

09/03/2018

# China's National Sword policy

## The impact on Australia's recycling

Presented by Mike Ritchie

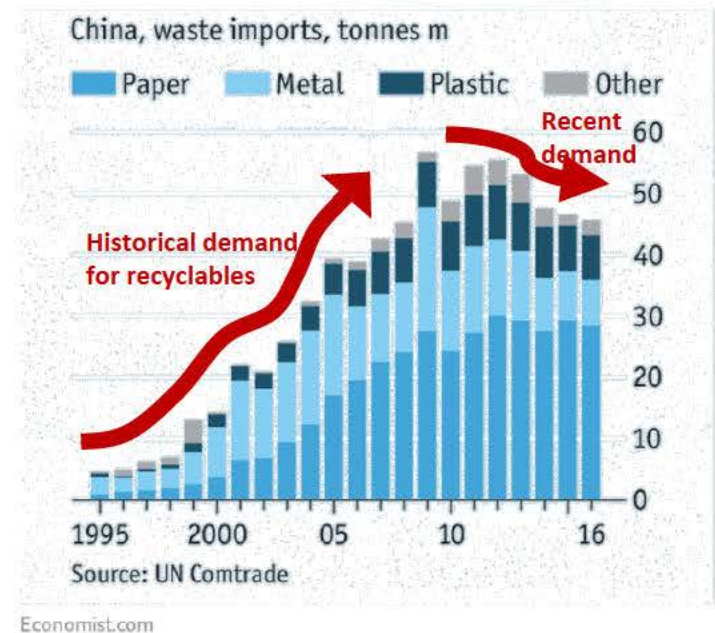


The specialists in recycling, waste and carbon

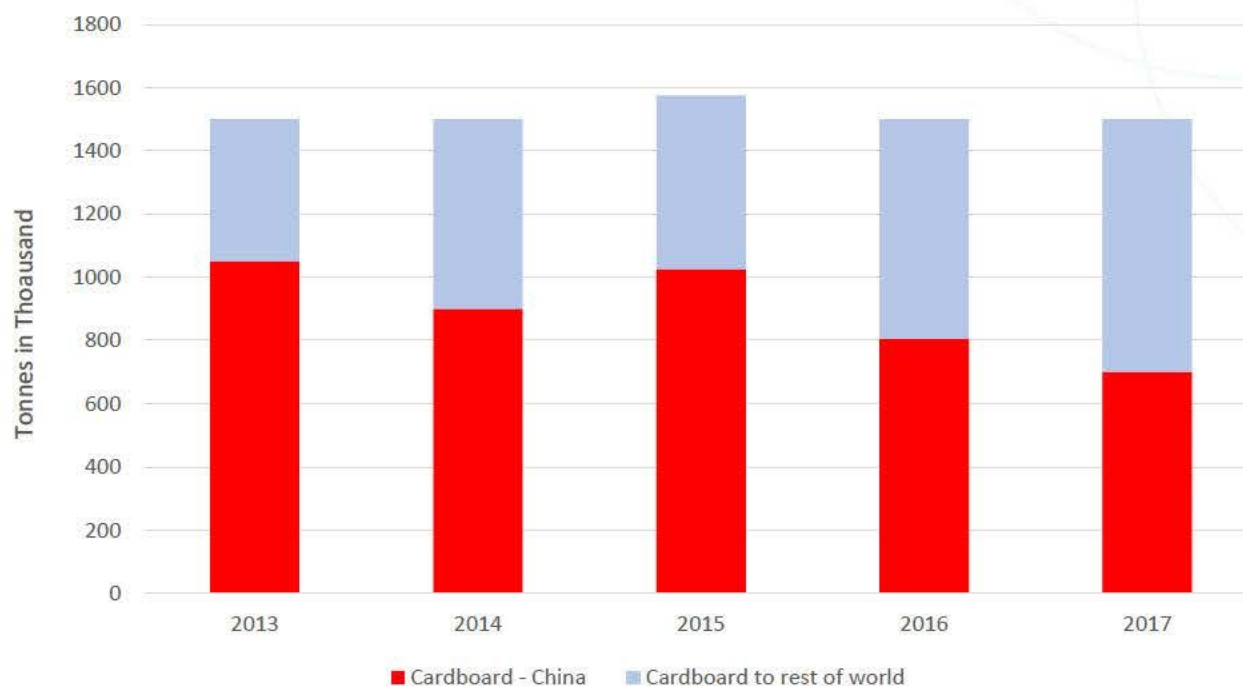


# The role of China in global recycling markets

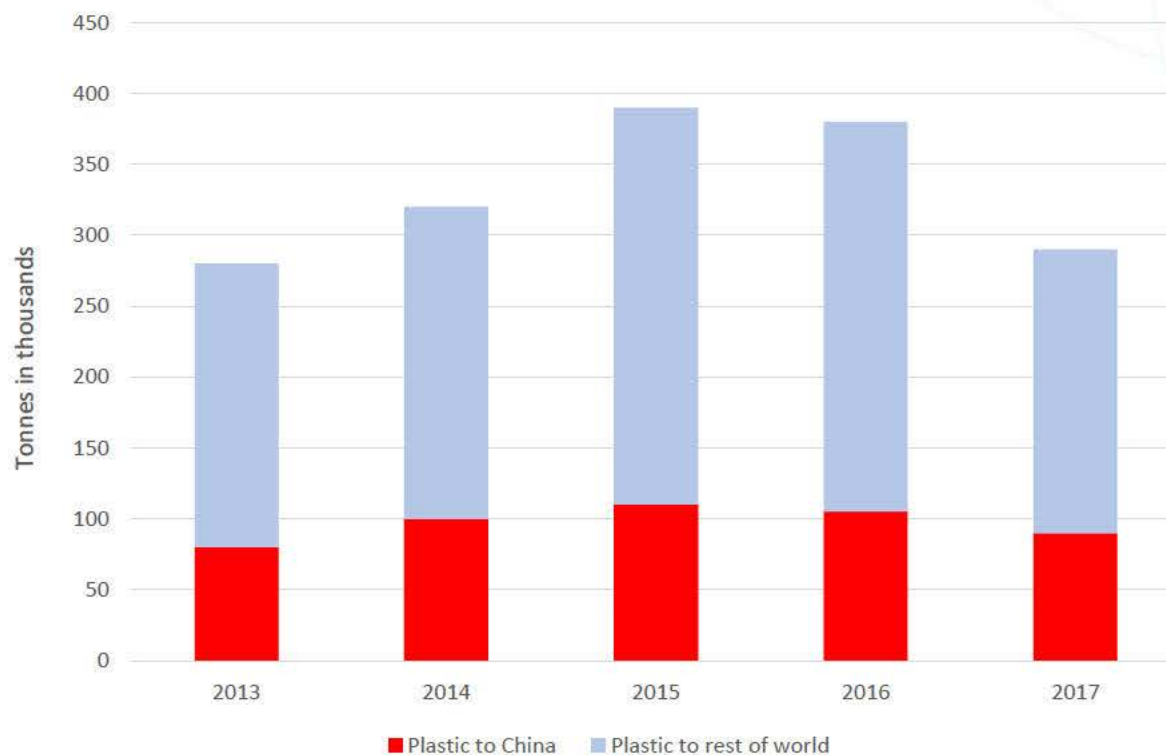
- China's **economic boom** was fueled, in part, by the **import of recyclables** from around the world.
- China imported over **\$US18bn** of recyclables in 2016.
- In 2016 China took in **half the world's exports** of:
  - Recovered paper
  - Used plastics



