

**Recycling and**

**resource recovery infrastructure -**

**Infrastructure Victoria**

**Submission**

**December 2019**

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# Executive summary

The Victorian government has committed to releasing a circular economy policy and action plan before the end of 2019. Given the potential impact policy settings have on determining infrastructure requirements, the April 2020 delivery date of Infrastructure Victoria’s (IV) final advice to government seems problematic at best and disingenuous at worst.

We support the Victorian government’s commitment to introducing a circular economy policy. As the level of government charged with collecting household waste, local government sees first-hand that the current model of production and consumption is unsustainable.

Significant reform is needed to foster a mindset whereby generation of waste is considered a design flaw and our production and consumption habits support, rather than challenge, our transition to a net zero emissions economy. It is regrettable that the Government didn’t include waste avoidance and waste minimisation in the scope of work to be completed by IV.

In preparing its advice to Government, IV has commissioned a number of studies to pull together an evidence base. At least three of the studies – the inter-jurisdictional analysis by AlphaBeta, the infrastructure analysis by Arup and the study by the Centre for Market Design– clearly identify product stewardship and extended producer responsibility approaches as prime opportunities for Victoria. It is concerning then that product stewardship gets so little attention in the evidence base report.

The report notes the community’s willingness to change how they sort their waste but barely acknowledges the even stronger community support for a container deposit scheme (CDS) in Victoria. The capacity of a well-designed CDS to offset or complement greater source separation at home doesn’t appear to have been explored. Inconsistency between council practices is emphasised, yet the fact that Victoria is the only Australian state or territory not to commit to a CDS does not get a mention.

The IV report, the recently released parliamentary inquiry report into waste and resource recovery, and communications from the Victorian government all suggest that the Government is keen to adopt the Welsh approach of stream separation at the kerbside. It’s unclear if obvious differences between Wales and Victoria have been considered in terms of possible impacts on adopting the same approach. For example, Victoria has 79 councils compared to Wales’ 22 local authorities and is more than 10 times larger in land size.

In its overview of the Welsh system, AlphaBeta notes the significant funding and practical support provided to local authorities by the national government to transition to the new collection approach. The AlphaBeta report also notes that the Welsh Government is the main funder of waste management, with grants to local authorities covering about 85 per cent of the cost of services.

A consistent approach to kerbside collection across all Victorian councils will not be achieved without a clear direction and significant funding from the state government.

The lack of material recovery facilities and processing sites in regional areas has clearly been identified as an issue by IV, local government and others. As noted in the IV consultation summary report, the cost of recycling in regional and rural areas can be prohibitive - remoteness, transport costs and lack of scale all present challenges. This is one of the more obvious infrastructure gaps that needs to be addressed.

IV has noted the critical importance of a proactive approach by government, with a clear strategic direction supported by a long-term commitment and investment. We strongly agree with this. There is a need for sustained, long term increased investment in our waste management and resource recovery infrastructure. The Municipal and Industrial Landfill Levy (MILL) provides the Government with a revenue stream that should have been hypothecated for investment in recycling infrastructure. We support IV’s finding that the MILL has failed to meet its objectives noting that this is in part because the Government has simply failed to invest the accrued income in the resource recovery system. We agree that alternative mechanisms such as a tax on waste production should be investigated.

It is clear there is a need for measured and targeted interventions in order to address market failures in our system. Government needs to act as an incubator where markets are currently immature. While there is understandably a focus on public sector procurement of recycled materials, the role and potential impact of private procurement should not be overlooked. Specifications, certifications and pre-approval of products containing recycled materials are all important to grow market demand.

Finally, the lack of a clear Government policy on waste-to-energy acts as a handbrake on investment and planning in waste management and resource recovery in Victoria. If the Government views waste-to-energy as a subpar option, then it needs to be clear about this. The market needs a clear signal.

# Introduction

The Municipal Association of Victoria (MAV) welcomes the opportunity to provide a submission in response to Infrastructure Victoria’s (IV) `Recycling and resource recovery infrastructure evidence base report’ (hereafter referred to as the *Evidence base report*).

The MAV is the statutory peak body for local government in Victoria. Formed in 1879, we have a proud tradition of representing local governments’ interests and supporting councils to provide good government to their communities.

The MAV has engaged with IV several times this year regarding its preparation of advice to the Victorian government on the infrastructure needs for our recycling and resource recovery industry. We have appreciated IV’s willingness to hear our views and its efforts to consult with a broad range of stakeholders.

We welcome IV’s work in this space but note that the timing of their final advice (April 2020) is problematic given the Government’s commitment to release its circular economy policy and action plan before the end of 2019. Victoria’s resource recovery infrastructure needs will be significantly influenced by the circular economy policy statement.

As noted in our August 2019 submission to the Department of Environment, Land, Water and Planning (DELWP) circular economy issues paper, we very much support the Victorian government’s commitment to introducing a circular economy policy. As the level of government charged with collecting household waste, local government sees first-hand that the current model of production and consumption is unsustainable.

Significant reform is needed to foster a mindset whereby generation of waste is considered a design flaw and our production and consumption habits support, rather than challenge, our transition to a net zero emissions economy. It is regrettable and a missed opportunity that waste avoidance and waste minimisation wasn’t included in the scope of work to be completed by IV.

# Have we identified the right outcomes for Victoria to aim for?

IV describes its overarching strategic objective in preparing advice to Government as being `to reduce the amount of material going to landfill and increase the recovery and recycling rate of materials in Victoria.’

