Reducing waste: a more effective landfill levy

Summary document

Ministry for the Environment
Manatū Mō Te Taiao

New Zealand Government

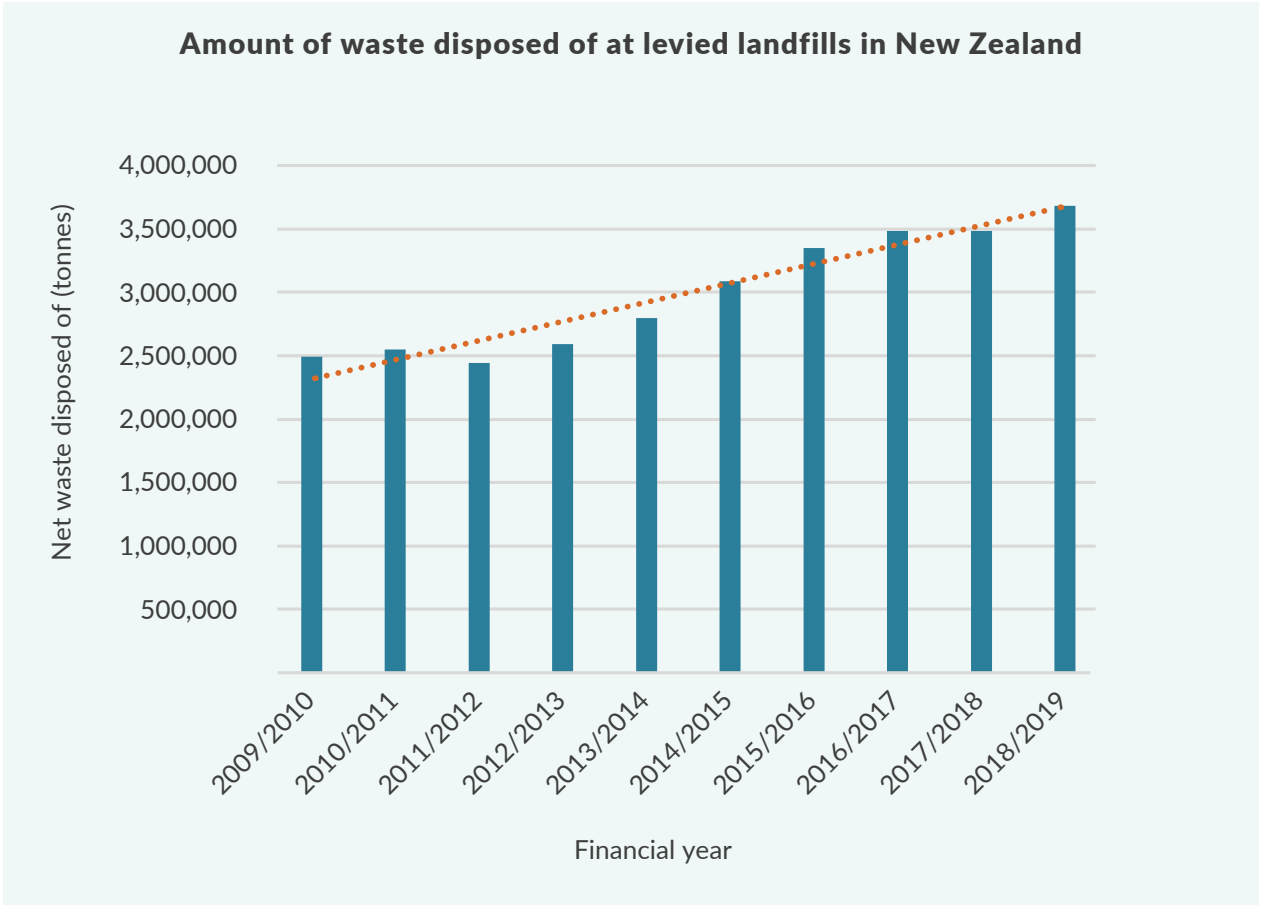
New Zealand's waste problem

New Zealand has a waste problem. We lag behind other countries in our reuse and recycling rates, and are disposing of more and more waste into landfill. We have one of the highest rates of per capita waste production in the developed world.

