Types for Product Labels

For consumers, labeling should support informed purchasing and responsible care. Useful information includes:

- Material composition, including recycled content and fiber types
- Production methods and chemical treatments used
- Expected product lifespan (e.g. “designed to withstand 30+ washes”)
- Care instructions to extend durability
- Clear end-of-life guidance (e.g. repair, reuse, recycling drop-off locations)

For recycling and upcycling businesses, more technical information is required to support effective disassembly and processing. Useful data includes:

- Detailed fiber composition (percentages of natural vs synthetic fibers)
- Presence and type of chemical treatments, dyes, and finishes
- Breakdown of component materials (buttons, zippers, linings, threads)
- Information on construction techniques that affect disassembly (e.g. heat bonding, stitching)

Implementation Considerations for Australia

Implementing an effective product labeling scheme for textiles in Australia would require coordination across multiple policy and regulatory levers, as well as alignment with global standards and digital infrastructure:

- EPR and product labeling schemes can work in tandem to improve transparency, drive circular design, and ensure accurate lifecycle information flows from producers to

consumers and recyclers. Labeling can act as a communication bridge that supports EPR obligations by informing consumers and enabling downstream processing.

- Digital traceability systems, such as FibreTrace, can play a central role by embedding source-to-shelf information in a secure, verifiable format. These systems enable real-time data sharing along the supply chain and can feed into product labels or digital product passports to ensure information accuracy.
- Consistency and reliability of label content would require businesses and retailers to access standardised data across supply chains. This may involve international collaboration, supplier declarations, and interoperability with global standards and voluntary certifications.

Response to Information Request 6.3: Textiles and Clothing Product Stewardship Schemes

Transitioning from a voluntary, industry-led product stewardship scheme to a co-regulatory or mandatory framework can significantly influence environmental, economic, and social outcomes. Mandatory EPR schemes have been successfully implemented across more than 20 product categories globally, including packaging, batteries, electronics, and mattresses.

Global Momentum Towards Mandatory EPR

EPR regulations are rapidly expanding beyond established markets, with a clear trend towards mandatory approaches:

- **European Union:** The European Commission is actively driving mandatory EPR adoption across multiple product categories, including proposing standardised EPR schemes for textiles across all EU member states.
- **Emerging Economies:** Countries such as India, China, Brazil, and Peru are establishing mandatory EPR schemes, demonstrating the global nature of this policy approach.

As global EPR frameworks evolve, Australian businesses will increasingly face compliance requirements for both exported and imported goods. Proactively developing comprehensive EPR standards that align with global best practices can position Australian industries advantageously in international markets, while addressing domestic waste challenges and fostering a localised circular economy.

Cost Considerations

A common concern regarding increased government involvement is the potential for higher administrative costs. However, in well-designed EPR regulations, all programme costs including those related to government oversight are covered by the Producer Responsibility Organisation (PRO) through producer fees. This ensures the scheme remains cost-neutral to the government, while enabling robust compliance monitoring and enforcement. This structure is a consistent feature of most EPR laws in the United States, where PROs are required to cover state agency costs for programme administration and oversight, and can be used as a point of reference for designing similar schemes in Australia.

International Examples and Learnings

- **German Packaging Ordinance:** As one of the world's longest-running mandatory schemes introduced in 1991, Germany's system demonstrates the long-term benefits of producer responsibility. Key learnings include:
 - Clear responsibilities, coupled with strong enforcement mechanisms, ensure high compliance.
 - The system has spurred significant packaging redesign and weight reduction.
 - More insights can be found in their [30 Years of Optimum EPR report](#).
- **France's Textile EPR Programme:** France was the first country to implement an EPR scheme for textiles in 2007, covering clothing, footwear, and household linens. Managed by [Refashion](#), the scheme has evolved to not only support collection and sorting but also to incentivise reuse, repair, and recycling. Key learnings include:
 - Financial Support for Repair and Reuse: A budget of €150 million has been allocated to finance the repair of shoes, garments, and other textiles, promoting product longevity.
 - Eco-modulation Fees: Implementing fees that incentivise circular product design encourages producers to consider environmental impacts in the design phase.
 - Local Reuse Targets: Setting targets—such as achieving a 15% reuse rate within 1,500 km of the collection point by 2027—fosters local reuse markets and reduces environmental impacts associated with transport.
 - Further details are available in the [Ellen MacArthur Foundation's report](#) on France's EPR for textiles.

Implementation Considerations for Australia

- Adopting a phased approach starting with a voluntary scheme and transitioning to a mandatory framework can offer several advantages:
 - Stakeholder Engagement: A voluntary phase allows producers to actively participate in shaping the programme, ensuring the scheme is practical and considers industry insights.

- Incentivising Early Adoption: Early adopters can be recognised and rewarded, creating positive momentum and setting industry benchmarks.
- Addressing Free Riders: Transitioning to a mandatory scheme after an initial voluntary period helps tackle the issue of free riders ensuring fairness and financial sustainability.

Evidence supporting this approach can be observed in various international contexts where initial voluntary schemes provided valuable frameworks that informed subsequent mandatory regulations. For instance, the transition in France's textile sector from voluntary initiatives to a mandated EPR scheme facilitated stakeholder buy-in and programme refinement.

Response to Information Request 10.3: Supporting Innovation through Challenge-based Funding

Successful Challenge-based Funding Models

Challenge-based funding has demonstrated success in driving circular innovation across multiple sectors. Several examples showcase different approaches:

100+ Accelerator

- Launched by AB InBev in 2018 and now including Coca-Cola, Colgate-Palmolive, Unilever, and Danone, this program runs annual cohorts addressing key sustainability challenges. Each year, corporate partners identify pressing issues affecting their businesses across water stewardship, smart agriculture, circular economy, climate action, biodiversity, and inclusive growth. Selected startups receive up to \$100,000 in funding, mentorship, and opportunities to pilot solutions within global supply chains, creating implementation pathways for innovative circular economy solutions.

Ellen MacArthur Foundation Circular Design Challenge

- This program focuses on redesigning plastics packaging and products. Winners receive funding, technical support, and connections to major brands for implementation. The challenge has led to multiple commercially viable innovations now in the market.

CITEO's Circular Challenge

- France's packaging and paper Producer Responsibility Organisation (PRO) runs an annual challenge to identify and accelerate innovations in collection, sorting, and recycling. In addition to funding, winners gain access to CITEO's extensive network of industry partners and municipalities for pilot implementation.

European Commission's Horizon Europe Challenges

- These targeted challenges combine research funding with pathways to commercialization for circular innovations. The structured approach ensures innovations address specific technical barriers identified by industry stakeholders.

Third Pillar would be pleased to provide more detailed information on any of these topics as the Commission finalises its report.

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