Figure 3 in the *Evidence base report* sets out potential outcomes for the Victorian recycling and resource recovery sector. According to IV, `the location of a particular statement shows the group that the proposed outcomes is most relevant to’. IV notes that it intends to use these proposed outcomes `to guide the development of recommendations’ in their final advice to the Government. IV further notes that Government should monitor and report progress against the outcomes and that quantitative measures and targets should be applied.



## MAV draft position

The diagram as currently presented is unhelpful. There are too many “outcomes” listed (19 in total), their categorisation is problematic, and we would question whether some of the items listed should even be classified as outcomes. The role of businesses as producers of waste appears to be missing altogether.

The lack of any mention of product stewardship or extended producer responsibility (EPR) in the diagram is concerning. In their work for IV, AlphaBeta, Arup and the Centre for Market Design (CMD) all identified product stewardship as a prime opportunity to strengthen the Victorian resource recovery system. Also noticeably absent is any mention of waste governance in Victoria. We discuss our concerns regarding the current governance structure later in this submission.

The Victorian government has clearly signalled its strong desire to transition to a circular economy. To do this, there needs to be a strong focus on waste avoidance, with producers and consumers adopting the mindset that waste is a design flaw. We also need to avoid falling into the trap of thinking more material in our recycling bins equates to success.

Requiring items to be “recyclable” is meaningless unless we have strong markets for “recycled” material. The packaging industry in particular has a lot of work to do in this space. Brand owners should not be hailed for making products that are recyclable without also using substantial amounts of recycled content in those same products. Products and packaging need to be both recyclable and recycled.

We consider a preferable approach would be to set three high level outcomes:

* Waste generation per capita in Victoria is reduced
* Resource recovery and recycling rates in Victoria are strong and increasing
* Residual waste for which there is no viable recovery option is used for energy recovery

Suggested measures and targets for each of these outcomes are outlined in the table below. We recognise that some potential measures will require a national commitment to ensure consistent application and compliance. The Victorian government has an important role to play advocating for federal government to provide meaningful leadership in this space.

|  |  |  |  |
| --- | --- | --- | --- |
| **Outcome** | **Target** | **Potential measures** | **Rationale / explanatory notes** |
| Waste generation per capita is reduced. | * Amount of waste per capita sent to landfill is reduced
 | * New product stewardship schemes are introduced, and existing product stewardship schemes are expanded and strengthened
* Victoria joins all other Australian states and territories in committing to introducing a CDS
* Production and importation of hard-to- recycle materials are banned.
* State-wide education campaigns developed and delivered on waste avoidance and how to recycle properly (i.e. avoiding contamination and buying recycled)
* Adoption of the Australian Recycling Label is mandated for all consumer packaging sold in Australia
* Brand owners are increasingly avoiding single use plastics in their packaging and reducing their packaging overall
* Retailers are supported to facilitate consumers using their own reusable containers
 | * The amount of material collected through kerbside collection is often mistaken as a success indicator. We should be striving for less material in all of our bins – garbage, recycling and organic
* The most efficient way to avoid waste is to put the onus back on designers and producers to design waste out of the system and take responsibility for the end-of-life management of their goods via product stewardship schemes.
* It is not easy for even the most motivated environmentally-conscious consumers to avoid waste, let alone other consumers. Consumers should be encouraged and incentivised to avoid waste. This will require both education and systemic change.
 |
| Resource recovery and recycling rates in Victoria are strong and increasing | * There is a good geographic spread of materials recovery and reprocessing facilities operating safely and transparently
* There is strong demand for recyclable materials including glass, plastics, paper, cardboard and compost
* The waste industry proactively notifies government about materials that have limited or no markets – so government can support market development, move to ban production of those materials or require producers of those materials to participate in a product stewardship scheme
 | * Investment in materials recovery facilities in regional areas
* Investment in reprocessing facilities
* Investment in research and development to identify new and better uses for recycled content
* Grants / incentives to support local government to increase procurement of recycled content
* EPA permissions system facilitates better data collection from waste and resource recovery industry including re where materials recovery facilities send materials
* Industry complying with regulatory requirements
* Brand owners have ambitious mandatory minimum recycled content requirements for their packaging
* Road and infrastructure specifications facilitate greater use of recycled content
* There is a credible labelling system to enable consumers to easily recognise products with recycled content
 | * Over the last two years it has become clear that the waste and resource recovery industry’s reliance on export markets has resulted in underdeveloped local capacity and market demand. Investment is needed both to improve and expand our network of MRF and reprocessing facilities and to drive demand for recyclables
* Industry and the community too often think that recycling ends with putting materials in the right bin. We need to re-educate to make clear that recycling also, by necessity, means buying recycled. For consumer goods, we need a labelling system that clearly identifies what level of recycled content is used in the product and/or packaging.
 |
| Residual waste is used for energy recovery | * Victoria has strategically positioned, safely operated and proactively regulated waste-to-energy plants using residual waste only
 | * Victorian government has a clear policy position on waste-to-energy
* The regulatory framework for waste-to-energy facility operators is robust and understood
* Appropriate settings and safeguards are in place to ensure only residual waste is being used and feedstock demands are not incentivising waste generation
* Waste-to-energy facilities have social licence to operate in Victoria
 | It is inevitable that there will always be waste material that cannot be avoided, reused or recycled. The waste hierarchy clearly ranks energy recovery as preferable to disposal to landfill. Countries with the lowest per capita rates of waste to landfill have waste-to-energy as part of their waste policy, Victoria needs this too. The waste policy must address product stewardship and waste reduction in conjunction with waste-to-energy. |