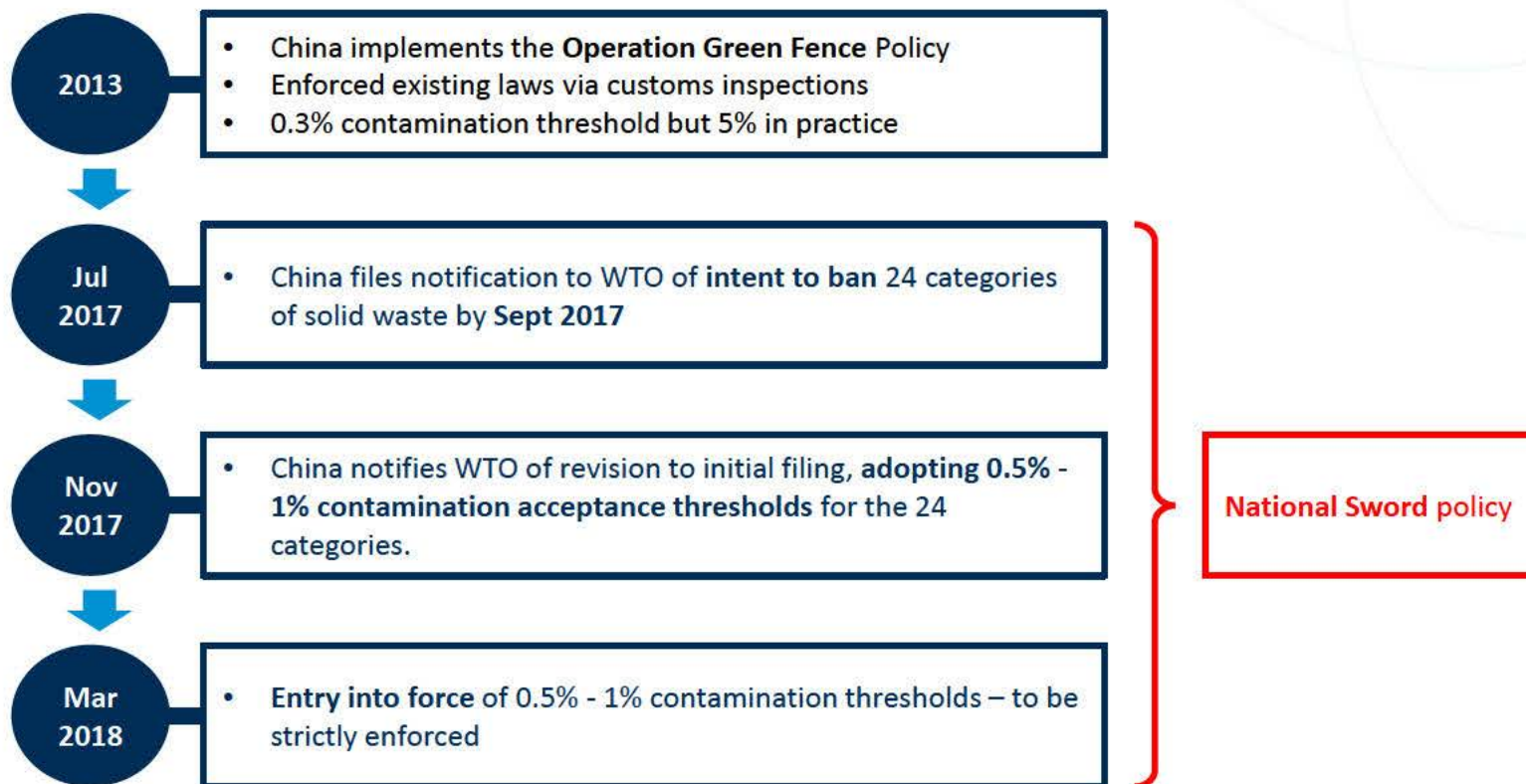
# Australian exports of Cardboard



# Australian exports of Plastics

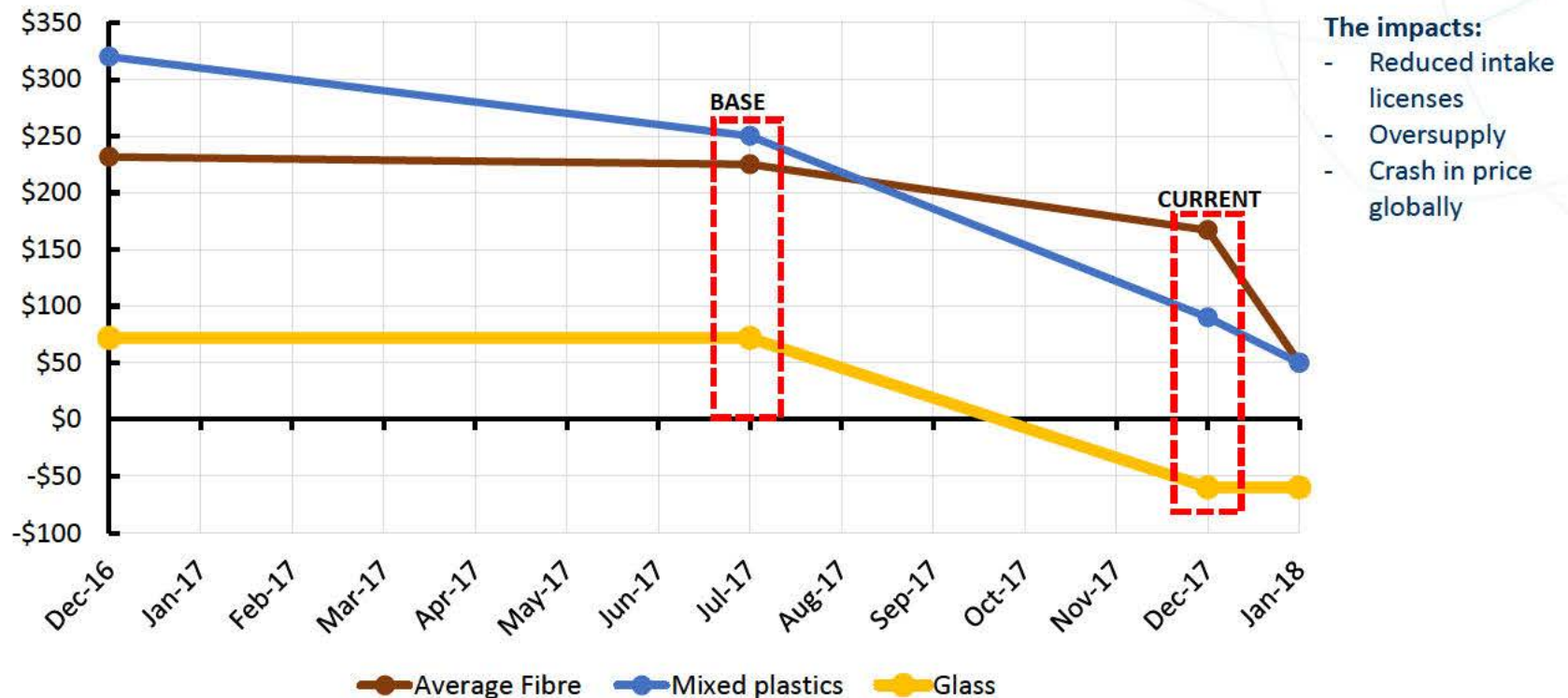


# Timeline of key events





# The impacts on recycling commodity prices – China Product Glut

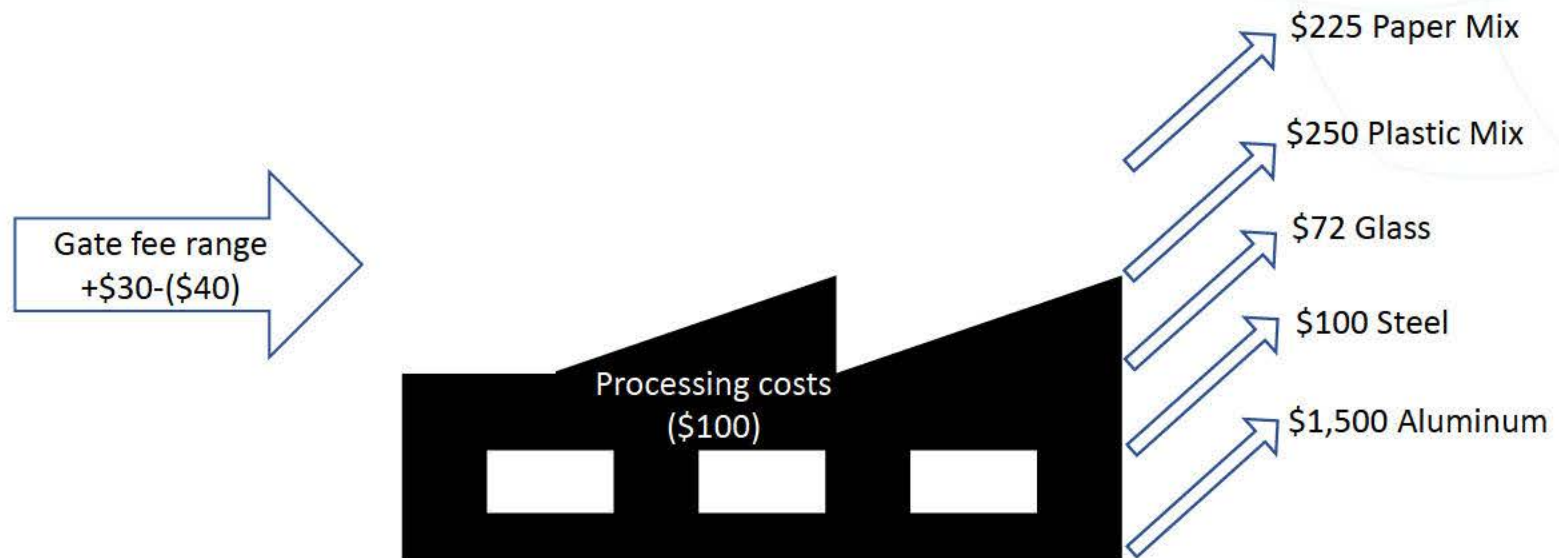


# Impacts on MRF gate fee

| Material category                      | input %     | BASE                                       | CURRENT                               | DIFFERENCE                     | Weighted loss<br>in output<br>value (\$/t MRF<br>input) |                                 |
|--|-------------|--|---------------------------------------|--------------------------------|---|---------------------------------|
|  |             | Historical<br>average sale<br>price (\$/t) | Jan18<br>average sale<br>price (\$/t) | Drop in price<br>(\$/t output) |   |                                 |
| Paper and paper products (mixed fibre) | 55%         | \$225                                      | \$50                                  | \$175                          | \$96  | National<br>Sword               |
| Plastics (mixed plastics)              | 8%          | \$250                                      | \$50                                  | \$200                          | \$16  |                                 |
| Glass                                  | 30%         | \$72                                       | -\$60                                 | \$132                          | \$40  |                                 |
| Ferrous material                       | 2%          | N/A  | N/A                                   | N/A                            |   | Or \$110<br>without<br>glass... |
| Non-ferrous material                   | 1%          | N/A  | N/A                                   | N/A                            |   |                                 |
| Other                                  | 2%          | N/A  | N/A                                   | N/A                            |   |                                 |
| <b>TOTAL</b>                           | <b>100%</b> |  |                                       |                                | <b>\$152</b>  |                                 |

