

Consultation Regulation Impact Statement – Phasing out certain waste exports

Submission

February 2020

Table of contents

Table of Figures	2
Summary of recommendations.....	3
Introduction	4
About the Local Government Association of South Australia	4
Background	4
Local government role in waste, recycling and resource recovery	4
About this submission.....	6
LGASA comments on the RIS	6
Consider <i>2018 National Waste Policy: less waste, more resources</i> and 2019 National Waste Policy Action Plan	7
Greater hypothecation of the solid waste levy.....	7
Paper and Cardboard.....	8
Circular Economy Principles	9
Alignment with community concerns.....	11
Conclusion	12

Table of Figures

Figure 1: Australian waste exports captured by the ban	11
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Summary of recommendations

The Local Government Association of South Australia's (LGASA) makes the following key recommendations in relation to the Consultation Regulation Impact Statement (Consultation RIS) for Phasing Out Certain Waste Exports (ban):

1. That in implementing the ban, COAG consider the 2019 National Waste Policy Action Plan, which includes actions that jurisdictions agree will be critical in tackling the current problems in waste and recycling, in particular, actions 1.5 and 4.4.
 - 1.1 Action 1.5 involves investing in reprocessing and remanufacturing facilities to support manufacture of recycled-content products;
 - 1.2 Action 4.4 requires all governments to “devise specific procurement targets across all government procurement...”.
- 2 That State and Territory Governments provide ongoing support to industry and local government for worthwhile waste and resource recovery initiatives through greater hypothecation of solid waste levies.
- 3 Funds provided through Action 1.5 of the 2019 National Waste Policy Action Plan are invested in developing reprocessing and remanufacturing capabilities for mixed paper/cardboard and mixed plastic product in Australia.
- 4 That clean, sorted and baled paper and clean, sorted and baled cardboard that meet a certain standard or specification are excluded from being captured in the ban:
 - 4.1 governments work with industry to develop a standard that balances the overall policy objectives of the ban with national waste, recycling and resource recovery industry capabilities
 - 4.2 that a feasibility, market demand and infrastructure capacity study for the secondary reprocessing of paper and cardboard in Australia be undertaken that identifies the market metrics, diversification opportunities and limitations for industry.
- 5 All spheres of government support the development of a circular economy by seeking to apply circular economy principles to all stages of production and consumption:
 - 5.1 This can be done by encouraging, through investment, the development of “circular use products” and discouraging and restricting production of “linear use products”
 - 5.2 This could also be supported by development of a voluntary scheme for the accreditation of circular use products and materials.
- 6 The impact of the APCO packaging standards on the composition of Australia's waste is considered to enable the development of strategically located waste management infrastructure and to enable investment security for businesses utilising recycle.
- 7 That the policy basis for the ban be more clearly articulated and reconciled with the nationally agreed goal of establishing a circular economy.

Introduction

About the Local Government Association of South Australia

The Local Government Association of South Australia (LGASA) is the voice of local government in South Australia, representing all 68 councils across the state and the Anangu Pitjantjatjara Yankunytjatjara.

The South Australian *Local Government Act 1999* recognises the LGA as a public authority for the purpose of promoting and advancing the interests of local government. The LGA is also recognised in and has prescribed functions in 29 other South Australian Acts of Parliament. The LGA provides leadership, support, representation and advocacy relevant to the needs of our member councils.

The LGASA is a strong advocate for policies that achieve better outcomes for councils and the communities they represent. As such, the LGASA welcomes the opportunity to provide a submission to this consultation on this consultation on the Regulatory Impact Statement.

This submission has been informed by consultation with our membership and existing policy positions and advocacy initiatives developed through consultation with our members and their subsidiaries.

Background

The LGASA has previously contributed to the consultation process for the Council of Australian Governments (COAG) Waste Export Ban by providing a submission in response to the November 2019 consultation paper and by attending the South Australian industry roundtable led by the National Waste and Recycling Taskforce. The LGASA has also provided feedback to help inform Australian Local Government Association submissions.

Local government role in waste, recycling and resource recovery

Local government in South Australia plays an important role in waste management through providing domestic waste and resource recovery services including facility management, ownership of landfills, transfer stations and Material Recovery Facilities (MRFs), undertaking programs to increase recycling and resource recovery rates, acting to reduce waste disposed to landfill and leveraging procurement capacity to stimulate recycle “end market” development.