# Have we identified the most effective potential actions for government to take?

Pages 14-16 of the *Evidence base report* identifies a range of proposed actions that could have `a lasting impact for the recycling and resource recovery sector in Victoria’. The actions are grouped under subheadings and could be summarised as follows:

|  |  |
| --- | --- |
| **PROPOSED ACTION** | **PROPOSED MAV RESPONSE** |
| **Sector-wide improvements** |
| An overarching policy framework for waste, recycling and resource recovery, supported by specific targets for recycling | Support in principle.The paper rightly notes that targets can create perverse incentives. Another concern is who will be held responsible for meeting the targets. Too often waste collected by councils is referred to as “council waste” when it is in fact community and business waste. While councils have an important role to play in educating the community about waste avoidance and recycling, it is the federal and state governments that have the levers to drive meaningful systemic change. Any failure to reduce waste generation and improve recycling outcomes must be considered a failure of these two tiers of government.  |
| A consistent and ongoing education campaign to increase recycling and organics diversion from landfill and avoid contamination | Supported. The Victorian government has a critical role to play in providing state-wide education to build the public’s understanding of the benefits and importance of waste avoidance and recycling. Lack of state-wide education has no doubt contributed to the current lack of community awareness about sustainable consumption and how to recycle properly. Where budgets have allowed, councils have sought to fill the gap by developing and delivering their own campaigns. This has proven neither efficient nor effective. We also need to be clear that to be a good recycler you need to buy recycled.In relation to organics diversion, education regarding food waste avoidance must be prioritised. Many councils offer or are considering offering FOGO collection services. Lack of processing capacity and market demand for the end product is already an issue in Victoria and will become more of an issue as more council services commence.  |
| Support for councils to implement best-practice approaches to sorting and collections (references SV’s *Optimising Kerbside Collection Systems* and bin standardisation) | Support in principle.SV’s `Optimising Kerbside Collection Systems’ supports a consistent approach to recycling by having households recycle the same core set of materials, consistent bin configurations (including containment size and collection frequency), and consistent bin colours.In relation to bin configuration the guide does recognise that councils need flexibility to tailor services to community needs. This flexibility remains important.Bin infrastructure represents a significant capital investment for councils. Changeover to meet AS 4123.7-2006 will be a costly exercise for councils. State financial support will be important if all councils are expected to become compliant in the near future. The SV guide identifies packaging design and labelling as the number one strategic opportunity. It is concerning that IV hasn’t included these as priority actions. Ensuring that packaging is actually recyclable and that there is labelling to guide consumers’ disposal decision-making is essential.  |
| Review of the Municipal and Industrial Landfill Levy settings to ensure levy is incentivising behaviour in line with the Victorian Government’s objectives for the recycling and resource recovery sector | Support in principle.Since the introduction of the Municipal and Industrial Landfill Levy (MILL) in 1992, successive Victorian governments have generated significant revenue from the disposal of waste to landfill. Since 2005, approximately $1.7 billion has been collected. Failure to invest greater amounts of landfill levy income back into our waste and resource recovery sector has significantly contributed to the recent and ongoing challenges in the Victorian recycling sector. Had the landfill levy been used to improve resource recovery in Victoria – including via community waste education, support to local government, investment in sorting and processing capacity and market development – the recycling system would be in a far stronger position than it is today. Any review of the landfill levy settings must include consideration about how best to ensure levy income is use for its intended purpose, i.e. to divert material from landfill. There is a strong danger the Government will increase the levy and still fail to spend it on the resource recovery sector. Any future increases in landfill levy need to be staged to allow both households and industry to prepare and adapt. An increase in levy rates will directly impact on the cost and affordability of council kerbside services for residents. A single hike in the landfill levy may result in unexpected consequences.Councils know from experience that an increase in fees such as landfill gate charges leads to increased illegal dumping. Support for councils, the EPA and other litter authorities will be needed to bolster compliance and enforcement activity. A state-wide media and communications campaign will also be critical, so the community understands the impact of rubbish dumping, the opportunity to report dumpers and the consequences/penalties for dumping.Consideration also needs to be given to how to support community members that genuinely have little or no capacity to pay higher costs. |
| **Supporting the reprocessing sector** |
| Reduce contamination of glass, paper and plastic streams to reduce the cost and complexity of processing, improve the performance of MRFs and support the development of end markets for recycled materials | Support in principle.Councils support introduction of a CDS in Victoria as a means to improve and incentivise recycling behaviour, achieve cleaner streams of material, and reduce litter. A CDS is also supported because, if designed well, it would be funded by those producing and consuming the goods rather than by the community more broadly.Further into the *Evidence base report* it becomes clear that IV is considering recommending stream separation at the kerbside. A small number of Victorian councils are currently implementing or considering implementing an additional bin for glass only. Two councils have conducted small scale trials and, for the short period those trials have been running, have had positive results. These arrangements have been supported by partnerships with industry players willing to work with councils. A cost-benefit analysis is needed to determine the merits of all councils introducing an additional bin for glass. A range of issues need to be considered including:* How a CDS might replace or complement household stream separation
* Relative cost effectiveness of MRFs improving their sorting capacity
* Linked to the point above, the impact of councils reducing their compaction rates
* The willingness and capacity of households to accommodate another bin
* The capacity and suitability of existing aggregation sites used for kerbside recycling
* The differences between councils in terms of proximity to MRFs and reprocessing facilities, residential density, capacity to pay, and material volumes
* Implications for councils’ contracts
* The availability and accessibility of glass beneficiation capacity
* The strength and stability of markets for cullet

