

The Australian Industry Group

Circular Economy and Waste

Post pandemic policy

August 2020



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About Ai Group

The Australian Industry Group (Ai Group®) is a peak employer organisation representing traditional, innovative and emerging industry sectors. We have been acting on behalf of businesses across Australia for nearly 150 years.

Ai Group is **genuinely representative** of Australian industry. Together with partner organisations we represent the interests of more than 60,000 businesses employing more than 1 million staff. Our members are small and large businesses in sectors including manufacturing, construction, engineering, transport & logistics, labour hire, mining services, the defence industry, civil airlines and ICT.

Our vision is for **thriving industries and a prosperous community**. We offer our membership strong advocacy and **an effective voice at all levels of government** underpinned by our respected position of policy leadership and political non-partisanship.

With more than 250 staff and networks of relationships that extend beyond borders (domestic and international) we have the **resources and the expertise** to meet the changing needs of our membership. We provide the **practical information, advice and assistance** you need to run your business. Our deep experience of industrial relations and workplace law positions Ai Group as **Australia's leading industrial advocate**. We **listen** and we **support** our members in facing their challenges by remaining at the cutting edge of policy debate and legislative change. We **provide solution-driven** advice to address business opportunities and risks.

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Executive Summary



The circular economy and waste have never been bigger news, or more firmly planted on the agenda of Australian governments, than today. There is broad agreement that Australia needs to transition to a circular economy and do our part in tackling the waste crisis.

Despite that consensus, Australian recycling is challenged by collapsing foreign markets, contaminants and our comparatively small local market for recycled input material. Governments need to explore more complementary measures to build national and sustainable markets for recovered materials.

The heart of the issue is that without demand for recovered materials we are unlikely to succeed in any of our waste goals.

Despite the challenge, the waste crisis presents us with significant opportunity. Innovation is the gateway for turning waste from a problem into a product and our country is home to many great innovators. We have strong capability in this regard.

Industry acknowledges that it has a role to play in lowering the costs and overcoming the challenges associated with transitioning to a circular economy. Still, a shift away from our use-and-throw model will require effort from all corners. Overcoming the waste crisis and achieving a truly circular economy takes teamwork from industry, government and the community.

Now more than ever, we need a harmonised and comprehensive 'all hands on deck' approach to reduce waste in the first instance; make better use of waste streams that can't be avoided; decrease our need for landfill; reduce or eliminate environmental impacts; and achieve circularity, all while growing the economy and providing Australians with the products they need. We have seen great strides from industry, government and the community towards these goals in recent years, but there is still much more to do.

It is a tough ask, but Australia has the talent and capability to rise to the occasion. After all, a clean, prosperous and innovative Australia is in the best interest of all of us.

A handwritten signature in black ink that reads "Innes Willox". The signature is written in a cursive style and is positioned above a horizontal line.

Innes Willox

Chief Executive

Australian Industry Group

PART ONE

1.State of Play

The window for Australia avoiding or mitigating a waste crisis has passed. The China Sword Policy, volatile markets for recyclables, government indecision and delay, consumer behaviour and many more factors mean Australia's waste has fewer options for a meaningful second life and more is going to landfill.

The heart of our challenge is that the market prices of new materials, recovered materials and waste disposal do not match with the values that governments and individuals say we place on them; and that given these prices, current technologies for waste reuse, recycling and recovery are not sufficiently financial to manage as much of the waste stream as we all say we want. Unless prices, goals or technology change substantially, we will continue to be disappointed by the results.

The market alone understandably has not solved the problem. Current public policy settings, including the National Waste Policy Action Plan and state actions, are insufficient for government intervention to solve the problem either. This is because building and sustaining a truly circular economy takes a village.

“Solving the waste crisis and moving to a genuinely circular economy will involve a significant shift in the way Australians live their lives and have consumed and managed their waste for decades.”

Governments at all levels, industry and the community all have an active role to play. Despite this, many of our policy actions are being undertaken in a vacuum.

The National Waste Policy Action Plan diverts most responsibilities back to the states or other parties like the Australian Packaging Covenant Organisation, without a robust mandate for these parties to collaborate, harmonise and strive to exceed targets, rather than just deliver them. While the Plan does refer to the need to discuss the use of new market- or compliance-led initiatives to help manage the cost and responsibility of a shift to circular economy, it provides no real roadmap or commitment to implementation, leading states like NSW to plan fragmented state-based approaches to targets, design standards and even product stewardship in their recent discussion papers.

