

24 November 2018

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Sydney NSW 2000

RE: ASBG's Submission on NSW Circular Economy Policy Statement and Discussion Paper

The Australian Sustainable Business Group (ASBG) welcomes the opportunity to comment on the *NSW Circular Economy Policy Statement – Too good to waste* (the Circular Economy Policy) and *Too Good To Waste - Discussion paper on a circular economy approach for NSW* (Discussion paper).

The [Australian Sustainable Business Group](http://www.asbg.net.au) (ASBG) is a leading environment and energy business representative body that specializes in providing the latest information, including changes to environmental legislation, regulations and policy that may impact industry, business and other organisations. We operate in NSW and Queensland and have over 110 members comprising of Australia's largest manufacturing companies and other related businesses.

Comments on the Policy and the circular economy are provided. In general ASBG is supportive of the of the Policy, but has concerns on the implementation and interpretation and offers additional ideas on the way the Circular Economy can be best implemented in NSW.

In addition, ASBG has identified contradictory environment protection policies working against the circular economy and discusses them.

1 Overview

ASBG supports the general thrust of the Circular Economy Policy and its direction. It is recognised the circular economy policy is a long term process and one which will continue. Many ASBG members have embraced the circular economy principles and there are many examples where businesses have diverted waste from landfill and introduced many different recycling systems and schemes, with many national industry based schemes such as for newsprint. Many of our members are in the business of recycling and or consume a major component of their activities for example:

- Paper recycling
- Newsprint recycling
- Steel and metal recycling
- Kerbside recycling
- IT and electrical equipment recycling
- C&D recycling
- Asphalt recycling
- Concrete recycling
- Other waste recycling

Recycling and beneficial reuse have always been part of Australia's economy. With increased emphasis on diversion from landfill and the subsequent cost drivers, recycling has increased significantly over the last two decades.

The recent China National Sword has impacted on recycling across the world. In Australia it has mainly impacted on kerbside recycling, via a cascading collapse of a variety of recycled product markets. To assist Government ASBG prepare its *Framework Approach to a Revamped/Reengineered Recycling System* which is attached in Appendix A. The Framework introduces key elements to build a efficient cost-effective revamped recycling systems including:

- Standardise the categories of collected recycle streams nationally.
- Reduction of contamination levels from point of collection to recycled product is essential to access existing markets and generation of new markets for such products.
- Regulatory reforms to reduce *red tape*, high costs, permit further down-cycling and improve the planning approval processes for waste infrastructure.
- Preference for a Nationally based approach, to standardise and remove *red tape*
- Support for Energy-from-Waste
- Improved streamlined approaches for business-to-business recycling
- Proviso of new financing approaches to assist in the revamping of recycling systems.

For a long term Circular Economy ASBG also adds the following principles:

- **Be market driven**, and avoid generating new recycling products where there is a limited market. Where practicable markets can be increased and develop via procurement and advertising campaigns.
- **No legislation needed.** The most successful long term recycling and waste reduction programs have been on a voluntary basis. Interventions such as waste levies have resulted in many perverse outcomes such as long haulages and arbitrages between markets. Interventions such as setting recycled content have resulted in many failings internationally. In short markets tend to suffer from red tape intervention, which should be avoided.

2 Support and Ideas for the Policy

ASBG strongly supports the key areas for a circular economy, but adds ideas and comment:

- **Support innovation:** - via a suite of measures including increased Government financial support such as provided under Waste Less, Recycle More and the initiatives of Sustainability Victoria. Use of fast tracking and exemptions from certain regulatory conditions, such as being captured by EfW Policy, for new technologies which are otherwise pigeonholed into an ill-fitting policy category.
- **Procurement:** ASBG applauds the NSW Government for taking the lead in this area. However, notes the need for risk-based approaches to recycled products is required to remove perceived risks associated with experimentation in new recycled materials and products.
- **High quality consistent recycling:** Financial support for new infrastructure in recycling may be required. Additionally the tricky issue of better managing contamination of waste streams at the point of generation to the entry into the recycling plant and product delivery to the customer. A contaminant finds policy is urgently required in this area to invoke an easy to engage process to remove the contaminant/s with minimal business interruption.
- **Value Organics:** - Removal of food organics and garden organics from landfill space is supported, but notes this has many challenges. Finding of new markets, management of contaminants, which may poison biological processes and contaminant finds are some of the issues that will need to be addressed in order to pursue this policy.

