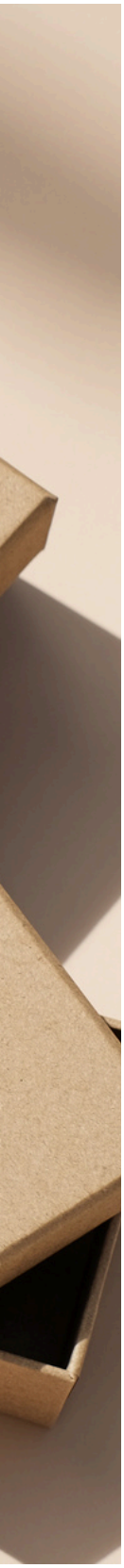


ARTICLE

Will Increasing Sustainability Regulation Accelerate Consolidation in the Packaging Sector?

This article, as part of our packaging sector coverage by Brian Barrett, Managing Director, explores how tightening regulation is reshaping the packaging industry. Could rising compliance costs and technical demands create the next wave of consolidation?



INTRODUCTION

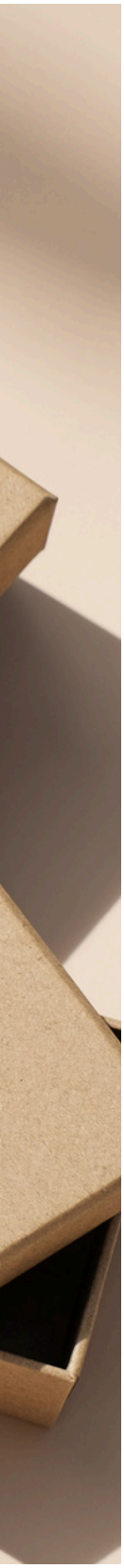
Packaging regulation is tightening on both sides of the Atlantic, although Europe and the United States are taking different routes. For example, in Europe, the Packaging and Packaging Waste Regulation (PPWR) became effective on 12 August 2026. PPWR creates a common framework covering packaging design, recyclability, recycled content, reuse and waste reduction across Europe. While the United States has no direct equivalent, regulation is developing state by state. California, Oregon and Colorado are examples of states that are among those introducing extended producer responsibility schemes that place more of the cost of packaging waste on packaging producers.

While these regulations look and feel different, they create the same commercial pressures. Packaging companies will need to invest more in design, materials, testing and data to adapt to regional regulatory changes. While larger groups can spread those costs across a wider customer and production base, smaller businesses cannot do so as easily. This raises an important question: will further sustainability regulation drive a new wave of consolidation in the packaging industry?

EUROPEAN VS. UNITED STATES MODELS

The PPWR is more than an update to existing EU packaging regulations. It changes how packaging must be designed and how its performance will be measured. From 2030, packaging placed on the EU market will need to meet recyclability requirements. Plastic packaging will also face minimum recycled-content targets. By 2035, recyclable packaging will need to be recycled at scale. The regulation applies to packaging sold in the EU, regardless of where it was produced. A North American supplier exporting into Europe will therefore face many of the same requirements as an EU manufacturer.

In the United States, the picture is less consistent. Oregon's extended producer responsibility program began operating in the middle of 2025. Colorado is moving towards a statewide system in 2026. California's rules under Senate Bill 54 became effective earlier this year and introduced significant sustainability targets. By 2032, the state aims to reduce single-use plastic packaging and food service ware by 25%. It also seeks to have 65% of these materials recycled, with all covered packaging recyclable or compostable.

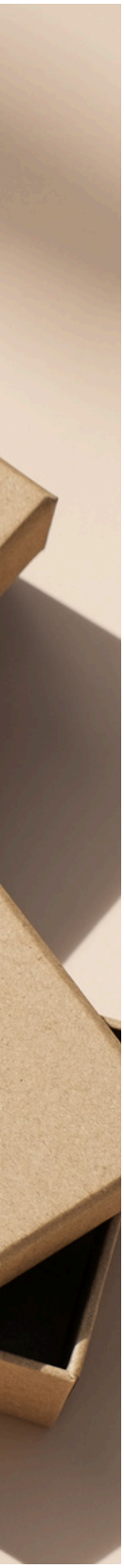


The U.S. may not have a single federal framework, but its state-led approach creates its own burden. Companies must monitor different rules, deadlines and reporting systems. For packaging groups selling across several states, that can be just as difficult as adapting to a single large piece of regulation.