It is not easy for government or industry to solve the waste crisis. There is no one size fits all approach or silver bullet. Though there are many best practice examples from around the world to draw on, Australia is unique in many ways and must contend with elements that many of these governments are not challenged with. Our climate, limited and import heavy market, geographically isolated location, small population size and large land area present industry and policy makers with many challenges.

In addition to the waste crisis, Australia is also now confronted with the mammoth task of trying to rebuild from the catastrophic impacts of COVID-19 on the local and global economy. Economic recovery investment can be an opportunity to plug gaps between our waste reduction goals and what is currently commercial – to grow the economy while making it more circular.

“It is not easy for government or industry to solve the waste crisis. There is no one-size-fits-all approach or silver bullet.”

2. Directions

2.1. Harmonisation and avoidance of fragmentation

Harmonisation of waste approaches and systems is important and should be encouraged across local government areas and States. The benefits include economies of scale, easier entry to standardised markets and clearer more consistent advice and education, which is desperately needed, for households and businesses. Pursuing harmonisation should not prevent innovation or ambition.

It is particularly important for product and design standards to be Australia wide, and harmonised with international standards wherever possible. Fragmenting the standards landscape leads to confusion, non-compliance, additional cost to industry and higher prices for consumers. It also creates issues with non-conforming product, which enables nefarious market players to exploit the system for profit and disadvantage those who are doing the right thing.

“The states, endorsed by the MEM (Meeting of Environment Ministers), should create a circular economy and waste policy working group to share knowledge and aim to harmonise wherever practical.”

This group could look at a unified approach to managing discrepancies not only between themselves, but between the local governments within them. Less fragmentation among local and state governments would have the following benefits:

- Enable governments, NGOs and other stakeholders to work together on large scale public education campaigns, which are critical, yet currently hindered by too much fragmentation and lack of consistency;
- Develop a consistent national approach to the collection of waste data to help address data quality issues and gaps, which can be attributed to both the difficulty and cost in collecting¹;
- Facilitate a strong, unified working relationship with bodies such as Standards Australia and APCO to accelerate the harmonisation of standards for packaging and other products, allowing for greater industry and consumer confidence in the increased use of recycled inputs; and
- Provide direction to the various product stewardship schemes operating in Australia, including developing them further and implementing new schemes where appropriate. Any product stewardship or extended producer responsibility schemes should be implemented on a national scale, in close consultation with industry.

This working group should regularly engage with industry, environment and social groups as well as academic stakeholders to inform their decisions. Decisions by this group should reflect a commitment to circular economy and whole of supply chain thinking. Industry in particular, would have an important role to play here. Regular engagement should also go beyond ad hoc consultation or presentations, acknowledging that the most meaningful action is inclusive, and should involve independent industry, social and environmental representation. The structure might seek to have state representatives and their local government association counterparts in leading roles, with a standing group of stakeholders from each segment of society (industry, social and environmental groups) supporting them.

The continued difference in approaches across states in their application of allotted responsibility under the National Waste Policy Action Plan and other initiatives (state and otherwise) is not likely to achieve the best outcome for Australia as a whole. Only when working together can the states realise the best circular economy and waste avoidance and management

¹ National Waste Report 2018, p. 5

vision for Australia. If we remain fragmented and uncoordinated we are likely to continue to fall short of our goals.

