

DELIVERING NET ZERO THROUGH THE CIRCULAR ECONOMY

WMRR'S FIVE (5)-POINT FEDERAL ELECTION PLAN

WMRR calls on all parties to commit to the following five (5)-point plan at this year's federal election:

- *Maximise carbon abatement through the WARR sector*
- *Mandatory Extended Producer Responsibility*
- *Sustainable design*
- *Sustainable procurement*
- *A concerted, whole-of-government approach to creating a circular economy*

WMRR is also seeking recurrent funding in the federal budget of \$200 million annually for five (5) years to continue to accelerate onshore WARR infrastructure for reprocessing secondary raw material nationally, which will create onshore jobs, build Australia's local capability and resilience, and develop markets for products that are "Remade in Australia". This transition to a circular economy will, in the long-term, pay for the five (5)-year funding that industry is seeking as circular activities and processes not only result in environmental benefits, but they also create new jobs and significantly boost national GDP. In fact, a 2020 KPMG report suggests that a future circular economy in Food, Transport and the Built Environment represents a potential economic benefit of \$23 billion in present value GDP by 2025¹.

BACKGROUND

In the six (6) years between COP25 where the Paris Agreement was formed, which Australia is a signatory to, to COP26 in Glasgow in 2021, 70% more virgin materials were extracted than what the Earth can safely replenish; collectively, the global economy has consumed an additional half a trillion tonnes of virgin materials, including fossil fuels, minerals, ores, and biomass². Of these volumes consumed, only 8.6% make it back into the economy, a drop in global circularity from 9.1% in 2018³. On 23 March 2022, Australia marked its Earth Overshoot Day - seven (7) days sooner than 2021 - the date when demand for ecological resources and services in a given year exceeds what Earth can generate that year and regrettably, Australia is the fourth fastest country to hit this annual target.

Moving to a circular economy is key to successfully transitioning to a net zero future, and the waste and resource recovery (WARR) sector is both fundamental to this transition and is currently punching well above its weight. For example, the WARR sector has made a substantial contribution to carbon abatement in our management of direct emissions. Of the 17 million Australian Carbon Credit Units (ACCUs) issued under the Emissions Reduction Fund (ERF) in 2021, 4.95 million were issued to WARR projects, representing 29% of all ACCUs⁴ delivered to a total of 561 cross sector projects participating in the ERF. There is an opportunity to double the number of ACCUs produced by the sector through a multitude of ways, including incentivising new projects, some of which WMRR has detailed below.

¹ POTENTIAL ECONOMIC PAY-OFF OF A CIRCULAR ECONOMY FOR AUSTRALIA, KPMG 2020

² THE CIRCULARITY GAP REPORT 2022

³ IBID

⁴ 12 FACTORS IMPACTING ACCU SUPPLY, CLEAN ENERGY REGULATOR

A circular economy is an indispensable component of our efforts to mitigate climate change and transition to a resource efficient, net zero emissions future, and the WARR sector is an indispensable player in this space. The circular economy is built on three (3) principles – designing out waste and pollution, keeping products and materials in use at their highest and best value for as long as possible, and regenerating natural systems.

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Preserving the planet, protecting human health, growing local economies, and creating jobs can all go hand-in-hand, but we need to keep innovating and challenging the system, so that we build a society and an economy where the focus is on the start of product lifecycle, to first and foremost prevent waste from being created, as well as ensuring sustainable resource use.

The Waste Management and Resource Recovery Association of Australia (WMRR) supports efforts in Australia that mitigate carbon emissions and build a circular economy. Ahead of the 2022 federal elections in May, the Association, on behalf of its more than 2,000 members across the country, is advocating for five (5) policy priorities, including a number of recommendations that will assist in meeting these policies, to be adopted by all political parties. These priorities are crucial to drive action towards a circular economy that reduces carbon emissions and creates increased jobs and investment in the Australian economy.