The importance of end markets for recyclable materials cannot be overstated. If there is no or insufficient demand for recyclable materials, the design of collection systems is irrelevant. The recent decision of federal, state and territory ministers to phase out exports of waste material only heightens the urgent need to create markets and bolster reprocessing capacity within Australia. |
| Introduce a container deposit scheme (IV notes that their `preliminary view is that a CDS has promise but needs more analysis on how best to design an optimal scheme for Victoria, along with potential changes to kerbside collections) | Supported. IV’s preliminary view that more analysis is noteworthy given it does not make the same observation in relation to any of the other actions in the report. Councils strongly support the introduction of a CDS in Victoria. The waste and resource recovery industry are on record in support of a CDS in Victoria, as are brands like Coca-Cola Amatil[[1]](#footnote-2). IV’s own research shows 92 per cent of the community want a CDS. The recently released parliamentary inquiry report into recycling and waste management likewise acknowledged the high level of public support for a CDS. The report also noted a Parliamentary Budget Office costing that estimated that introduction of a scheme in Victoria would increase the State’s net budget position. |
| Infrastructure investment or support focused on the development of a few end markets for problematic materials that have opportunity for greater recycling volume and long-term uses as inputs to other products | Supported. |
| Government guidance on the types of infrastructure that align with its priorities, to provide clarity and certainty to the sector (IV notes that its final advice will `provide information on the specific types of waste management and recycling infrastructure needed in each region, with prioritisation’) | Supported.It will be important that the government consults during the development of this guidance. The lack of materials recovery and reprocessing facilities in regional areas needs to be addressed. |
| Initiatives to disincentivise the use of virgin materials in production or promote the procurement of products made from recycled materials. | Supported.Councils note that proximity to suppliers of virgin materials versus suppliers of recycled materials is and should be a relevant consideration in purchasing decisions. The cost and environmental impacts of long-distance transportation can be substantial. |
| **Better enable use of products containing recycled materials** |
| A regular review of design and building standards, technologies and construction methods for roads and other infrastructure projects to help enable use of recycled materials | Supported. Clear guidelines, specifications and standards on acceptable uses and applications of products containing recycled materials are also needed. This will assist market development and consumer confidence.  |
| Updating Australian, Victorian and local government procurement guidelines to include sustainability and recycled content requirements needs to be prioritized and accelerated. Consideration of pre-approval or certification of recycled products for appropriate uses. | Supported.As per comment in section above, proximity to suppliers of virgin materials versus suppliers of recycled materials is and should be a relevant consideration in purchasing decisions. |
| **Provide clarity to the waste-to-energy sector** |  |
| A clear, stable, pragmatic waste-to-energy policy. | Supported. |
| Review of landfill levy rates to incentivise infrastructure further up the waste hierarchy | Support in principle. As per comment in earlier section, failure to invest greater amounts of landfill levy income back into our waste and resource recovery sector has no doubt contributed to the recent and ongoing challenges in the Victorian recycling sector. The levy should be hypothecated and spent to fund initiatives that support waste avoidance, reuse and recycling initiatives.  |
| Guidance on the types of waste-to-energy infrastructure the Victorian Government would like to see in Victoria | Supported. |
| **Support high levels of recovery for organics, particularly food organics** |
| `A consistent approach to organics collection by local councils, such as `kitchen caddies’ and/or food and garden organics (FOGO) collection for both municipal solid waste (MSW) and commercial and industrial waste (C&I) supported by a state-wide education campaign about organics recycling’ | Unclear what is being proposed here.Processors of organic waste vary in their willingness and capacity to accept different materials, including compostable bags. These differences between processors inform council decisions about the design of their FOGO service. It is critical IV understands this. The importance of strong end markets for processed organic material cannot be overstated. This is already a challenge in Victoria and will only become more problematic as more councils start to offer FOGO collection services.C&I waste is generally not collected by councils. |
| `Increased separation and processing of organic materials would require supporting processing infrastructure to enable value added product and viable end market for organics. Current infrastructure is likely to be insufficient.’ | Supported. |
| Supporting processing infrastructure closer to the source of waste or end market for recycled materials | Supported. |
| Product disclosure (such as standards, specifications and eco-labelling) for recycled organic materials to support a stronger end market for these materials | Supported. |
| Revisiting food safety standards to potentially enable the use of recycled organic material, such as compost or digestate from anaerobic digestion, in agricultural applications | Supported. |

# Which, if any, of the initiatives implemented in Wales would you like to see applied in Victoria? What do you think of the market design opportunities proposed to improve waste sector outcomes and efficiency?

Chapter 6 of the *Evidence base report* provides an overview of opportunities and challenges specific to Victoria’s waste and resource recovery sector. We agree with IV that there are market failures and that the highly decentralised nature of the sector is a key contributing factor.

We very much agree with their statement on page 17 that:

*`businesses do not currently face the full cost of the materials they use in production, or of waste created by packaging and product obsolescence, which can hinder the use of recycled materials in production and lead to over-production of waste. Households do not face all the costs of their waste consumption, sorting and disposal, which can lead to over-consumption and contamination of material streams.’*

It’s precisely for these reasons that the MAV has long advocated for new and expanded product stewardship schemes. Our current system rarely obliges designers, manufacturers, importers, distributors and consumers of products to take responsibility for the environmental impacts of products throughout their lifecycle, from design to disposal. For most municipal waste and resource recovery services, ratepayers bear the cost regardless of their individual consumption choices. Product stewardship schemes can and do offer a better alternative. By internalising the costs involved in managing products throughout their lifecycle, producers and consumers are incentivised to use resources more efficiently.