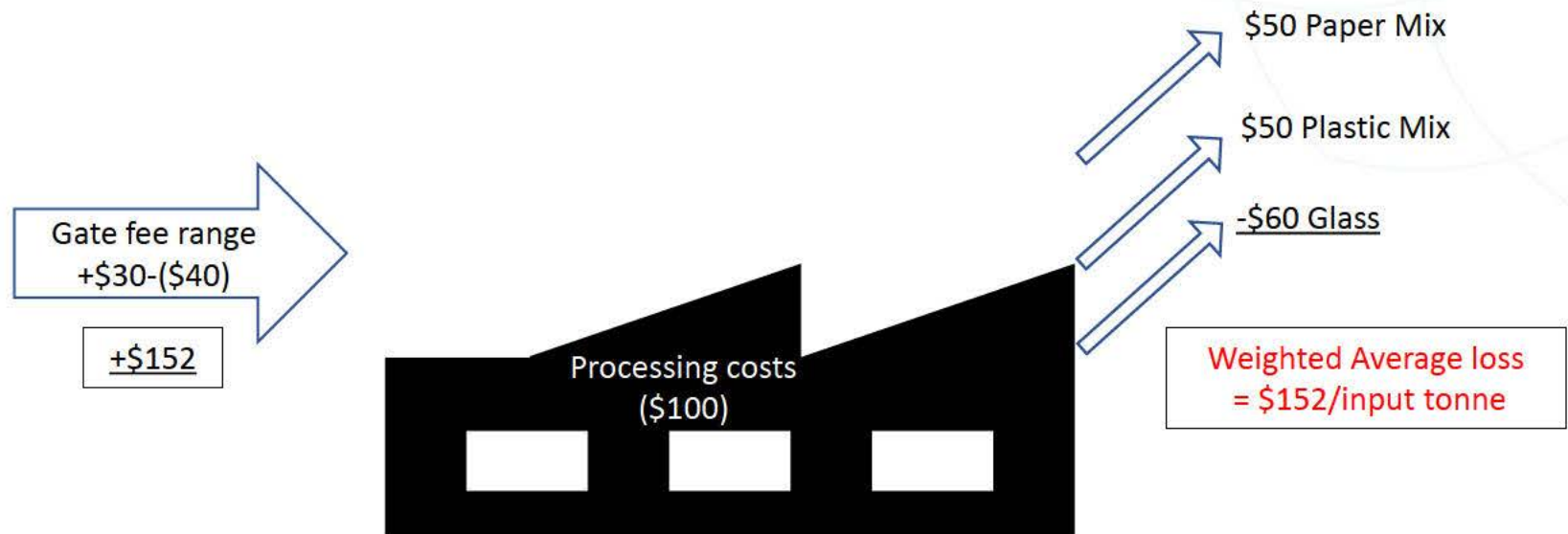
# The impacts on Australian recycling

- Materials Recycling Facilities are no longer profitable at new commodity prices and existing gate fees





# The impacts on Australian recycling



# Glass in Australia

- Closed 3 furnaces
- Cheaper to import green bottles from Mexico
- Collapse in glass price: \$72/t  
→ -\$60/t



# The impacts on Australian recycling

- To stay open, MRF operators need higher gate fees from waste generators, including Councils
- Gate fees are increased under two mechanisms:
  - “Change in Law”; and
  - Force Majeure (“Act of God”)



# The impacts on Australian Councils

- Absorb the price increase of up to \$152/tonne.
- Across Australia, the extra cost may be as high as \$100m
- Rates for 2018/19 will incorporate the extra costs – **rate payers**

In NSW ~810,000 tonnes p.a. of kerbside recycling collected



~\$40mil in additional costs between now and 1 July 2018

Source: NSW Local Government WARR Data Report

# The impacts on Australian households

- NSW households create on average 5.3 kg dry recyclables / week or 276 kg/year.
- If the price increase is \$152 / tonne and it is passed in full onto households, then the rate increase would be around \$42 per household

## **BUT:**

- Does not include secondary reprocessing
- Some MRFs suggest additional \$250/t processing
- Also some argue for split bin P&C + \$40/hh
- So cost to Councils could be:
  - $(\$150 + \$250)/t = \$100/hh/yr$
  - Bin collection =  $\$40/hh/yr$   
 **$\$140/hh/yr$**



# Government responses

- Victorian Government announced a \$13m "rescue package" to cover extra costs to Councils until the end of 2017/18
- This covers extra costs from recycling processing of about \$70/tonne
- NSW urgent meeting held 5<sup>th</sup> March 2018
  - Equivalent in NSW is \$40 million
- No formal response from Government