1. MAXIMISE CARBON ABATEMENT THROUGH WARR

Australia's total greenhouse gas (GHG) emissions for 2019 were 518.9Mt CO₂-e, with waste emissions for the year totalling 12.4Mt, accounting for 2.4% of Australia's total CO₂-e emissions. WMRR believes that the sector can significantly reduce our direct emissions as well as double the amount of ACCUs (to ~10MtCO₂-e) generated. Further, as the WARR sector is intertwined with all other industries, we have a vast opportunity to assist the entire supply chain in reducing its carbon footprint. In addition to mitigating our end-of-pipe emissions through landfill diversion, organics processing, and methane recovery, a regenerative economy that is bolstered by re-use, remanufacturing and repair will further enhance the reduction of indirect emissions, e.g., through the reduced extraction of virgin materials for product manufacturing, extended product lifespan, and more.

WMRR RECOMMENDS

- The National Waste Policy recognises the positive carbon mitigation impact of WARR processes, and that the government follow in the EU's footsteps by requiring sectors to measure carbon emissions across all material streams used in the production process throughout a product's entire lifecycle, as well as prioritise material streams for action, not simply based on weight but also the emissions reduction possibility.

- A review of the Emissions Reduction Assurance Committee (ERAC) be undertaken. As part of this review, WMRR recommends considering whether the committee has the appropriate skills and knowledge relevant to the WARR sector, given 40% of ACCUs are generated by the sector, as well as whether the rules could be amended to provide greater powers to ERAC to review decisions and methodologies.
- An extension of the crediting periods for both the Alternative Waste Treatment (AWT) and Source Separated Organic Waste (SSOW) methodologies to encourage greater take-up and unlock additional projects, which would lead to greater abatement, infrastructure investment (as the ability to receive ACCUs will mitigate a level of financial risk), and jobs. As both AWT and SSOW projects are long life, high capital assets, WMRR recommends that a crediting period of at least 12 years, and more than 10 years are provided to these methodologies respectively.
- The Clean Energy Regulator develops an Energy from Waste (EfW) methodology as a matter of urgency. There are a number of EfW projects that are in the key phase of development in Australia. An EfW method will assist proponents with significant investment hurdles while meeting the objectives of the ERF, including displacing emissions-intensive energy sources with a reliable, low carbon alternative and reducing the WARR sector's emissions. There is an obvious gap in the current suite of methodologies available to the EfW sector, which is arguably why significant work was previously undertaken by the Department on this methodology that WMRR is seeking progress on.
- The Clean Energy Regulator develop new ACCU methodologies that can account for the benefits of recycling (e.g., embodied energy of recyclables), acknowledging that the WARR sector plays a key role in assisting other industries in their decarbonising efforts.
- Federal funding is provided to develop carbon neutrality pathways; by incentivising WARR, the government can reduce Australia's reliance on virgin materials and drive greater carbon emissions mitigation. A contemporary and robust carbon framework is required to capture current material management trends (e.g., the federal waste export bans) and innovation, including recognition that a circular economy and closed loop models have driven, and continue to drive, emissions reduction.

2. MANDATORY EXTENDED PRODUCER RESPONSIBILITY

WARR is a shared responsibility that requires a multi-pronged approach across the supply chain to create recognition of the value of materials that are consumed, given the finite amount of materials the planet produces. As Australia is the second highest generator of waste globally and has consistently been the fourth country to reach Earth Overshoot Day, we have a significant challenge to shift the paradigm away from consumption and disposal (a linear convenience economy) to one that values virgin material and takes full responsibility for the product lifecycle. The ongoing externalisation of the costs of managing end-of-life products and the ability to shift the responsibility and costs from producers to others precludes requisite investment in design and hampers Australia's transition to a circular economy, where products and systems are designed for reuse and repair.

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To create a more resource efficient, less carbon intensive economy, and to shift towards a circular economy, we need to start by tackling product design to eliminate waste and pollution at first instance, and to enable efficient processing and recycling of materials, as well as the management at end-of-life, including meeting the costs associated with these. There also needs to be a focus on materials, systems, and designs that drive re-use and repair (and the service economy that comes with this). Every stage of a product's lifecycle must be managed and backed by robust regulations and policies, alongside other assistance such as the appropriate placement of financial responsibility and incentives (e.g., taxation), and genuine commitment and funding of research and development.