The report notes the variation in council recycling services and acknowledges that this is in part due to processors having different standards for materials. We do not necessarily agree with IV that these differences between councils act as a `handbrake on Victoria improving its performance in recycling and resource recovery’. We consider lack of market demand for recycled materials to be the most significant obstacle to improving our resource recovery sector.

We accept that achieving cleaner streams of material through kerbside recycling would be beneficial to the sector. As noted in SV’s `Optimising Kerbside Collection Systems’, ensuring packaging is actually recyclable and is clearly labelled to help consumers identify how to dispose of the packaging is critical. Consistent bin lid colours, bin configuration and community education also have a role to play.

The report notes IV’s survey of 1000 Victorians to understand their attitudes and perceptions of how they sort their waste at home. We note the survey result showing 92 per cent support for a CDS in Victoria is not mentioned. Councils note that while there might be strong willingness from a majority to change how they sort their waste, it’s the wilfully non-compliant minority that cause councils and MRF operators the greatest problems. Councils are limited in the enforcement measures they can take without creating other problems. This is a key issue that does not appear to have been considered.

In relation to improving waste data collection, we urge IV to consider how current data gaps might be addressed by the new environment protection regime scheduled to come into effect on 1 July 2020. The subordinate instruments under the Act are currently under development. Noting the need for greater transparency from the waste and resource recovery sector, we have encouraged EPA to require resource recovery facilities to report on their material flows as a condition attached to their permission to operate. This would enable the EPA to collect information on behalf of the State on volumes, types and destinations of recovered materials.

IV’s suggestion of a centralised data portal would be a welcome improvement to the current data collection process which has councils responding to ad hoc requests from a range of agencies. Timely, reliable and accurate data will be valuable for guiding and attracting investment in the recycling sector and improving transparency about recycling outcomes in Victoria. It will be important that whoever collects the data has the capacity to analyse and interrogate it to pull together a coherent overview of materials flows and identify opportunities for intervention or investment.

IV notes that regional stakeholders raised high transportation costs, lack of local MRFs and lack of local processing capacity as key barriers to improving resource recovery. Regional councils have provided the same feedback to the MAV. This lack of infrastructure in regional areas, and the resulting missed opportunity to bolster local employment and reduce transport costs and emissions, must be addressed.

## Future scenarios

To inform its advice and recommendations, IV engaged Arup to `analyse technologies, associated infrastructure, and required enablers to improve Victoria’s recycling and resource recovery.’[[2]](#footnote-3) Arup developed scenarios `to investigate the approaches or infrastructure that the Victorian Government could support to achieve better resource recovery, greenhouse gas emissions reduction and economic outcomes for the state.’[[3]](#footnote-4)

Six possible scenarios were developed. Arup describes the scenarios as follows:

* ***Out of Sorts:*** *Continued investment in current areas of focus for resource recovery initiatives without major policy reform. It involves upgrade of sorting for recyclables, use of low-grade recyclables in infrastructure and continued reliance on landfill disposal of residual waste.*
* ***Food organics and garden organics (FOGO) FOMO:*** *Recovery of food organics is prioritised with a ban on food waste to landfill and mandatory organics separation for households and food-related businesses. Energy from waste (EfW) is deployed for residual waste.*
* ***Closing the Floodgates:*** *Waste export is banned by the Australian Government, so domestic recycling is improved and expanded and complemented by a growth in domestic use of recycled products. EfW is deployed for unsaleable recyclables and household waste.*
* ***Circular Stewards:*** *Victoria’s circular economy policy sees government, industry and the community embracing new, circular business models which prioritise long-term product and material value. Mandatory product stewardship and separation of organics are key features in this scenario.*
* ***Packaging Crackdown:*** *Australia’s National Packaging Targets and action on ocean plastics pollution drives a focus on recovering and recycling packaging waste and eliminating single-use plastic items.*
* ***High Energy:*** *Large-scale EfW is deployed using well-proven technologies and industrial sites. A range of residual wastes including household and business waste and unsaleable recyclables are accepted while pay-as-you-throw charging is adopted to curb waste generation.*

Using a multi-criteria analysis that considered household waste services cost, waste management cost, economic uplift, greenhouse gas emissions and resource recovery outcomes, the `Circular Stewards’ scenario was found to rank highest.

According to Arup, the `Circular Stewards’ scenario aligns with the Victorian government’s direction on circular economy and warrants `further development of supporting policy and regulatory measures, as well as market and infrastructure support’. Actions identified are:

|  |  |
| --- | --- |
| **Policy and regulatory actions** | **Infrastructure and market actions** |
| * Circular economy policy
* Introduce container deposit scheme (CDS)
* Mandatory product stewardship schemes
* Timeline for mandatory organics separation
* Land use planning for additional organics infrastructure
* Guidance for businesses on mandatory food waste separation
* Review of building guidelines to support separation collection of organics.
* Expand data collections and outcomes monitoring to capture reuse and B2B resource flows
 | * Support for demonstration precincts/initiatives.
* B2B education and support to match and marry businesses.
* Funding for council collection changes and additional organics processing infrastructure
* Improved quality specifications and market development for recycled organics
* Procurement specifications for recycled content, material passports and circular business models.
* R&D and commercialisation support for new business models and specialised recovery technologies
 |

The MAV strongly supports the `Circular Stewards’ scenario as described in the Arup report. As strong supporters of product stewardship, it is pleasing that Arup has recognised the importance of mandatory schemes. We also welcome their nomination of textiles and soft plastic packaging as two priority material types to be targeted for scheme development.