- **Mainstream Product Stewardship:** ASBG supports a voluntary product stewardship program and strongly supports the work of the Australian Packaging Covenant Organisation. Again ASBG urges the avoidance of legislation to force, for example percentage recycled content in a product. Additionally, this should be driven at the National level and with NSW assisting only in advice or only if required by the National approach.
- **Responsible packaging:** ASBG supports a voluntary product stewardship program and strongly supports the work of the Australian Packaging Covenant Organisation and notes this largely affects kerbside bin issues.
- **Support reuse and repair:** - There are many interesting models which encourage reuse and repair for a variety of products. Transferring this concept into a workable program is best achieved in a collaborative manner with manufactures and product suppliers in partnership with Government agencies on a product area-by-product area approach.
- **Better Design:** This is partly influenced by the procurement and innovation policy. Use of low waste design in use and manufacturing is welcomed, but as Australia is more of a product importer, there is a limited range of domestic products where this can be applied. Again use of grants, awards and other incentive programs are considered worthwhile methods to increase better design.

2.1 Comments on the Policy and Discussion Papers

In the section manufacturing in NSW, the discussion paper identifies the size of manufacturing, but does not compare it to other sources of waste in NSW economy, such as construction, mining and agriculture etc. ASBG is concerned there is a lack of recognition that a significant amount of waste is generated from imported products. Many single use items such as balloons and plastic straws are imported.

The high cost of labour and waste management in Australia can make recycling off-shore more attractive. However, in doing this Government will have little direct control over such processing. Nevertheless, off-shoring of recycling is an increasing consequence given the rapidly increasing red tape being applied to NSW's Recycling sector (see below). This is another argument for avoidance of legislation to force a circular economy, which may simply off-shore our waste.

ASBG welcomes the definition of a circular economy, which is broad and accepts that many recycled products will be down-cycled materials. However, the concept of a circular economy needs to also express that some waste, albeit a much smaller volume currently is being generated, is better off going to landfill. It must be recognised that recycling has its environmental limits as well as economic ones. This can be expressed as the point where the natural resources required to recycle a product exceeds the natural resources it replaces.

3 Environment Protection v Circular Economy & Struggling Recycling

The NSW recycling sector is struggling on multiple fronts including:

- China's National Sword impacts
- Shrinking manufacturing sector reducing markets for recycled products
- Impact of Queensland's Waste Levy, which will drive at least 500,000 tonnes per annum of C&D and contaminated soils back into the Sydney market in July 2019
- The NSW Government's closure of Alternative Waste Facilities, which were diverting ~500,000 of general waste away from landfill
- Increased red tape recycling, which is discussed in section 3.1

Development of the *EPA's Asbestos Waste Strategy* and other environment protection policies involving the waste sector should not be undertaken in isolation to the Circular Economy Policy. To do otherwise, as is the current case, will simply fill our landfills quickly, leaving Government with the vote loosing task of siting new

landfills and or other unpopular waste management and disposal technologies. Consequently, the NSW Government needs to recognise and assess environmental protection knock-on effects on landfill and recycling systems. For example, use of the *presence* level for asbestos as in the *POEO Amendment (Asbestos Waste) Act 2018* contradicts the EPA's *Strategic Plan*. It will strongly promote diversion of wastes away from recycling and beneficial reuse and into landfill. What is required is an overarching policy to carefully balance environmental protection initiatives with the Circular Economy. Only then will NSW optimise the management of its waste in an efficient and low cost manner and do at a reasonable and environmentally tolerable level of risk.

Government policy must also recognise most recycling activities have small profit margins per tonne. This is reflected in the need for large economies of scale and large recycling plants. Hence, many subsectors in the recycling sector can easily be made uneconomic by additional *red tape*.