We have limited infrastructure (such as recycling facilities) for processing waste materials within New Zealand. We used to send products like plastics and paper overseas for recycling but other countries are increasingly placing restrictions on the waste they will accept.

We have limited data on waste and recycling. This makes it difficult to identify opportunities to reduce waste and measure how well we are doing at reducing waste.

New Zealanders have recognised our waste problem and its effects on the environment, and want to see improvements. Local government has called for change. A 2018 Ministry for the Environment survey showed we rank waste as one of the three most important challenges facing our country in the next 20 years.



Note: This graph shows waste disposed of at landfills subject to the levy (currently class 1 landfills that receive household waste and other waste types). Not all landfills in New Zealand are subject to the levy, with the country's total waste tonnage likely to be more than double than what is shown in the graph.

The landfill levy

Much more could be done to reduce waste and reverse recent trends. We need to provide the right infrastructure, services and incentives so sending waste to landfill is no longer the cheapest and easiest option.

We have the opportunity to change how we do things and the Waste Disposal Levy ('landfill levy') is an important tool to help us:

- create an economic disincentive to producing and disposing of waste
- raise revenue to invest in waste minimisation, including local infrastructure for materials reprocessing
- make alternatives like reuse and recycling more competitive (as landfilling becomes more expensive).

We already have a landfill levy but it's too low and applies to too few landfills to be working well.

What is being proposed?

The Government is proposing to increase the landfill levy and apply it to more types of waste.

The levy is currently $10 per tonne of waste which is low by international standards. The levy is only charged at landfills that take household waste, accounting for around only 40% of total waste sent to landfill.

Strong calls to increase the levy and expand its coverage have come from local government. The Tax Working Group, the Organisation for Economic Co-operation and Development (OECD), and the New Zealand Productivity Commission have also made similar calls.

Increasing the levy will better reflect the full environmental, social and economic costs of waste disposal and encourage materials to be reused and recycled rather than sent to landfill. This will help make our economy more efficient and help create jobs.

The Government is also proposing to collect better data about waste.

Proposed changes to levy rate and coverage

Increase the levy for landfills that take household waste

- We propose increasing the levy rate in stages from the existing $10 per tonne to $50 or $60 per tonne by 2023.

Apply the levy to more landfills

- We propose applying the levy to all landfills, except cleanfills or farm dumps.
- This includes landfills taking construction and demolition waste, industrial waste, and those that take largely inert materials like rubble and soils. For these landfill types, the levy would be either $10 or $20 per tonne of waste disposed.

The proposed changes would be phased in so businesses, councils and the Government have time to get ready for them. The table opposite shows four options for levy rates and phasing.

Proposals for improved waste data

Proposals to improve the data collected and provided to government include:

- establishing a central record of landfills, cleanfills and transfer stations
- collecting data on materials disposed of at landfills, cleanfills and transfer stations; including overall waste quantities, the amount of material diverted away from landfill, and the source of materials landfilled and diverted
- requiring councils to report how they spend levy revenue they receive, and their performance in achieving waste minimisation.

Proposed options: levy rate and coverage				
Landfill types	**A (Increase then expand)**	**B (Expand and increase)**	**C (Expand then increase)**	**D (Expand then higher increase)**
Municipal landfills (class 1)	$20 1 July 2020 $30 1 July 2021 $50 1 July 2022	$20 1 July 2021 $30 1 July 2022 $50 1 July 2023	$30 1 July 2022 $50 1 July 2023	$30 1 July 2022 $60 1 July 2023
Industrial monofills (class 1) and Construction and demolition fills (class 2)	$20 1 July 2021	$20 1 July 2021	$10 1 July 2021 $20 1 July 2023	$10 1 July 2021 $20 1 July 2022
Contaminated soils and inert materials (managed and controlled fill sites; class 3 and 4)	$10 1 July 2023	$10 1 July 2023	$10 1 July 2023	$10 1 July 2023

All figures are GST exclusive

The levy will be invested in achieving a low-waste future for New Zealand

A low-waste future for New Zealand is one where less waste is produced and where significantly more materials are reused and recycled rather than going to landfill. It requires targeted investment, including to develop large-scale resource recovery infrastructure. New Zealand needs to deal with its own waste rather than relying on sending it overseas.