If the Federal and state governments are serious about adopting circular economy principles, then extended producer responsibility and product stewardship approaches need to become a cornerstone of our system. Producers of goods must be incentivised to avoid waste, use recycled content and take responsibility for the environmental impacts of their products.

## Lessons from other jurisdictions

As part of its research, IV engaged AlphaBeta to look at the waste and resource recovery systems in Wales, South Korea, Germany, the United Kingdom, the Netherlands, South Australia and New South Wales. From their analysis of the different jurisdictions, AlphaBeta identified five overarching lessons relevant to Victoria:

* Long-term commitment – most jurisdictions have taken at least 10 years to improve their recycling and resource recovery performance, some as long as 20 years.
* A range of evolving policies – there is no silver bullet to improving resource recovery; most top performers have used a range of policies and scaled these up or down over time.
* Coordination and collaboration – waste is always a split responsibility between levels of government and the private sector, effective collaboration is critical.
* Government’s mandating role – in all of the high-performing jurisdictions, the Government has imposed mandatory measures to drive performance.
* Complementary interventions across the value chain – policy interventions across the value chain work together, even though some high-performing jurisdictions still have underdeveloped end- markets for some materials.

The absence of any explicit mention of capital investment in this list is noteworthy. We assume it is implied in the first dot point.

AlphaBeta also identified five key opportunities for the Victorian system:

1. A comprehensive, national EPR scheme to ensure producers of goods have the right incentives to avoid and manage waste
2. Stronger incentives for specific goods (e.g. batteries, PV systems, plastic packaging) to drive development of secondary processing infrastructure and reduce use of less-recyclable materials
3. Development of a best-in-class collections process and infrastructure that encourages greater separation at source, weight-based payment and avoidance
4. Development of an end-to-end food organics recycling system, which may include biological waste-to-energy
5. Developing two or three end markets where Victoria could expect to generate a long-term competitive advantage

Germany’s recycling rate (68 per cent) is the highest of the seven jurisdictions studied. It appears that Germany’s system corresponds with the `Circular Stewards’ scenario put forward by Arup. For reasons that are not explained, the *Evidence base report* focuses on the waste and resource recovery system in Wales, which has the second highest recycling rate at 63 per cent.

Wales has a strong focus on separation of materials by households. A `Collections Blueprint’ guides collections practice and infrastructure and has been adopted by 11 of the 22 local authorities. The Welsh government provides funding to local authorities to enable them to evaluate their collection service to determine the relative merits of changing their system.

The Welsh system appears to place much of the accountability for improving municipal solid waste recycling on local government, albeit with significant funding and practical support from the national government. Indeed, the AlphaBeta report notes that the Welsh Government is the main funder of waste management, providing grants to local authorities that cover about 85 per cent of the cost of services. We note this does not get a mention in the *Evidence base report*.

The Evidence base report notes that local authorities are `subject to mandatory reporting on waste collection, including the end destination for materials’ and can be fined for inaccurate data reporting. The report further notes that to date, the approach between the national government and local authorities has been collaborative and cooperative, with no fines enforced.

We note that placing an obligation on Victorian councils to provide data on downstream movements of material would require a significant shift in how industry engages with the local government sector currently. In 2018, when the few MRF operators we have in Victoria demanded price increases from councils to offset the impacts of China National Sword, councils sought information in relation to the operators’ costs, income and markets. The operators resisted sharing the requested detail, citing commercial sensitivity. We understand state agencies likewise were unable to obtain this information.

We accept that councils’ contracts could be strengthened to improve reporting. The capacity of councils to check the veracity of any data provided however is questionable. We also note that Wales has 22 local authorities, Victoria has 79. Industry’s willingness to respond to data requests from 79 councils would likely be limited.

There is no question that greater oversight and transparency around material flows is needed in the Victorian resource recovery system. The EPA has a lead role to play in regulating the waste and resource recovery industry to prevent and minimise risk of environmental and human health harms. Sustainability Victoria already collects, compiles and shares waste data including regarding material flows. Either of these agencies would be well placed to seek, collate and analyse data from industry to strengthen accountability and transparency in the system. As noted earlier in this submission, the current EPA reform process provides a timely opportunity for the State to address data gaps via the new EPA permissioning framework.

### Government roles and responsibilities

The *Evidence base report* provides an overview of the different waste management and resource recovery roles of the three tiers of government. There are a couple of notable omissions from the table referencing relevant legislation. At the federal level, the *Product Stewardship Act* is a critical piece of legislation that, if used for its intended purpose, could facilitate the product stewardship schemes used so successfully in top-performing jurisdictions like Germany. At the state level, the *Climate Change Act* plays a key role in defining Victoria’s ambitions in terms of mitigating and adapting to climate change.

In relation to the role of the Victorian government, we strongly agree with IV that `a proactive approach from government, with a clear strategic direction for the recycling and resource recovery sector supported by a long-term commitment and investment are important elements of a high-performing resource recovery sector’.

In its June 2019 *Recovering and Reprocessing Resources from Waste* report, the Victorian Auditor-General’s Office (VAGO) found that `Victorian agencies responsible for managing the waste sector are not responding strategically to waste and resource recovery issues’. It further found that `DELWP has not fulfilled its leadership role to ensure that the state operates under an overarching waste policy’. Lack of clarity around agency roles and responsibilities was also identified as a key issue.