REGULATORY SPOTLIGHT

Timeline	EU - PPWR	Timeline	California – SB 54
Aug 2026	Food-contact packaging containing PFAS above permitted limits is banned. Packaging must also meet EU-wide substance, recyclability and reusability requirements.	May 2026	California finalized rules requiring packaging producers to register, report packaging volumes, fund the collection and recycling system, and submit plans for meeting the state's targets.
By 2029	Member States must separately collect 90% of single-use plastic bottles and metal drinks containers, generally through deposit-return schemes.	From 2027	Producers cannot sell covered packaging unless they join the approved producer responsibility organization or receive permission to comply independently.
From 2030	Packaging must meet design-for-recycling standards; from 2035, it must also be recycled at scale.	2027-2032	Plastic reduction: Single-use plastic packaging must fall 10% by 2027, 20% by 2030 and 25% by 2032, compared with the 2023 baseline.
From 2030	Plastic packaging must contain 10–35% recycled content, rising to 25–65% by 2040, depending on the format.	2028-2032	Recycling targets: Single-use plastic recycling must reach 30% by 2028, 40% by 2030 and 65% by 2032.
From 2030	Certain single-use formats are banned, including some small fruit and vegetable packs, hotel toiletries and food-service sachets. A 50% empty-space limit also applies to grouped, transport and e-commerce packaging.	By 2032	All covered packaging must be recyclable or eligible to be labelled compostable in California.
By 2040	Packaging waste per person must fall 5% by 2030, 10% by 2035 and 15% by 2040, compared with 2018.	2027-2037	Producers must contribute $500 million annually, or $5 billion in total, towards addressing the environmental impact of plastic pollution.

Sources: Regulation (EU) 2025/40 on EUR-Lex; CalRecycle SB 54 Permanent Regulations



The cost of compliance will go well beyond changing one material for another. Packaging may need to be redesigned, tested and recertified. Production lines may require new tooling, and businesses will also need better information on material composition, recycled content and end-of-life performance. These are largely fixed costs. A large packaging group can use the same compliance team across several divisions. It can also apply a new design or material specification across multiple factories and customer markets.

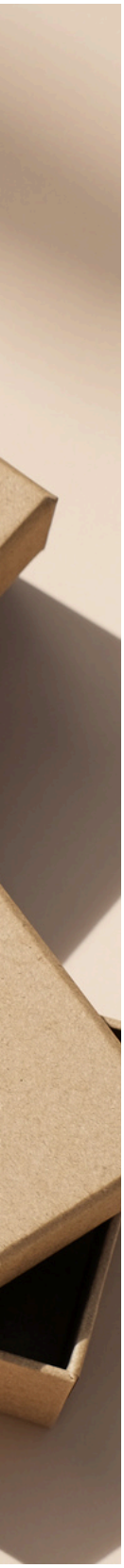
A smaller packaging converter may have to make a similar investment for a much narrower product range and customer base. With operating margins already compressed, the return on investment may not justify the cost. Access to recycled material is another issue. PPWR targets are likely to increase demand for suitable recycled stock. Larger companies can negotiate longer contracts and commit to higher volumes. Smaller producers may face higher prices or uncertain supply consequences. That does not mean every small packaging company will struggle. Specialists with valuable technology or expertise in recyclable structures may become more attractive.

The greatest pressure is likely to fall on mid-sized generalists. They may be too large to stay below the regulatory radar but too small to absorb the cost comfortably. For such businesses, selling to a larger group or seeking bolt-on opportunities may become more attractive than funding the transition alone.

FUTURE TRANSATLANTIC M&A POTENTIAL

In the EU, European packaging companies will face the pressures of the PPWR earlier and more directly. In the short term, that may put further pressure on margins and capital spending, but it may also create an advantage. Companies that adapt early will build practical knowledge within the new recyclable framework across areas such as design, material reduction and compliance reporting. That expertise may become valuable beyond Europe as global regulation changes develop elsewhere.