Investment is needed at every stage of a product's lifecycle, from more thoughtful product design that considers how products will be disposed of at the end of their lives, to comprehensive and accessible recycling services for a wide range of waste. Investment might include:

- increased on-shore processing and manufacturing capacity for plastics, paper and glass
- investment in improving the quality of our recycling commodities (such as better systems for collecting and sorting materials)
- investment in new services such as kerbside collection of organic materials like food and green waste.

There is already a broad waste reduction programme underway. This includes the design of a modern Container Return Scheme, the recent ban on single-use plastic shopping bags and developing regulated product stewardship schemes. Work is also in progress to improve New Zealand's resource recovery and recycling sector in response to international restrictions on exporting waste.

Improving the effectiveness of the landfill levy is a major part of this wider work programme.

The Government's proposals to increase the levy and expand its coverage would significantly grow levy revenue from approximately $30 million currently to around $220–$250 million per annum by 2023. We intend to develop an investment plan to ensure this levy revenue is spent where it can be most effective.

What will this mean for me or my business?

The direct costs of an expanded and increased levy will be borne by landfill operators, who are likely to pass these costs on to customers. Landfill operators are likely to adjust their pricing and practices in different ways.

In general, the impact on individual households or businesses is likely to be at the low end of the scale, while larger producers of waste may be more exposed to any cost increases.

Below are two **examples** of how costs may change under a new levy regime.

1.

Domestic rubbish bag

NOW

at $10/tonne levy
1 bag = 6.5 cent levy

PROPOSED

at $60/tonne levy
1 bag = 39 cent levy

Councils may pass on cost increases by raising the cost of a domestic rubbish bag.

Using the above example, a rubbish bag that currently retails for $2.50 (GST included) could retail for $2.83 under the maximum proposed rate of a $60/tonne levy regime.

This example assumes that the council passes the higher levy cost directly to the purchaser; that the levy rate reaches $60 per tonne, which is the maximum rate proposed; and that an average-sized rubbish bag weighs 6.5kg.

2.

Waste from a house build and demolition

The landfill levy could increase the levy-related costs of disposing waste from the average **house build** from less than $10 at present to between $70 and $75.

Currently, the levy-related cost of disposing waste from a **house demolition** is estimated to be around $25. This could rise to between $280 and $300 under the proposed levy rates (with opportunities to minimise or avoid these costs if more construction materials are recovered).

Assumptions behind these construction and demolition examples are described in the 'Impacts of proposals' section of the consultation document (accessible at **www.mfe.govt.nz/consultations/landfill-levy**).

Having your say

The Government is interested in your views about the proposals summarised in this document.

To read about the proposals in more detail, download the consultation document from our website at: **www.mfe.govt.nz/consultations/landfill-levy**.

Submissions close at
5pm on Monday 3 February 2020.

You can make a submission in two ways:

1. Use our online submission tool, available at: **www.mfe.govt.nz/consultations/landfill-levy**.
   This is our preferred way to receive submissions.
2. Write your own submission by answering the questions in the consultation document.

   Post your submission to:
   Landfill Levy Consultation
   Ministry for the Environment
   PO Box 10362
   Wellington 6143.

   Email your submission (as a PDF or Word document) to:
   LandfillLevyConsultation@mfe.govt.nz

Direct any queries to:
LandfillLevyConsultation@mfe.govt.nz

Timeline

November 2019 – February 2020
Public consultation on levy and data proposals

Mid-2020
Final policy decisions made

Mid-late 2020
Regulations made and notified (ie, published in the *Gazette*)

Mid-2020 – mid-2023
Landfill levy changes proposed to take effect (actual dates depend on final policy decisions)

July 2021
Waste data improvements proposed to take effect

By July 2023
By this date, all new levy rates are proposed to be in place

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