As noted in our submission to the parliamentary inquiry into recycling and waste management, councils are frustrated by the number of state agencies involved in waste and resource recovery. Not counting IV, there are some ten state agencies involved in waste management issues. EPA’s role as the independent regulator is clear. The discrete roles of the DELWP, SV, and the seven waste and resource recovery groups (WRRGs) however are unclear. This leads to confusion, duplication of efforts, and ineffective and inefficient discussions, initiatives and studies.

Councils are also frustrated by the lack of understanding within SV and DELWP about the operational realities of local government service delivery. Over the last 18 months there have been multiple consultation sessions with councils in relation to waste and resource recovery where councils have felt that outcomes were predetermined and that their feedback was neither taken into consideration nor understood.

In providing feedback to this submission, a number of councils also raised concerns about DELWP directing waste and resource recovery groups to postpone collaborative procurement processes pending release of the State’s circular economy policy. The Metropolitan Waste and Resource Recovery Group’s (MWRRG) procurement process for an advance waste technology solution has already involved significant investment from participating councils as well as MWRRG. Industry has also taken a keen interest in the process. The decision to delay the process undermines the confidence of industry and also brings into question the waste and resource recovery groups’ ability to act in the best interests of councils. It’s also disappointing that pending release of the circular economy policy, Victoria continues to be without a waste-to-energy policy.

DELWP’s circular economy policy discussion paper released earlier this year referenced a review of waste governance in Victoria. We support this proposal and look forward to participating with councils in the review.

The *Evidence base report* mentions that since 2017 the Victorian Government has `committed over $110 million across a range of initiatives, including recycling industry transition support, delivering the recycling industry strategic plan, supporting councils to manage e-waste and cleaning up waste stockpiles.’ There is little transparency around this spending in terms of how much has been absorbed by state agencies and how much has reached industry and councils. Critical assessments of the value and purpose of the spend are likewise lacking.

### Options available to the Victorian government

The final section of the *Evidence base report* identifies potential policy levers the Victorian Government could use to improve resource recovery outcomes. IV notes that a combination of responses is likely needed and that support from the Federal and other state governments, as well as co-ordination with local government will be essential.

The policy levers identified include target setting, direct investment in services or infrastructure where market failures exist, pricing mechanisms to incentivise behaviours, and legislative change such as landfill bans. Three additional levers discussed in more detail are the Municipal and Industrial Landfill Levy (MILL), developing end markets for recycled materials, and waste-to-energy policy.

Councils note that in relation to landfill bans, design of the ban should focus on maximising circular economy outcomes. If the ban is intended to change producer and consumer behaviour, then product stewardship and extended producer responsibility approaches should be applied. The Victorian government’s decision to introduce an e-waste ban not underpinned by product stewardship principles has meant that the cost of collection, haulage and processing of e-waste has increased with little, if any, impact on producer and consumer behaviour. This is hardly a great outcome. The ban may have succeeded in diverting quantities of e-waste from landfill, but it has done so at a cost to all ratepayers. We continue to advocate for expansion of the National Television and Computer Recycling Scheme to cover all e-waste.

### Municipal and Industrial Landfill Levy (MILL)

In relation to the MILL, IV notes that one of the Government’s stated objectives for the levy was to `provide funds for waste management infrastructure, support programs for industry, education programs and the resourcing of the bodies responsible for waste planning and management in Victoria’. The failure of successive governments to use the levy for these purposes is of great frustration to local government and has contributed to the current problems in our system. As noted by VAGO in its July 2018 *Managing the Municipal and Industrial Landfill Levy* report, `a significant proportion of funds have remained unspent over many years, representing an opportunity cost’.

We agree with IV and the CMD that the levy is not providing sufficient incentive to minimise waste, encourage greater re-use and recycling and promote investment in alternatives to landfill. This is because the price signal is not felt by those producing waste. Waste service charges on rates notices do not act as a driver for households to reduce their waste generation. Recent increases to gate fees for garden waste and recycling have also reduced the cost benefit of recycling versus sending to landfill. We also agree with IV and the CMD that the landfill levy can act as an incentive to dispose of waste illegally. Responding to illegal dumping incidents costs local government significant amounts each year.

The CMD suggests that alternative mechanisms worthy of consideration are a levy or tax on waste creation (where the rate of the levy is determined by the volume and type of waste created); extended producer responsibility (EPR) policies; and product stewardship schemes. They found that `on first principles, these styles of mechanism appear to display superior economic efficiency properties compared with a tax on disposal and would appear to be less susceptible to legal and illegal gaming strategies.’

We share the CMD’s view that these alternative mechanisms appear more fit for purpose than the MILL and should be pursued by the Victorian government in partnership with the Commonwealth and state and territory governments.

### Developing end markets for recycled materials

In their study of high performing resource recovery jurisdictions, AlphaBeta found that even the best performing countries have struggled to develop end markets for recycled materials. Markets are critical to achieve a sustainable system and to encourage investment in resource recovery infrastructure.

IV notes the importance of clean streams of material to improve the quality of end products. They note that government intervention will likely be needed to improve source separation, better educate the community, research and develop further end-uses for materials, and remove barriers to government procurement of recyclables. We agree with these comments, noting that product stewardship schemes, including CDS, are a proven means to source separate and ensure that the costs are largely borne by those producing and consuming the goods.