Councils also play a part in educating the community about responsible waste management and recycling.

Local government in South Australia makes a significant investment in the management of waste and recycling meaning that councils also have a key interest in waste reduction. The increased cost of providing waste management and recycling services has emerged as a significant challenge for the local government sector over the last 12-18 months, due to China National Sword Policy and significant increases to the South Australian Government’s solid waste levy.

Prior to the implementation of the China National Sword Policy, many of the recyclable materials placed in kerbside collected yellow bins in Australia were sold through export markets into China. The China National Sword Policy means that this end market for recyclable materials is no longer available.

Implementation of the China National Sword Policy also triggered additional international waste import restrictions implemented by Thailand, India, Malaysia, Vietnam, Indonesia and the Philippines. The import restrictions adopted by numerous countries means these end markets are no longer available.

The waste import restrictions impacted the way kerbside collected recyclable materials are processed and on-sold. Kerbside collected recyclable materials are transported to MRFs, sorted and baled, and on-sold. The price that MRFs obtain from selling the materials they receive is directly linked to the amount councils pay in recyclables processing costs.

Prior to the implementation of the China National Sword Policy, MRFs could charge councils less for recyclables processing because they received an income from selling the materials they receive. Following this development, MRFs have needed to impose multiple fee increases on council clients just to maintain uninterrupted service provision of kerbside recycling.

In May 2018 an independent Market Analysis commissioned by the LGASA estimated that councils were facing increased costs of around \$8.8 million per annum as a result of the China National Sword Policy. Further adoption of waste import restrictions internationally and the closure of SKM were not captured in the above Market Analysis. It is likely that the increased cost for councils is significantly more than the original estimated annual increase of \$8.8 million.

Separately, in July 2019, the South Australian State Government announced an unprecedented 40% increase in the solid waste levy which will cost councils an extra \$8.5million in 2019/20. The total amount paid by councils to state government in the solid waste levy will increase to \$42.5 million. Councils are also facing additional costs by responding to increasing community expectations in this area.

It is difficult to quantify the damage to community faith in recycling and resource recovery systems in Australia. However, councils report substantial anecdotal evidence of this significant impact of the China National Sword Policy and the time it is taking governments at all levels to respond to this industry transition. Some local government bodies are seeing opportunities in this process.

Following the China National Sword market collapse, the SKM closure and other disruptions within the industry the Cities of Charles Sturt and Port Adelaide Enfield¹ as well the Cities of Holdfast Bay, Marion and Onkaparinga² are moving to establish two new local government owned MRF subsidiaries. The commercial viability of these new endeavours may also be impacted by the ban.

International end markets for waste commodities continue to fluctuate as the market is yet to stabilise following the recent policy shifts. LGASA notes that the price that could be obtained for fibre products (paper and cardboard), even in the export market, dropped in December 2019 to approximately zero dollars per tonne. The domestic market will also be impacted by this development.

If MRFs are no longer able to sell materials into an export market, this could have a very significant impact on the price they receive for these materials. If there is not enough demand in the local market, or the local market is not sufficiently developed, this may cause a dramatic drop in the price MRFs receive for these materials. This could result in yet another round of increases in council costs, which will put pressure on council rates.

¹ City of Charles Sturt, "Kerbside Recycling Initiative" < <https://www.charlessturt.sa.gov.au/services/waste-and-recycling/kerbside-recyclables-initiative> >.

² City of Holdfast Bay, "Federal funding Commitment Sought for a new Recycling Plant in Adelaide's South" < <https://www.holdfast.sa.gov.au/council/news/federal-funding-commitment-sought-for-a-new-recycling-plant-in-adelaides-south> >.

There are four MRFs in South Australia, however two manage around 90% of South Australia's comingled recyclables. One is vertically integrated and will be less impacted by the ban and the other is a local government subsidiary and will be very significantly impacted by the ban. In December 2019, Northern Adelaide Waste Management Authority (NAWMA) again increased its recycling processing fees due to a *“significant downturn in the recycled paper and cardboard market, combined with increased operational costs due to the uplift in the State Government Solid Waste Levy”*.³

It is not appropriate for governments to pass these ever-increasing costs on to the community through council rates when the community has no ability to influence the front-end of the process.