3.1 C&D Most Affected

Balance between environmental protection and the Circular Economy policy direction has been distinctly swung against the circular economy. C&D recycling has been significantly affected with increasing recycling costs and liabilities with the recent controls added including:

- The *POEO Amendment (Asbestos Waste) Act 2018* undermines confidence in C&D recycling due to unscientifically based liabilities, especially from the proposed *presence*-based approach. As asbestos is ubiquitous any waste stream will have asbestos fibres present, hence there is little which escapes this liability and is more the matter of looking carefully for its presence as it will likely be found.
- Amendments to the *POEO (Waste) Regulation* due to uncertainties on when and how the EPA will be *satisfied* transport to *bond fide* recycler has been achieved and or EPA *believes* the mass balance provided by a C&D recycler.
- *Standards for managing construction waste in NSW* → this is little different from its drafts which were considered unworkable by ASBG¹ and the C&D recycling sector.
- Proposed standards including: for *Scrap Metal Industry Minimum Standards* and [Fire Safety in Waste Facilities](#), which affect metal and combustible material recycling.

ASBG has provided submissions on the following recent areas where EPA proposed to, and in many cases implemented, increased controls on the recycling sector, largely C&D sector, for environmental protection reasons:

- [ASBG's Submission on the EPA's Asbestos Strategy - 2018](#)
- [ASBG's Submission on Asbestos Waste Bill 2018](#)
- [Submission on NSW C&D and Other Waste Reforms 2017](#)
- [ASBG's Submission on the Waste Infrastructure Strategy 2017](#)

As a result of the increase in these additional policy and legislative controls on recycling in NSW and the removal of the *Mixed Organic Waste Resource Recovery Exemption and Order*, ASBG forecasts a materially significant increase in waste diverted to landfill. These environmental protection policies have been done in isolation from consideration of their effect on the circular economy and paints a Government policy process in conflict where the outcomes are diametrically opposed. Environmental protection dominates and the circular economy becomes a token after thought.

ASBG has considered the above discussed policies and EPA actions and their forecast impact on diversion into landfill as shown in table 1.

¹ See [ASBG's Submission on Asbestos Management in C&D Recycling](#) 2014

Table 1 Environmental Policies and Impacts on Increasing Waste to Landfill	
Action or Policy	Diversion to landfill (tonnes per annum)
NSW Government's closure of Alternative Waste Facilities	500,000
Recommencement of Queensland's Waste Levy	800,000 (NSW Wide) 500,000 Sydney area
Increased controls on C&D Recycling and shrinkage of this recycling service – assumed current level of enforcement and its flexibility (includes increased asbestos liabilities and new operational standards)	50,000 to 100,000 per year loss increasing by this amount i.e. the sector will shrink in capacity suddenly by 200,000 due to recent red tape then at least by 50,000 per year due to increased liabilities and regulatory actions.
Total Diversion to landfill 2019-2020	1,500,000

As newer environmental protection controls are added, such as for scrap metal, fire controls at recycling yards and other red tape, this total amount is considered conservative. Given NSW disposes of 4.6 MT per annum of waste, the 1.5 MT forecast increase in 2019-20 represents a 30% increase in waste flows to landfill. In contrast the NSW Government's [WARR Strategy](#) targets includes increased recycling rates for:

- Municipal solid waste from 52% (in 2010–11) to 70%
- Commercial and industrial waste from 57% (in 2010–11) to 70%
- Construction and demolition waste from 75% (in 2010–11) to 80%
- Increase the waste diverted from landfill from 63% (in 2010–11) to 75%.

Again the new red tape hitting and poor policy on recycling in NSW will substantially undermine these targets. They will not be achieved as a direct result of the environmental protection policies and red tape introduced by the EPA and the NSW Government.

As the EPA is charged with environment protection above other considerations, it is appropriate that the Circular Economy is driven by a separate Government agency, which should increase its importance over EPA's dominant policy position.

ASBG is also concerned over the lack of assessment of environmental protection policy on the circular economy. The [Better Regulation Statement on the POEO \(Waste\) Regulation 2014](#) did not address the impact on the circular economy nor increases in landfilling. In fact it forecasts an increased cost of \$118.83m on C&D recycling facilities alone. There needs to be consideration of environmental protection policies and legislation and its impacts on the circular economy, so there is at least an understanding of why the circular economy will fail in the short term in landfill diversion.

