



Despite global efforts to mitigate plastic consumption, demand continues to rise, fueled by economic growth, especially in emerging markets. (UBS)

Plastic reduction in focus

07 May 2024, 4:22 pm CEST, written by UBS Editorial Team

Recent research from the University of New Mexico found the presence of microplastics in human placentas, highlighting a pervasive issue that extends to nearly all surfaces on Earth, including human feces.

Studies indicate that infants and young children may have up to ten times the concentration of microplastics in their feces compared to adults. This discovery underscores a potentially unprecedented level of exposure and raises significant concerns about the implications for human health and development, which remain largely unknown.

In response to the growing plastic crisis, Earth Day 2024 adopted the theme "Planet vs. Plastics," advocating for a 60% reduction in plastic usage by 2040. However, the goal appears unrealistic. The 4th session of the Intergovernmental Negotiation Committee, convened by the UN to forge a global treaty on plastic reduction, concluded on April 29 with limited progress. The topic of limited plastic production was dropped from the agenda following opposition from major countries including the US, China, India, and Saudi Arabia, with discussions focusing on enhancing plastic recycling as a step towards circularity. The committee aims to finalize a legally binding treaty in its upcoming meeting in South Korea in November.

Despite global efforts to mitigate plastic consumption, demand continues to rise, fueled by economic growth, especially in emerging markets. The OECD's Global Plastics 2060 Outlook predicts a 60% increase in plastic usage by 2060, driven by GDP growth and without significant policy or technological interventions.

However, the future of plastic is not solely dependent on virgin materials. As highlighted in our "Circular economy" and "The blue economy" longer-term investment themes, advancements in recycling technologies and increased investment in waste collection are expected to shift the balance towards recycled plastics over time. Companies are aiming to increase the use of recycled PET to lessen reliance on virgin materials derived from fossil fuels, but the lack of supply of rPET is contributing to a price premium. Although scaling these technologies requires substantial initial investment, they represent a growing opportunity.

Bioplastics, derived from natural materials such as soy, seaweed, and woodchips, offer a promising alternative, currently accounting for 1-2% of global plastic demand. Despite their potential, bioplastics face challenges in scalability in the short to medium term. Nonetheless, these innovations are essential for reducing our reliance on traditional plastics and mitigating their environmental impact.

Investment takeaways:

- Demand for plastic is expected to grow in line with GDP over the coming decades, even as plastic pollution is on the rise with risks to human and planetary health. In the near term, the premium price of rPET relative to virgin PET may benefit the recycling companies with supply.
- The UN meeting on curbing plastic consumption concluded with nations focusing on plastic recycling and circularity; intergovernmental work will continue leading up to the final meeting in November 2024.
- We see opportunities in advanced recycling as waste management and collection, and recommend that investors consider exposure through our longer-term investment themes of “The circular economy” and “The blue economy.”

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Original report - [Perspectives: Heat pumps, plastic reduction, and decarbonizing steel, 7 May 2024.](#)

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