In accordance with product stewardship principles, governments should seek to ensure the costs associated with the bans are borne by industry (being product and packaging manufacturers, importers, retailers etc.). It is industry that produces the waste, benefits from its production and is in a position to influence design and production processes to achieve more sustainable (and circular) outcomes.

The impact of these waste import restrictions presents a significant opportunity to re-shape Australia's recycling industry by developing local markets for recyclable materials and establishing a circular economy. However, this industry transition is a complex process and it will require both investment in reprocessing and remanufacturing infrastructure and action to develop local end market demand.

About this submission

This submission has been developed through consultation with member councils and local government subsidiaries dealing in waste, recycling and resource recovery. The submission builds on the LGASA's December submission to the Taskforce and reinforces existing policy positions of the LGA.

This submission explores key issues pertinent to the local government sector in South Australia. For further information on the LGASA's position on this matter, please refer to the LGASA's submission⁴ to the waste and recycling export ban initial consultation paper.

LGASA comments on the RIS

The LGASA broadly agrees with the problems outlined by the RIS and the endeavours to achieve better protection of the environment and human health through improved management, of Australia's waste plastic, paper, glass and tyres. The LGASA welcomes endeavours to improve the Australian waste, recycling and resource recovery industry and efforts to insulate it from any future disruption (or closure) of international markets. The LGASA notes that collaboration from all spheres of government is instrumental to Australia's sound transition to a more circular economy and to be able to positively implement the actions outlined in the National Waste Policy and the National Waste Action Plan.

The LGASA notes that local government supports endeavours to leverage government procurement of products containing recycled content⁵ and is actively “buying it back” through the LGA Circular Procurement Pilot Project.⁶ This Australian first project, funded by the State Government, is an example of the inter-governmental collaboration necessary to transition towards a more circular economy.

³ Copper Coast Council, Full Council Meeting, Appendices 1–24 inclusive (22 January 2020) < <https://www.coppercoast.sa.gov.au/council/agendas-and-minutes> >.

⁴ <https://www.lga.sa.gov.au/submissions>

⁵ Ibid, Target 4, page 18.

⁶ LGASA, “Waste and Recycling – Buying it Back” < <https://www.lga.sa.gov.au/buyingitback> >.

Consider **2018 National Waste Policy: less waste, more resources** and **2019 National Waste Policy Action Plan**

In August 2019, COAG announced its intention to implement a waste export ban. In late 2018, the updated *National Waste Policy: less waste, more resources* was released. In November 2019, the 2019 National Waste Policy Action Plan (Action Plan) was agreed and released. Target 1 of the Action Plan is to implement the waste export ban. The Action Plan includes actions that jurisdictions agree are critical in tackling current problems in waste and recycling.

The introduction to the Action Plan states:

“The 2018 National Waste Policy: Less waste, more resources was agreed by Australia’s Environment Ministers and the President of the Australian Local Government Association in December 2018. It sets a new unified direction for waste and recycling in Australia.

The policy provides a framework for collective, national action on waste management, recycling and resource recovery to 2030.

It reflects new ways of thinking about waste as a resource, and it applies principles of a circular economy to waste management to support better and repeated use of our resources. Those circular economy principles for waste are:....”

Considering that the Action Plan itself professes a “new unified direction for waste and recycling in Australia” based on circular economy principles, the Consultation Regulation Impact Statement (Consultation RIS) should refer to this work and these principles.

The Consultation RIS also seeks to provide a policy basis for the waste export bans (harm to human health and the environment through pollution) that does not recognise the very well-documented opportunities, efficiencies and other benefits associated with establishing a circular economy.

Recommendation 1: that in implementing the ban, COAG consider the 2019 National Waste Policy Action Plan, which includes actions that jurisdictions agree will be critical in tackling the current problems in waste and recycling, in particular, actions 1.5 and 4.4.

1.1 Action 1.5 involves investing in reprocessing and remanufacturing facilities to support manufacture of recycled-content products.