ASBG recommends the Circular Economy Policy:

- ***Be driven at a whole of Government level, with the lead agency being the Office for the Environment or by a separate entity similar to Sustainability Victoria.***
- ***Require a Circular Economy Impact assessment be undertaken on new policies, legislation and standards which affect waste management in NSW and other matters related to the circular economy.***

The outcome of the current dominance of environmental protection on recycling and its products is simple. NSW will run out of landfill capacity faster than forecast, Given a new landfill requires 10 years planning lead time, NSW Government had better start the process of identifying new landfill sites now.

This submission has been prepared with the input and assistance of members of ASBG's Policy Reference Group (PRG).

Should you require further details and clarification of the contents of this submission please contact me.

Yours Sincerely

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ASBG's Framework Approach to a Revamped/Reengineered Recycling System

ASBG has developed this long term framework, based on member input, in response to the increasingly difficult economic environment of recycling across Australia. To provide confidence that businesses are concerned about recycling ASBG is looking to maintain existing recycling levels in this time frame. ASBG's key actions include:

Scale of the issue and response: Identification of the scale of the economic problems affecting recycling. Its purpose is to identify the extent of support and investment required in the sector. Minimising cost to revamp recycling is essential.

Physical Approaches: The two bin recycling system is no longer effective and new systems are required in collection, transport, MRFs and recycling facilities aiming for lower contamination levels and higher quality recycled products attracting higher prices. A key element in this approach is to develop a national *Agreed standardised set of source separated categories* for collections, which is likely to increase the number of categories for collection. Standardised inputs with should provide increased certainty in reengineering MRF and other recycling facilities. Improved education of the public and other recycle generators will be simplified and revamped following this standardisation.

Markets – New and expanding existing: Improved lower contamination levels via use of *source separated systems* will deliver higher classes of recycle for domestic and international markets. However, there is a need to develop new end uses for recycled materials, such as those based on engineered fill, down cycling and other markets. Adoption of recycled content procurement policies by Government is also required. For example, require the use of glass fines for engineered materials by government agencies in infrastructure, provided standards are met. *Industry innovation* → Supporting concept to market ready innovative new recycled materials, processes, products and end markets, including regulatory and grant supports and removal of green tape.

Regulatory / Policy Framework: Working with industry and the waste sector to deal with recycling in a cooperative manner to develop efficient governance and remove over regulation [green tape] on recycling, such as:

- *Outcome* based [environmental] measures preferred with *process and activity* based measures avoided.
- Avoid regulation of B2B by-product recycling where a common raw material used in another *bond fide* process.
- Promote the use of EfW, including use of existing industrial thermal processes.
- Establish the national waste database, increased waste tracking and economic modelling of waste and recycling.
- Review waste levies to: better support recycling via hypothecation and levy discounts on their waste streams, lowered to levels to reduce illegal dumping and disposal and to disincentivise long haulage of waste.
- Government to lead in progressing regulatory approvals for new and reengineered recycling facilities.
- Review of planning rules to increase community responsibilities for their wastes on a regional basis as in the UK.
- Remove planning approval road blocks to waste infrastructure, recognising waste is also a local health issue.

Financial Support and Approaches: including new grant schemes for new kerbside bins, MRF upgrades, and market support. Revised contracts to better share the risks in recycling markets between Councils and contractors. Development of low cost finance such as Australia's CEFC to support the revamped recycling system funding required.

Main Actions for Governments based on the above:

Progress an efficient; low-cost revamped reengineered recycling system with actions to:

1. Develop *Agreed standardised set of source separated categories* for collection.
2. Develop *recycled product standards* that are cost effective and environmentally responsible.
3. Review waste legislation, levies and polices to enable recycling to become efficient and profitable again.
4. Establish National, State and Territory Taskforces to enable the above actions, which include all major stakeholders to facilitate a new revamped and reengineered recycling system for Australia.
5. Establish improved financial funding for improved recycling.
6. Identify the scale of the recycling issue, the economic impact and support required and to establish the balance between onshore and off shore processing.