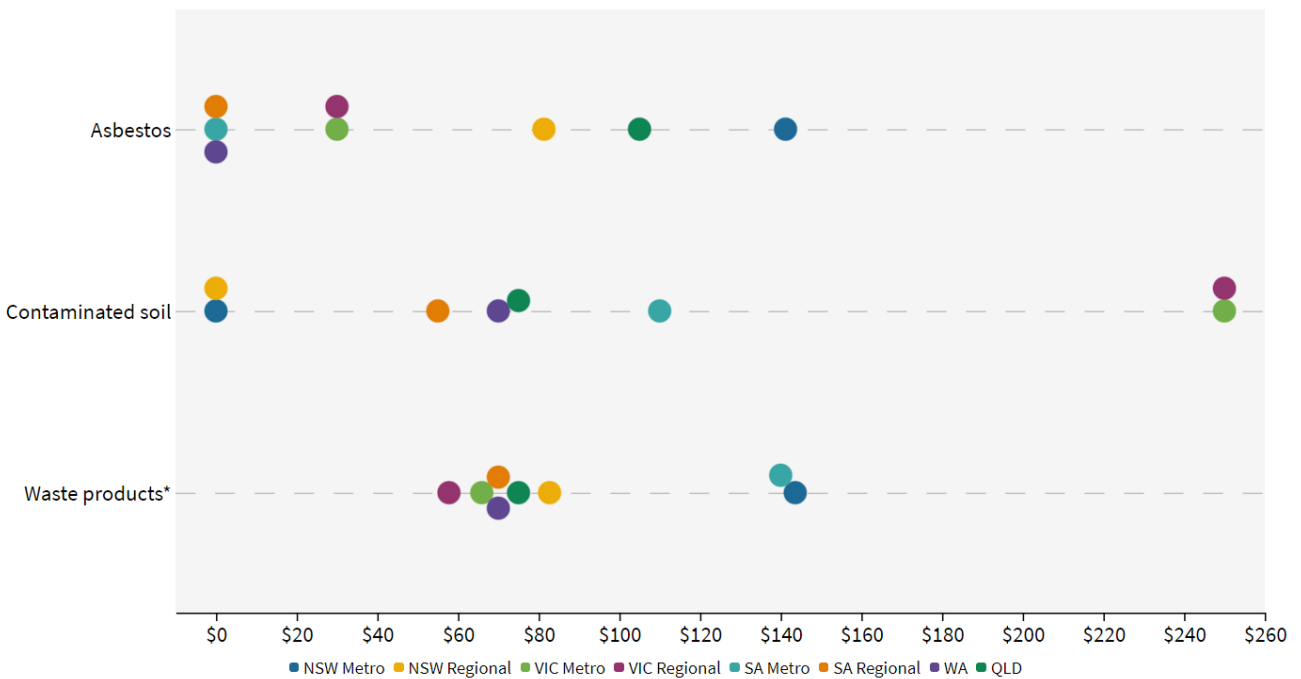
2.2. Waste Levies

As a part of a national effort to harmonise, governments should collaborate to better manage waste levies to avoid unintended negative consequences (e.g. levy avoidance industries), as well as commit to reinvesting more collected funds to circular economy initiatives and better waste management infrastructure.

“Governments should collaborate to better manage waste levies and commit to reinvest more collected funds to circular economy initiatives.”

In 2018-19, the reinvestment rate of the waste levy into activities relating to waste and recycling, state EPAs or Climate Change (VIC) by states ranged from 10.9% in NSW, 25% in WA, 66% in Victoria and 73% in South Australia². Although the existing reinvestment has helped to fund important programs, the low rate of reinvestment in many states is problematic, and all states need to commit to improving their reinvestment rates. If agreement on targets for reinvestment cannot be reached between states, individual states should increase reinvestment independently. Reinvestment is not an absolute and States should not commit money to low-value activities; however, the scale of the existing waste challenge makes it clear that we are a long way from running out of critical reinvestment needs.

Complexity of State Waste Levies (\$/tonne of waste)



Source: EPA NSW, EPA VIC, EPA SA, WA Department of Water and Environmental Regulation, QLD Government Levy Rates • Waste products can include MSW, C&I, C&D as well as ‘waste’, solid waste, putrescible waste and inert waste (unless otherwise stated). See state government websites for more detailed information.³

² NWRIC White Paper: A Review of State waste and Landfill Levies, p.3

³ See full data visualisation [here](#): Waste – Australian State of Play, Ai Group, February 2020, p.8. (Figures accurate as of January 2020, with the caveat that in order to compare, Ai Group had to generalise rural/regional levies, waste types and other factors)

2.3. Government Reform

Governments at all levels should embed circular economy principles and requirements into all procurement and grant processes. This should go beyond blanket recycled input specifications (which are inflexible and vulnerable to supply issues) and foster genuinely improved outcomes and innovations.

“Federally, government should acknowledge that the economic reform and industry development aspects of waste and circular economy policy extend beyond the scope of the Department of Agriculture, Water and Environment portfolio.”