1.2 Action 4.4 requires all governments to “devise specific procurement targets across all government procurement...”.

Greater hypothecation of the solid waste levy

In order to achieve the aims of the ban and not undermine the current waste, recycling and resource recovery industries in Australia significant investment is required to develop the required waste infrastructure and end markets for recyclate, particularly mixed paper and cardboard and mixed plastics. The barriers the waste, recycling and resource recovery industry in South Australia face in achieving these aims involve establishing economies of scale and overcoming the tyranny of distance to make waste management commercially viable.

Local government in South Australia will contribute an estimated \$42.5 million in 2019/20 to the South Australian Government through the Solid Waste Levy.

The South Australian Government has been collecting solid waste levy payments from councils and communities for many years and the funds collected have totalled over \$100 million.

The LGASA views the State Government's use of the funds generated by the waste levy for projects such as the home battery scheme and coastal sand replenishment as a missed opportunity to support circular economy development in South Australia. The funds collected through the waste levy and accumulated in the Green Industry Fund could play a significant role in developing South Australia's onshore waste, recycling and resource recovery capabilities so it is able to effectively respond to the ban and successfully transition towards a more circular economy.

The LGASA notes that Action 1.5 of the 2019 National Waste Policy Action Plan is to "use the Australian Recycling Investment Fund through the Clean Energy Finance Corporation to support manufacturing of recycled content products". Both Federal and State Government support should be provided to expand South Australia's reprocessing capabilities and create demand for recycled-content products and materials.

Recommendation 2: That State and Territory Governments provide ongoing support to local government for worthwhile waste and resource recovery initiatives through greater hypothecation of waste levies.

Recommendation 3: Funds provided through Action 1.5 of the Action Plan are invested in developing reprocessing and remanufacturing capabilities for mixed paper/cardboard and mixed plastic product in Australia.

Paper and Cardboard

Paper and cardboard are high value commodities in kerbside bins and this material stream has underpinned the commercial viability of kerbside comingled recycling and MRFs for many years.⁷

The LGASA commissioned an independent Recycling Market Analysis Report (Market Analysis) following the China National Sword Policy international end market collapse in May 2018, this Market Analysis demonstrated that mixed paper and cardboard makes up approximately 55% (of volume by weight) of the material entering a Material Recovery Facility (MRF).

There are no paper mills in South Australia and nationally there is not enough diversification or demand in the domestic paper and cardboard secondary reprocessing market to absorb current levels of paper and cardboard, let alone the additional 1.1 million tonnes (above Figure 1) resulting from the ban.

The LGASA acknowledges the fluctuating international commodity prices in relation to paper and cardboard are problematic in attempts to stabilise the Australian waste, recycling and resource recovery industry.

Chinese import quotas generally influence global demand for fibre (paper and cardboard) and from 2018 to 2019 China's recovered paper import volumes dropped by 47%, a total of a 65% decrease from 2017.⁸ This has resulted in low demand internationally for recovered paper as the supply is very high – the world is over-supplied with paper and cardboard. This is compounded by Indonesia and India decreasing the allowed contamination rate for imports of paper and cardboard.⁹

Domestically, the current price per tonne for clean, sorted and baled mixed cardboard (OCC) and clean, sorted and baled mixed paper (ONP) is nearing zero or is in the negative.

⁷ Rawtec, *Market Analysis of South Australian Kerbside Comingled Recyclables* (June 2018) page 8.

⁸ NAWMA, "Domestic and International Fiber (Paper and Cardboard) Industry – Status Update (January 2020) page 2.

⁹ Resource Recycling, "Indonesia's Fiber Import Rules Become More Clear" (20 August 2020) < <https://resource-recycling.com/recycling/2019/08/20/indonesia-fiber-import-rules-become-more-clear/> >.

The LGASA notes that NAWMA currently accesses international markets for OCC and ONP due to the lack of onshore capacity. NAWMA's submission to the discussion paper on the Banning exports of waste plastic, paper, glass and tyres states that *"If new and diversified secondary fibre reprocessing infrastructure in Australia was not available by 30 June 2022, and NAWMA did not have the option to market clean, sorted and baled ONP and OCC into the global market, the value proposition of household kerbside recycling would be significantly deteriorated."*¹⁰

If the commercial viability of the co-mingled recycling bin is undermined then councils waste management costs will be increased, which will result in these costs being passed on to the community.

