



## **Ai Group Comments on the Draft Framework for a National Waste Policy**

The Australian Industry Group (Ai Group) welcomes the opportunity to provide comments on the issues raised in the Draft Framework.

### *Specific clarifications*

National policy. Ai Group agrees both with the potential value of nationally coordinated and consistent policy, and with the need for flexibility and appropriate tailoring for context. Balancing these ends will require standardisation of process and terminology as much as possible, to ensure that where jurisdictions do implement different policies, they are transparent variations within a common framework.

Vision and scope. Ai Group supports the nominated foci for a national policy, but considers that emphasis must also be given to the achievement of net community benefits from waste policy.

Targets. Imposing an additional national target on top of existing (and widely varying) state and local waste reduction goals is unlikely to improve the consistency or coordination of policy. Harmonising waste targets would be a controversial and delicate exercise, and is unlikely to bear fruit in the near term. Ai Group considers that national effort would be better directed at more achievable goals, particularly more consistency in classification and measurement. Indeed, it may be much more productive to develop common measures of performance, allowing meaningful comparisons between and within different jurisdictions whatever their targets may be.

However, if targets are to be developed they should be subject to rigorous consideration to ensure they will generate net community benefits, taking into account the economic, environmental and social impacts of both waste and diversion measures. This consideration should involve a wide range of relevant Commonwealth and State agencies, particularly including Treasuries and Industry departments, and incorporate a clearly articulated cost benefit analysis. Close consultations with industry and other stakeholders would be necessary.

Market arrangements. The best way to ensure that waste impacts are taken into account throughout the supply chain is to improve the transparency of waste disposal costs to waste producers. Industry tends to be well aware of these costs with respect to their own waste, though as Ai Group argued in our previous submission, there is considerable scope to improve the quality and comparability of the data available to business. Households and small businesses currently tend to face highly opaque prices via council rates. Billing that was more frequent, waste-specific and disaggregated where possible would strengthen the link between consumer actions and consumer costs. This would enable the price signals of waste handling charges and landfill levies to better shape consumption choices, incentivising suppliers, manufacturers and designers to reduce waste potential where efficient.

It should be recognised that as a relatively small import-heavy market, Australia has limited capacity to influence product design at acceptable cost, whether through market or regulatory means.

Maximising benefit. While various forms of waste policy do offer important opportunities to develop industry, reduce carbon emissions and water use or achieve other benefits, it is important that these objectives be considered in a comprehensive cost-benefit assessment and as part of broader applicable policy frameworks. For instance, the Council of Australian Governments has agreed to undertake measures to mitigate carbon emissions only where they are complementary to the proposed Carbon Pollution Reduction Scheme. Waste measures would need to offer abatement that would not be achieved by the CPRS, and at equal or lower cost. A waste policy might promote growth of an industry and cut water use, yet do so at more cost to the community than alternate measures. All costs and all benefits of waste policy – economic, environmental and social – need to be considered together in a consistent and transparent way.

Product stewardship: Ai Group agrees that product stewardship is not appropriate for all product categories or market sectors. We reiterate our support for the draft product stewardship framework released by EPA Victoria, and our caution that serious issues remain for current and proposed schemes – particularly orphan products and free riders.

Legacy emissions: While measurement and equity concerns have rightly prompted the Government to exclude legacy waste from coverage under the CPRS, it is still worth abating legacy emissions where they can be accurately measured and reduced cost effectively. To this end, the Government should consider allowing the generation of domestic offsets from legacy waste abatement.

While the CPRS White Paper defers consideration of offsets to 2013, there are sound reasons to allow them for legacy waste from the commencement of the CPRS. Where sound estimation and measurement of the extent and composition and legacy waste and emissions are possible, there is a clear baseline to measure verifiable reductions against. Carefully regulated and monitored, offsets would allow both for more thorough abatement from operating landfills – where lack of coverage for some portion of emissions may lead to less methane capture than is efficient, for instance – and potentially for abatement from closed landfills. Inclusion of offsets from legacy waste could lower the national cost of achieving a given level of abatement.

#### *The draft framework*

Aims: The draft framework does not appropriately calibrate the policy to the broader good of the community. An improvement might be:

“The aims of the National Waste Policy will be to efficiently minimise the environmental, economic and social costs imposed on the community by waste, including as appropriate through avoiding the generation of waste, reducing the amount of waste (including hazardous waste) for disposal, managing waste as a resource and ensuring that waste disposal is done in a safe, scientific and environmentally sound manner.”

The vision by 2020: As noted above, further national waste reduction targets (items 1 and 2) may be unhelpful and impossible to agree. Item 3 could be complemented by a similar but broader vision: “Australian citizens, businesses and governments manage waste so as to achieve overall community benefit.” Item 9 is too broadly stated; product

stewardship should be adopted only where the results of a comprehensive cost benefit analysis indicate that such a policy response is appropriate.

