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Dear Chloë

**Regulation of Waste Exports: Cost Recovery
Consultation paper, November 2022**

On behalf of the Australian Council of Recycling (ACOR), we write to express our strongest concerns about the cost recovery measures proposed in the *Regulation of Waste Exports: Cost Recovery* consultation paper released for comment in November 2022. Fundamentally, introducing a fee and levy on the export of processed recycled materials will create perverse outcomes and work against the goals of the Australian Government's National Waste Policy Action Plan.

ACOR is the peak industry body for the resource recovery, recycling, and remanufacturing sector in Australia. Our membership is represented across the recycling value chain, and includes leading organisations in CDS operations, kerbside recycling, recovered metal, glass, plastics, paper, e-product reprocessing and remanufacturing, road recycling, and construction and demolition recovery. Our mission is to lead the transition to a circular economy through the resource recovery, remanufacturing and recycling supply chain.

Precipitate policy process

The proposal to enact cost recovery for the export of recycled materials is precipitate, given that the rollout of the Australian Government's Recycling Modernisation Fund (RMF), announced in July 2020 with boosted funding announced in October 2022, is still unfolding. The intention of the RMF was to [support Australia 'to regulate the export of waste glass, plastic, tyres, paper and cardboard'](#).

Whilst \$213 million in government co-funding has been allocated across 85 projects as part of the RMF, the fund has not yet been fully disbursed, with some jurisdictions yet to deliver any on-the-ground projects. Many projects underway are lagging in terms of permits and development approvals. Coupled with supply challenges in accessing critical plant, there is a shortfall in capability to meet Government timelines for recycling export regulation.

Finally, recycling infrastructure grants made through the RMF were based on business cases that do not incorporate these cost recovery methods, and their introduction now may lead to the underutilisation of funded infrastructure. Any exploration of cost recovery from the recycling sector should be postponed until the RMF has been fully disbursed and infrastructure fully delivered.

Cost recovery on the recycling sector contradicts product stewardship

In seeking to reduce waste, the Australian Government has prioritised [product stewardship](#), whereby manufacturers, importers and retailers are responsible for the environmentally sound management of products and materials over their life, including the end of their useful life.

Enacting cost recovery on the recycling sector in order to fund the government administration of waste reduction is contrary to this policy: imposing the entire burden of cost recovery on one group of stakeholders at the 'end-of-pipe' rather than at the source of generation.

It should be noted that Australia does not currently place specific environmental policy restrictions on importers of tyres, plastics or paper and cardboard products.

Constrained markets for recycled materials

As required by the Australian Government's ban on 'waste' exports and spurred by investment and innovation, the recycling sector is working to transform recovered resources into recycled commodities – most of which have low (or negative) value.

As Australia is a net importer of products comprised of many of the materials affected by the export bans, these recycled commodities are traded in highly price-sensitive international markets. Any increase in cost will result in these exports becoming uncompetitive and unviable.

Furthermore, there has not been enough domestic growth in the market for recycled materials and there are currently no compelling incentives for manufacturers to prioritise locally produced recycled materials over imported virgin materials.

Case study: Soft mixed paper exports

Australia has an oversupply of recovered paper and cardboard and relies on overseas markets to reprocess this material. It is estimated Australia recovers 3.5M tonnes of paper and cardboard per year and of this, 1.1M tonnes is exported.

The international market rate for kerbside recovered mixed paper can range between -\$50 to \$100 per tonne for a high-quality bale. In the absence of sufficient local processing capacity, a \$20,000 application fee and/or levy of \$3.98 per tonne would likely see the product degraded to lower grade options such as compost, kitty litter, energy recovery or – worst case – landfill.

There is no available evidence to show that significant new recycling capacity will come online in the short term, resulting in a continued need to export recovered paper and cardboard to avoid the degrading of this material.

The sale price of mixed paper and cardboard is extremely volatile, and since the pandemic, ocean freight costs have increased between 30% and 500%, depending on the trade route.

Case study: Tyre recycling

The tyre recycling industry is highly exposed to export markets and in competition with onshore landfilling operations. Increased costs for the export of used tyre material will make onshore landfilling of tyre shred more economical. Current offshore disposal costs – for tyre derived fuels (TDF) to cement kilns in Asia, for example – are in many cases higher than domestic gate fees and landfill levies.

Fee structure will create high barrier to entry and stifle innovation

DCCEEW's proposed license fees will create a high barrier to entry and stifle innovation, as a blanket fee structure will favour high-volume producers. High licensing fees will also likely lead to more illegitimate operators who seek to avoid the proposed fees.

Imposing a uniform levy across all export types will also penalise heavier export materials, such as tyre shred which is much heavier per volume than plastic pellets, for example.

The Department should clarify any methodology for arriving at a proposed structure for cost recovery.

Counters finance dept guidelines on cost recovery

Fundamentally, the imposition of cost recovery on the recycling sector counters the Australian Government's [Cost Recovery Guidelines \(CRGs\)](#), [Resource Management Guide 304](#), as set out by the Department of Finance. The CRGs allow for the merits for cost recovery to be assessed on a case-by-case basis, and state that exceptions may be made based on:

- 'the impact of cost recovery on competition, innovation or the financial viability of those who may need to pay charges and the cumulative effect of other government activities': This is particularly pertinent given the cost sensitivity of commodities markets for exported recyclates, and the current additional external pressures of high shipping costs, domestic labour and energy costs on the recycling sector. Consideration should also be given to the possible spillover effects on resource recovery rates and landfill if recycling becomes unviable following the introduction of cost recovery measures.
- 'how cost recovery might affect the policy outcomes for the activity': The Australian Government's commitment to establishing a national circular economy will necessitate a strong recycling sector, which this cost recovery will hinder.

The CRGs allow that, 'in certain circumstances, cost recovery may also be contrary to intended policy outcomes, such as the provision of community services or industry support'. The proposed fee and levy will inhibit innovation and growth in an industry the Government has specifically committed to foster through the RMF.

Enacting cost recovery on the recycling sector contradicts the intended outcomes of the [National Waste Policy Action Plan](#), including hampering progress towards the national target of an 80% average recovery rate across all material streams by 2030, and contradicting measure 3.18, which is to 'Identify financial and other incentives that may assist key industries, including the waste and resource recovery industry, to transition to a more circular economy Australian Government.'

Data and analysis to support policy and regulation

ACOR has been a strong advocate for the implementation of a ban on the export of waste, and supportive of the objectives to build Australia's capacity to generate high-value recycled commodities and associated demand, address concern in Australia and around the world about plastic pollution of our oceans, and the need to ensure that any exports of waste do not cause harm to human health and the environment.

However, it is now evident that the data and analysis used to underpin the case for the ban were not sufficiently comprehensive. Also, enabling measures such as the RMF have not been sufficiently advanced to support the outcomes of the ban.

It is critical that future policy and regulation are predicated on sound research and verifiable data that specifically addresses the capacity of the recycling sector – as distinct from the waste management sector.

Conclusion

ACOR opposes the proposed cost recovery measures and we express our serious concerns that this will curtail an industry the Australian Government has elsewhere sought to support, leading to undesirable and unintended consequences.

ACOR would like to play a constructive role in helping to inform how we maximise recycling in Australia. Our members bring considerable real-world resource recovery and recycling expertise based on their operating in every jurisdiction in Australia and internationally, and we would be very pleased to facilitate further dialogue and consultation on the above matters.

Your sincerely



Suzanne Toumbourou
Chief Executive Officer