This ban presents a significant opportunity to develop and improve domestic waste, recycling and resource recovery plant, infrastructure and onshore end markets for these materials. To develop strategically located onshore resources that maximise waste resource volume nationally will require significant time and finances. The estimated cost to develop new secondary fibre reprocessing infrastructure in Australia would cost an estimated \$500 million dollars and take time to develop.¹¹

Given the necessary time and investment required to develop the requisite onshore capabilities for processing paper and cardboard the industry requires access to international markets for mixed paper and cardboard, to secure the commercial viability of MRF's and kerbside co-mingled recycling.

The area of opportunity this ban presents for paper and cardboard is through better onshore coordination and development of strategic waste infrastructure that will help smaller populations (like South Australia) achieve economies of scale to make recovery of these materials more viable.

If the ban is implemented to apply to fibre products (paper and cardboard) it would be preferable to develop exemptions that allow paper and cardboard to be exported if they meet a particular standard or specification. The LGASA recommends that a standard is developed in consultation with industry and governments and that it aligns with international market requirements.

Recommendation 4: That clean, sorted and baled paper and clean, sorted and baled cardboard that meets a certain standard or specification are excluded from being captured in the ban;

4.1 governments work with industry to develop the standard that balances the overall policy objectives of the ban with national waste, recycling and resource recovery industry capabilities;

4.2 a feasibility, market demand and infrastructure capacity study for the secondary reprocessing of paper and cardboard in Australia be undertaken that identifies the market metrics, diversification opportunities and limitations for industry.

Circular Economy Principles

LGASA acknowledges local government's responsibility for the disposal of domestic waste – the "back end" of the process. Historically, substantial focus has been placed on the "back-end" of the process and not enough emphasis has been placed on addressing what is produced and consumed in the first place – the "front end" of the process.

¹⁰ Ibid page 2 at 14.

¹¹ NAWMA Submission to the COAG Waste Export Ban Consultation Paper, page 2 at 9. < <https://www.environment.gov.au/protection/waste-resource-recovery/coag-waste-export-ban-consultation> >.

The LGASA welcomes the Australian Packaging Covenant Organisation's (APCO) 2025 target to achieve "100% of Australian packaging as reusable, recyclable or compostable"¹² as a viable method to discourage "linear use products" (take make and dispose extractive industrial model design products) and promote "circular use products" (products designed and manufactured to be reused, repaired and recycled). The use of linear use products should be discouraged through gradual phase outs.

Addressing the front-end of the waste process in altering the composition of South Australia's bins is necessary to more easily facilitate resource recovery options from the waste recovered in the kerbside bins. The LGASA recommends that the packaging standards consider the impact on waste and recycling collection and processing systems.

Existing waste packaging type end market capabilities need to be considered to progress towards a circular economy and to avoid placing further pressure on the waste and resource recovery industry. Strategically, waste infrastructure and plant development should also occur in alignment with the changes to the composition of Australia's waste.

The LGASA notes that the timing for this waste ban is not aligned with the APCO packaging standards implementation timeframe which could result in a delay of recyclate end-market development. Business will likely be hesitant to invest in endeavours utilising recyclate where there is insecurity regarding the ongoing supply and quantity of supply of recyclate.

Further, the LGASA notes that some stakeholders are advocating for the APCO targets to be made mandatory. Instead, the LGASA is advocating for Commonwealth and/or State and Territory governments to partner with industry groups to develop a voluntary scheme for the accreditation of circular use products and materials.

An accreditation scheme could consider all aspects of product development and include requirements at all stages (design, manufacture, distribution, sale, collection) to achieve accreditation. The system would make it easy for consumers to choose circular use products over linear-use products and thereby create an incentive for industry to seek accreditation (for both products and packaging).

The system would underpin efforts to increase responsible purchasing of recycled-content products and materials by governments, business and industry, and the broader community.

Recommendation 5: All spheres of government support the development of a circular economy by seeking to apply circular economy principles to all stages of production and consumption;

5.1 This can be done by encouraging, through investment, the development of "circular use products" and discouraging and restricting production of "linear use products".