Key principles: Again, calibration is needed in some key respects. Principle 2 should read “Environmentally responsible management of waste *efficiently* reduces greenhouse gas emissions and effectively contributes to broader sustainability outcomes.” Principle 4 is correct as far as it goes, but the distinction between “the community generally” and the consumers on to whom waste management costs will ultimately be passed is not a clear one. The linkage of costs to production and consumption decisions is important, but the impression should not be given that “the community” will avoid the costs of waste. Principle 5 must be amended to include “rigorous assessment of environmental, economic and social costs and benefits” as an essential element informing decisions.

#### *Themes*

Ai Group is broadly supportive of the themes and directions for change described in the draft framework. Ai Group would be supportive of periodic review of the national waste policy to ensure that it remains flexible and responsive to changing circumstances to ensure achievement of net community benefits and that regulatory burdens are minimised. Ai Group makes the following notes and qualifications with respect to the draft framework:

Taking responsibility: Agreement on a national framework for product stewardship would be a positive outcome, particularly one that carefully delineates the factors that make a scheme appropriate or inappropriate for a given product category, along the lines of the proposed framework developed for EPA Victoria. No substantiation is given for the claim in the draft framework that consumer willingness to pay for product stewardship arrangements is actually increasing and Ai Group is far from certain that this is widespread. Ai Group is concerned that the framework inappropriately focuses on the purported benefits of application of advanced charges. Consideration should be given to advanced charges only in the context of a thorough cost-benefit analysis of the appropriateness of a product stewardship scheme. To be useful, such an analysis must examine the full range of instruments that could potentially be employed under such a scheme. All such instruments will add to economic costs and are likely to be passed through to consumers. Ai Group would further note that variation of advanced charges and other instruments to take account of design variations between products can introduce unworkable complexity and significantly higher administrative costs. Finally, as already noted the small size of the Australian market will limit the incentive to re-engineer products provided by any Australian-imposed costs. These are not arguments against product stewardship per se, only qualifications to the contexts in which such a policy response will be appropriate and the results that can be reasonably expected.

Improving the market: The focus on facilitating waste infrastructure development is welcome. Streamlining the regulations that apply to waste-to-energy facilities would be a particularly positive outcome.

It is unclear whether the framework endorses the use of waste levies to develop recovery markets. Ai Group is concerned that there has been a trend in recent years for growth in landfill levies, which have imposed charges out of all proportion to the actual social and environmental externalities of waste. Levies are a blunt ‘end-of-pipe’ solution and consideration of their application should again only be undertaken in the

context of a comprehensive cost-benefit analysis. It can be argued that valuable programs or investments should be funded from general revenue whether a levy exists or not. Further, as noted above, the use and level of levies across jurisdictions is variable and extremely difficult to harmonise.

A related consideration that has been brought to Ai Group's attention by a large metal recycler, concerns the interaction between the location of recycling activities and landfill levies. In one state in particular, landfill levies have reached a level that makes it more attractive to ship used whitegoods to Asian locations where metal is recovered and residual waste disposed of in landfill at a total cost below the cost that can be achieved in Australia.

The draft framework does not directly address the concern of many recyclers that at times market prices will make recycling commercially unviable. Diversion targets do not necessarily take account of this and the proposed market improvements will not necessarily make a difference to the viability of established recycled materials markets. Much more detail will be needed for initiatives like the proposed clearing house before Ai Group can comment on its appropriateness.

Pursuing sustainability: Facilitating opportunities for higher-value uses of organic waste is worthwhile. However, the draft appears to also encompass restrictive rules mandating when organics are "allowed to landfill". Once the CPRS is in place, the carbon cost of organic waste will be factored into decisions on how to use or landfill it. Alternate uses for organic waste, like energy production, fertiliser or soil sequestration, will be taken up where they make sense. There is no need to mandate them unless some market failure will inefficiently inhibit take-up.

Facilitating investment: We strongly support development of national technical specifications for the use of recycled materials in road construction and other contexts. Government procurement can also play a very useful role in demonstrating the feasibility and benefits of new materials and technology, and help speed the development of recycling markets.

Reducing hazard: Adoption of an international standard for product labelling would be a sensible step, but the choice of standard should be made carefully with considerable consultation and analysis, both to minimise unnecessary impacts on Australian businesses and to ensure that the chosen standard provides the best opportunities for exporters. As Ai Group has previously argued, there are potential conflicts between the policy goals of different product regulations; rules to discourage hazardous substances may have resulted in reduced efficiency of products, while rules to encourage efficiency may make products more integrated and less easily recyclable. These interactions should be taken into account when considering labelling standards and more substantive regulations.

Ai Group supports the development of waste management standards that are more adapted to the particular hazards of individual substances, making safe handling and appropriate reuse as easy as possible.