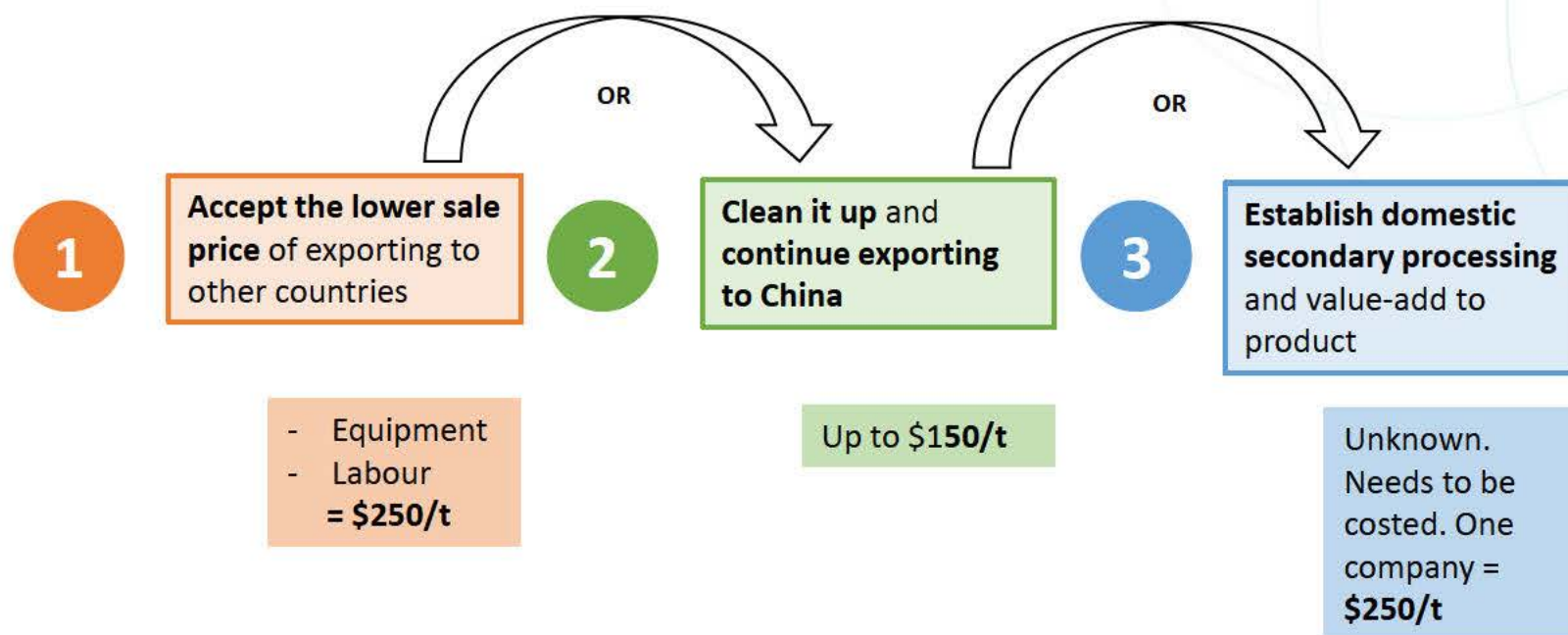
Australian Government



# What is actually happening?

- Recyclables ARE still being exported, albeit at lower prices
- Recycling gate fees ARE increasing, but they still remain lower than landfill gate fees in most major cities due to landfill levies.
- Councils WILL need to increase rates for future years
- There IS a short term pain point, where Councils need to absorb increased costs that cannot be passed through.

# What can happen?



- Note CDS in NSW worth \$190-300/t

# What needs to happen?

|            |  |
|------------|--|
| Short term | Short term cash float, e.g. Victoria   |
|            | Council contract renegotiations to provide for greater responsiveness to changes in markets, and especially the Chinese market.  |
|            | EPA allowance for stockpiling of recovered materials.  |
|            | EPA relaxation of landfill levies on MRF residuals.  |
| Mid term   | <b>Capital improvements</b> to achieve the new 0.5% contamination specification. <b>Labour increases</b> to achieve the same.    |
|            | Purchasing policies by all levels of government to increase domestic demand for recyclables, especially glass & plastic          |
|            | Development of domestic reprocessing capacity for paper and plastic.   |
|            | Glass processing into sand – application to roads  |
|            | Council adoption of two bin recycling systems (paper and containers) to reduce contamination rates, especially in the paper bin. |
|            | Use CDS in NSW to compensate.  |



# thank you

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