5.2 This could also be supported by development of a voluntary scheme for the accreditation of circular use products and materials.

Recommendation 6: The impact of the APCO packaging standards on the composition of Australia's waste is considered to enable the development of strategically located waste management infrastructure and to enable investment security for businesses utilising recyclate.

¹² Meeting of Environment Ministers, Meeting Communique from the Seventh Meeting of Environment Ministers, *Agreed Statement 27 April 2018 Melbourne* <<https://www.environment.gov.au/system/files/pages/4f59b654-53aa-43df-b9d1-b21f9caa500c/files/mem7-agreed-statement.pdf>>.

Alignment with community concerns

The South Australian community has identified specific concerns with the environmental impacts of plastics.¹³ Actions on plastics in South Australia can be traced back to 2009 when the plastic bag ban came into force in South Australia.¹⁴

Local and state government have continued to lead the Nation in partnership delivering innovative endeavours to reduce single-use plastics within the community. Most recently “plastic free precincts”¹⁵ and input into the draft Single-use and Other Plastic Products (Waste Avoidance) Bill 2019 demonstrate joint leadership in addressing community concerns.

Plastic waste is central to the discussions characterising the problem for the purpose of the RIS.¹⁶ This focus is reinforced in the paper’s discussion, as well as by governments and throughout the South Australian community. This domestic focus is reflected in the international desire to stop “using poorer countries as convenient dumping grounds for waste...”¹⁷



Figure 1: Australian waste exports captured by the ban

Given the “problem” as identified in the RIS¹⁸ is centred around plastic and hazardous waste and plastic pollution in oceans, it would be logical that the focus of the waste streams predominately targeted by the bans aligns.

Figure 1 demonstrates that paper and cardboard accounts for around 1.1 million tonnes of the export restriction, with the remaining 300,000 tonnes being the remaining waste streams: plastic, tyres and glass. Plastic accounts for 13% of the materials.

The ban’s disproportional focus and impact on paper and cardboard does not align with the national and international communities’ concerns regarding plastic pollution,¹⁹ noting that “around 80 per cent of marine plastic pollution comes from land-based sources.”²⁰ Discussion around Australia’s G20 commitment to the action plan on marine litter also focuses on the urgent need to effectively prevent and reduce plastic litter discharge to the oceans.

Proportionally paper and cardboard are 79% of the volume of the proposed banned items. This skews the focus away from other waste streams viewed as more problematic by the community, like plastics.

Recommendation 7: that the policy basis for the ban be more clearly articulated and reconciled with the nationally agreed goal of establishing a circular economy.

¹³ Green Industries SA, “Turning the Tide on Single Use Plastic Products Discussion Paper: Consultation Response Document” (23 August 2019) page 5.

¹⁴ EPA SA, “Plastic Bag Ban” (4 June 2018) < https://www.epa.sa.gov.au/data_and_publications/all_publications/for_councils/plastic_bag_ban >.

¹⁵ Green Industries SA, “Plastic Free Precincts”, < <https://www.greenindustries.sa.gov.au/plastic-free-precincts> >.

¹⁶ Australian Government: Department of the Environment and Energy “Consultation Regulation Impact Statement – Phasing out Certain Waste Exports” (December 2019), page 4.

¹⁷ Jim Puckett, Executive Director Basel Action Network (December 5 2019) < <https://www.ban.org/news/2019/12/5/long-awaited-global-ban-on-exporting-hazardous-waste-to-developing-countries-becomes-law-today> >.

¹⁸ Ibid page 4.

¹⁹ Australian Government: Department of the Environment and Energy “Consultation Regulation Impact Statement – Phasing out Certain Waste Exports” (December 2019), page 8.

²⁰ Ibid.

Conclusion

The recycle end market collapse (the key motivation for this waste export ban) has provided an opportunity for Australian policy makers and regulators to rethink waste management practices and the concept of circularity in our economy more generally.

Significant investment to strategically develop Australia's waste, recycling and resource recovery plant, equipment, infrastructure and end markets is required to efficiently process, create and ensure recovered waste travels through the Australian economy.

Australia needs to work towards a way of life in which we only use materials that circulate through our economy again and again providing ongoing value, efficient use of resources and knowledge-based jobs for the future.

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