While the WARR sector is extremely capable of safely storing, disposing, and/or reprocessing and recycling end-of-life materials, the current disproportionate emphasis on solving end-of-life at end-of-pipe (as opposed to designing for product longevity and ultimately recycling) only perpetuates linear thinking. For Australia to move towards a circular economy, and not one that simply creates a closed loop or down-cycles, we need a national framework that includes regulatory and policy settings that require a product's creation and lifecycle to design out waste and pollution, enabling every part of the supply chain to play a clear role in material

management, which ideally includes systems for re-use and repair, and does not rely wholly on recycling but at least provides the opportunity to do so by minimising (or taking responsibility for) the inclusion of hazardous materials.

WMRR has consistently advocated for the adoption of the polluter-pays principle (through mandated EPR schemes), which is already a commonly accepted and proven policy globally. Such schemes stipulate that those who produce the pollution bears the cost – all, if not part of it – of managing the material at all stages including end-of-life, and in so doing, prevents damage to human health and the environment.

WMRR RECOMMENDS

- The federal government creates a national framework that requires mandatory EPR schemes for material streams that cannot be recycled via standard collection schemes. It is important that materials that will shift the dial in the way we manage at end-of-life are selected for mandatory EPR and WMRR recommends urgently addressing packaging, given the clear failures of the National Environment Protection (Used Packaging Materials) Measure 2011 (UPM NEPM) and the 2021 review identifying that the key elements of the UPM NEPM have not been implemented, or have not been operationalised effectively in its many years of operations. This could be followed by other significant problematic items including solar PV, white goods, and e-waste, all of which as currently designed, are problematic due to chemicals, multi (complex)-materials, and no obvious recovery strategy to-date.
- Prioritising a national phase-out of Persistent Organic Pollutants (POPs) starting with PFAS by banning the use of these substances as raw materials in products in the first instance, and an EU style labelling scheme for all products that currently contain these POPs.

- The development of a national program that requires all manufacturers (local and import) to report and identify hazardous chemicals within the products they produce and supply, similar to for example, the EU's REACH (Register, Authorisation and Restriction of Chemicals) program as well as the Classification, Labelling and Packaging (CLP) initiative, which requires identification of the material to allow consumers to make an informed choice. WMRR is aware that Australian governments have commenced working on new regulations for chemicals using an Industrial Chemical Environmental Management Standard and this work should be expedited and developed further to include the two (2) elements above, particularly consumer labelling

3. SUSTAINABLE DESIGN

Transitioning to a circular economy requires a paradigm shift in the national economy, where we are no longer locked in a take-make-dispose (linear) system that transfers costs and responsibility to the next step in the supply chain, but have the opportunity to eliminate waste and circulate materials. To do so requires a step change in the way products are designed in the first instance to prevent waste and pollution from being created, and to ensure that reusability, repairability and refurbishment are objectives during the design and production stages, supported by appropriate systems. Australia needs to accelerate work in this area, and not be left behind European nations that are adopting these principles under the Circular Economy Action Plan 2020, risking Australia becoming a dumping ground for poorly designed and hazardous materials.

"Transitioning to a circular economy requires a step change in the way products are designed in the first instance..."

WMRR RECOMMENDS

- Introducing economic incentives to encourage sustainable design that will minimise waste as well as take up of recycled content given it is a secondary raw material, e.g., through tax incentives and/or grants.
- Developing enforceable national sustainable design guidelines and regulated design standards like the EU, to end the creation and use of problematic products, as well as provide direction and clarity to manufacturers and importers in relation to material selection and product design that facilitate genuine recyclability and use of Australian recycled content.
- Developing standards and certification systems for reused, repaired, and remanufactured goods to build consumer confidence and promote sustainable design, as well as financial support and incentives to design systems and infrastructure that support these stages.
- Establishing national standards for reusability and repairability to build consumer confidence and promote sustainable design.