Drawing on wider expertise and leadership and integrating waste and circular economy goals in wider policy making, including via the Treasury and the Department of Industry, Science, Energy and Resources, would help.

2.4. Recovery investment potential

There has never been a better time for extensive government investment in waste and circular economy in order to stimulate jobs and growth, as well as meet our critical requirements. Focusses for support can include new waste and resource recovery infrastructure and supply chains; incorporation of recovered materials as inputs to existing industries; and the commercialisation of new processes and products that incorporate recovered materials.

“Government investment in waste and circular economy can stimulate jobs and growth while meeting our critical requirements.”

There are many different forms of support that may be appropriate in different contexts: grant funding, tax incentives, loan guarantees, equity investment, production credits, procurement guidelines and more. Embedding circular principles into the full range of government infrastructure, procurement and grant-making processes would likely make a big difference.

Consistent with the sustainable markets section below, circular economy recovery investments need a basis for longer term financial viability. To the extent that wider reforms for sustainable markets are not undertaken, recovery investments will need to involve either greater initial capital subsidy, or a long tail of operating support.

2.5. Transparency in supply chains

Australia must build greater domestic capacity to handle waste, however there is much to be gained from international trade and supply chains.

It is unlikely that it will ever be practical or economic to pursue complete supply chain autonomy, therefore we must work on greater transparency, resilience and mutual trust in our international supply chains. This will enable comfort in those instances where part, or all, of the processes required to give waste a second life are best handled offshore.

“We must work on greater transparency, resilience and mutual trust in our international supply chains.”

2.6. Sustainable Markets

The key barrier to many circular economy activities is not the initial investment, but the current cost gap between once-

through and circular approaches and the consequent uncertainty about sustained demand. Governments must provide effective support measures to build sustainable markets for recycled product. Waste bans and other targets will not themselves create the domestic markets and requisite infrastructure required to absorb large volumes of waste onshore and give it a meaningful second life.

“State and federal government should work together to help build sustainable markets for recovered materials.” Federal and state governments should work together to:

- Support strong end markets for recovered materials and encourage their use in products and packaging;
- Embed circular economy principles into all government procurement guidelines and align standards and specifications nationally for products and inputs to drive greater use of recovered materials in products, packaging and new construction projects;
- Establish a framework for annual reporting for local, state and federal governments on how much recovered material they have used or purchased each year. Large businesses in particular have made transparent and demonstrable strides towards greater sustainability in procurement and other areas, governments should follow their lead;
- Invest in consumer education about the value of circular economy and making informed decisions about the purchase of products with re-use and recycling potential. This should be pitched at a broad audience, and embedded into school curricula if possible; and
- Consider options for incentivising local industry and importers to invest in products with greater re-use and recycling potential and/or to develop or improve products and processes to incorporate more recovered materials. There should be a focus on upstream supply chain measures that could positively impact the end of life management of products and maximise their value.

“Sustainable markets for recovered materials will require effective public policy to be closely coordinated with industry through consultation and partnership.”

2.7. Waste Export Ban

It is important to solve waste problems rather than merely pass them off on others. However, there are problems to resolve with the COAG decision to ban certain waste exports, as raised by Ai Group and other stakeholders throughout the consultation process.

Prohibitions on the export of materials collected as ‘waste’ need to be nuanced, because of the many complexities in our waste streams. We should not close the door on genuine export markets for materials collected in Australia – particularly where the result may be greater landfilling of valuable materials.

The Act and delegated legislation that underpin the waste export bans should be drafted in close consultation with industry to ensure that they are fit for purpose and will not have any unintended negative consequences that could be reasonably foreseen and managed through good stakeholder engagement and problem-solving.

Additionally, we need a plan for problematic waste that cannot be, or has not yet been, avoided, designed-out or processed. This involves acknowledging that landfill still has a place in the circular economy transition, even if that place is at the bottom of the waste hierarchy. To ensure we have adequate, operable, affordable and responsible landfill capacity as long as we need it, landfill must be considered in planning, infrastructure, environment, regulatory, recovery stimulus and other contexts. States should also facilitate the development of greater waste-to-energy capability, in line with the waste hierarchy.

“We should not close the door on genuine export markets for materials collected in Australia – particularly where the result may be greater landfilling of valuable materials.”