We strongly agree that policies that improve the price competitiveness of recycled materials are key to supporting market development. Potential purchasers also need to be confident that recycled products meet their standards and specifications requirements. Quality should not be compromised in order to accommodate greater use of recycled materials.

In our view the importance of market development cannot be overstated. The current recycling challenges were triggered by the loss of one of our industry’s major export markets. Strong demand for recycled materials will drive investment in infrastructure and incentivise changes in recycling behaviour and systems.

### Waste-to-energy policy

IV notes that the absence of a waste-to-energy policy in Victoria is acting as a barrier to investment from the private sector. The MAV articulated its position on waste-to-energy in our submission[[4]](#footnote-5) to the 2017 `*Turning Waste into Energy’* discussion paper. In summary, councils are excited about the potential opportunities that waste-to-energy technologies present but also strongly support the waste hierarchy as the guiding principle for how waste should be managed. Energy recovery should not and cannot be allowed to become an excuse for diverting our efforts and investment away from waste reduction and improved resource recovery.

We urgently need a State policy that clearly articulates where and how waste-to-energy might fit within a circular economy. We question IV’s decision to assess different waste-to-energy technologies given that typically governments are technology-agnostic and let the market decide.

# Where do you think government should focus their efforts to increase recycling and resource recovery? (for example, through setting targets, promoting consistency or funding local councils?) Which materials or infrastructure types present the most opportunity in your region?

In keeping with the Government’s stated objective of becoming a circular economy, the priority areas of focus should be waste avoidance and minimisation, and market development to drive demand for recycled materials. The Government’s current fixation on reforming kerbside collection systems is concerning and, in our view, demonstrates a lack of understanding of circular economy principles. We urgently need strong national and state leadership on waste avoidance via pursuit of robust and comprehensive product stewardship and extended producer responsibility schemes and a levy or tax on waste creation. For too long the packaging and consumer goods industries have succeeded at avoiding scrutiny and regulation to require them to change their practices to reduce waste generation and maximise use of recycled content. This must change as a matter of urgency.

China’s decision to restrict importation of materials from early 2018 exposed Victoria’s and other jurisdictions’ overdependence on export markets to deal with recyclable materials. For too long, all levels of governments, industry and the community have failed to understand that recycling by necessity also means buying recycled. There now appears to be widespread agreement that it is incumbent on government and the private sector to procure more recycled content. To achieve this, potential purchasers must be able to readily access information and assurances regarding options, quality and cost. The Government has a key role to play in supporting market development and incentivising purchasing of recycled materials. Investment in infrastructure such as beneficiation and reprocessing plants will also be essential.

The Government has made clear its strong interest in mandating food waste collection services across Victoria and possibly introducing a separate bin for glass. For either measure to be successful, significant investment will be needed not only into local government, but also in state-wide education campaigns, in increasing and improving local processing capacity and in ensuring there is sufficient demand for the end products. We are concerned that the Government does not appreciate the complexities, costs or possible consequences of introducing such significant reforms. It is imperative that the Government work more closely with local government and industry to ensure any proposed reforms are well-designed, sufficiently funded and smoothly implemented.

Providing investment support for sorting and processing facilities in regional areas should be prioritised. Transport costs, remoteness and lower economies of scale all present challenges. Investment in resource recovery infrastructure in regional Victoria has the potential to create local employment as well as markets for recycled products within the region.

Finally, the absence of a waste-to-energy policy for Victoria needs to be addressed as a matter of priority. The Government is right to be cautious about waste-to-energy, but it also has a responsibility to provide industry, councils and the community with clear signals to enable planning and investment decisions.

#  What is a legislative barrier or enabler that you have encountered when trying to use recycled materials?

The MAV is not aware of any legislative barriers that have prevented councils from procuring recycled content. In our view, the key barriers relate to lack of information, and concerns about cost and quality. Standards, specifications and certifications all have a role to play in building consumer confidence in products containing recycled content. The importance of case studies and demonstration projects should also not be underestimated.

In August this year, the Metropolitan Waste and Resource Recovery Group (MWRRG) surveyed councils on the drivers, barriers and opportunities to increasing council procurement of products containing recycled materials. The key barriers identified through the survey were:

* a lack of information and awareness about products
* a lack of confidence in products
* a lack of specifications and standards for products
* procurement of products containing recycled materials not included in tender specification and evaluation criteria.

Councils said the following information would assist them to procure products containing recycled materials:

* Information about the quality and durability of products
* Information about the range of available products and their application
* Information on the cost of using the product over its lifecycle, compared with use of products containing virgin materials
* Case studies of other councils who are using these products effectively
* Database with search function of products available
* Information on the environmental credentials of the products (including energy and water use in manufacturing process)

We would encourage IV to contact MWRRG to obtain a copy of the survey results.

1. Millar, R & Schneiders, B. [Secret state Victorian cans access to stance on container deposit scheme](https://www.theage.com.au/politics/victoria/secret-state-victoria-cans-access-to-stance-on-container-deposit-scheme-20191102-p536rz.html), *The Age*, 9 Nov 2019 [↑](#footnote-ref-2)
2. Arup, *Recycling & Resource Recovery Infrastructure Advice – Resource Recovery & Recycling Infrastructure Analysis Final Report*, October 2019, p.12 [↑](#footnote-ref-3)
3. ibid, p.5 [↑](#footnote-ref-4)
4. <http://www.mav.asn.au/__data/assets/word_doc/0004/5755/Submission-to-turning-waste-into-energy-discussion-paper-Dec-2017.docx> [↑](#footnote-ref-5)