4. SUSTAINABLE PROCUREMENT

To drive market development that will assist in achieving 80% recovery by 2030, as well as to ensure the objectives of the COAG waste export bans are met, Australia requires mandated sustainable procurement, starting at the federal level and cascading down to state and local governments. Sustainable procurement is vital to drive market development for the secondary raw materials that are created by the WARR industry. In the absence of demand for locally reprocessed and remanufactured materials, we will be unable to attract investment for domestic remanufacturing capacity, which is also key in fostering the structural change required to move towards a circular economy and creating new local jobs in the remanufacturing sector. Further, creating a domestic remanufacturing sector has proven to be vital during COVID-19, which highlighted Australia's isolation and exacerbated challenges related to offshore transportation. To underpin this, we need to also build on the success of the funding through the Recycling Modernisation Fund (RMF), and investment received under the Modernisation Manufacturing Investment Fund (MMI); these will continue to provide certainty of federal commitment and investment in the onshore production of goods made from secondary raw materials. To that end, WMRR is seeking continued allocation of \$200 million over the next five (5) years to accelerate the investment in onshore remanufacturing facilities, which will be paid for in the long run through the creation of a genuine circular economy that will grow national GDP and boost job creation.

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WMRR RECOMMENDS

- Setting and enforcing national sustainable procurement targets for public sector entities, including the development of specifications with a minimum percentage content of Australian-recycled materials required to be used in materials across all new publicly-funded projects.
- Public declaration by government agencies in their annual reports that they have met these targets or not. Where targets have not been met, the declaration should be accompanied with an explanation and a clear plan detailing how these will be met the following year.
- Introducing federal incentives such as awards and tax breaks to encourage sustainable procurement practices in the private sector.
- Developing a nationally consistent community education campaign that builds on the ReMade in Australia program, highlighting the benefits (local jobs as well as environmental) of preferencing and purchasing products that are made from Australian secondary raw materials, and the need to focus on purchasing materials that can be genuinely recycled. It is also important that Australia considers and changes our WARR language, moving away from words such as "rubbish" in order to highlight the value in the materials used and created.

5. A CONCERTED, WHOLE-OF-GOVERNMENT APPROACH TO CIRCULARITY

The federal government must collaborate with state governments to ensure a whole-of-government approach, following in the European Union's footsteps to establish a nationally coordinated and consistent pathway for policy and business that will enforce and roll out circular principles and infrastructure across Australia, given we are one (1) common marketplace. As many businesses in Australia operate nationally, with a number being multinational companies that are already abiding by mandatory EPR, carbon reporting, and other material management rules, the government must capitalise on its national leadership to create an agreed national vision and roll out national programs as well as policy and regulatory frameworks that create a circular economy; this will be vital not only for Australia's economy and climate action, but will be increasingly pivotal to facilitate trade with other jurisdictions such as the EU and US that already have similar policies in place and are embarking on their respective green deals to deliver them.

WMRR RECOMMENDS

- Implementation and enforcement of a federal proximity principle to ensure the collection, recovery and processing of end-of-life materials within a distance proximate to their place of generation, mitigating the risk of unnecessary transportation of materials (which has numerous environmental impacts including transport-related emissions) and evasion of landfill levies, as well as providing certainty of material volumes and flows to encourage investment in domestic

infrastructure. This must be supported by a nationally harmonised system of inter-jurisdictional levy portability.

- Formalising the role of the Heads of EPA (HEPA) to provide it with responsibility for determining policies and regulations that ensure a nationally consistent approach. At present, HEPA is an informal alliance; however, given its potential to enable nationally consistent outcomes that will benefit both the environment and community, and its ability to foster cross-jurisdictional collaboration, WMRR is advocating for HEPA to be formalised and to report directly to the Environment Ministers Meeting (EMM), with a clear mandate to develop national policies and regulations that support the circular economy and are adopted by all jurisdictions, including but not limited to frameworks such as the General Environment Duty and End of Waste models that transition "waste" to "resource".
- Developing a national circular economy blueprint, similar to the EU's Green Deal, that includes proposals which will transform all sectors in the Australian economy in order to meet our net zero emissions by 2050 target. This blueprint must include pathways, actions, and targets that will enable no net emissions of greenhouse gases by 2050, the decoupling of economic growth from resource use, an emphasis on product design that focuses on reusability, repairability, recyclability (and recycling), as well as remanufacturing, clean energy, sustainable transportation, and research and financial support for innovation in low-emissions and sustainable technologies, products, and services across all sectors.

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