U.S. companies have more time in markets that have not yet adopted strict packaging rules. However, that advantage is limited. Exporters into Europe must still comply with the PPWR. Businesses selling across several U.S. states must also manage a growing patchwork of regulatory demands.



Large consumer brands are unlikely to maintain completely separate packaging systems across multiple markets. Many will push suppliers towards common designs that can meet the strictest rules across several regions.

In practice, European standards could influence packaging specifications well beyond Europe. This may impact M&A strategy where European companies may look for North American acquisition opportunities to gain scale and reduce their exposure to one regulatory market. American packaging companies may buy European businesses to acquire PPWR-ready products, technology or expertise. The result may be a more connected transatlantic packaging ecosystem with flexibility to adapt to two of the largest global regulatory systems.

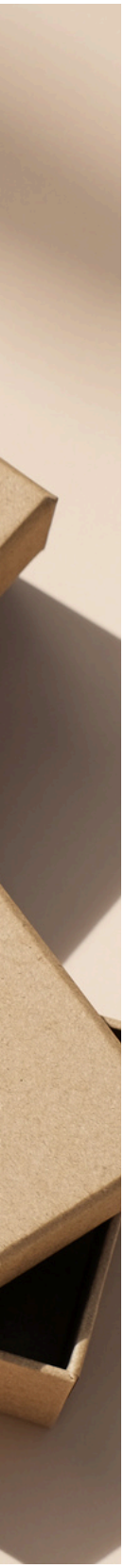
LOCALIZATION DRIVING M&A OUTCOMES

International Paper acquired DS Smith at the beginning of 2025. In January 2026, they announced plans to split the businesses into a North American and an EMEA business, to be complete by mid-2027.

That decision shows that scale alone is not enough. Large groups also need clear regional structures and capital strategies. Regulation, customer requirements and market conditions are not identical in Europe and North America. The International Paper corporate restructure will allow these two new separate entities to flex their strategies to meet the local demands of their regulatory environments and localized customer needs.

This corporate restructure was not solely driven by a financial outcome, but rather by a combination of cost savings, customer reach, product diversification and regional regulatory demands. In this example, adaptation to regional sustainability rules will be easier and more manageable, with clear benefits arising and becoming more valuable.

Source: S&P Capital IQ



CONCLUSION

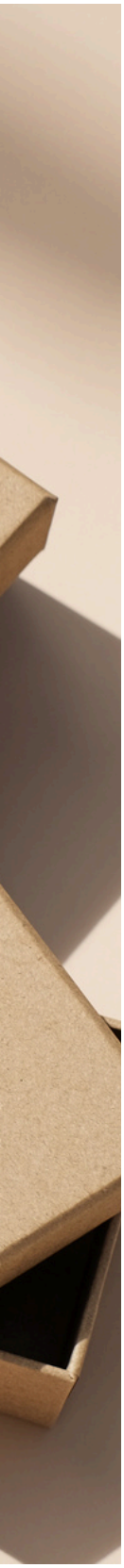
Sustainability regulation is likely to become a stronger force behind packaging consolidation in both Europe and North America. The PPWR will bring the most immediate change to the market. It sets clear deadlines and applies to all packaging products placed on the EU market. In the United States, regulation is more fragmented, but the flow and direction are similar. Producers are being asked to take greater responsibility for packaging waste and prove that their products can work within a circular economy.

For packaging companies, this means higher costs and greater technical demands. Larger groups are better placed to absorb that pressure as they can spread investment across more customers, secure material supply and build dedicated compliance teams.

Smaller specialists may also benefit if they develop and own technology or expertise that larger companies require. The businesses most challenged by regulatory change are likely to be those without either scale or a clear technical niche to navigate imminent demands. Europe may move first, but the effects will not remain in Europe. North American exporters, multinational brands and cross-border packaging groups will all be pulled into the PPWR's orbit.

At the same time, state-led rules in the U.S. will add another layer of cost and complexity. The main divide will not be between European and American packaging companies; it will be between businesses that can quickly adapt and those that cannot. That makes further consolidation increasingly likely.

Sustainability experience and expertise in meeting the demands of live regulatory pressures will not be the only reason deals happen, but it may become a supporting USP to underpin a strategic transaction.



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