

**In Confidence**

**Office of the Associate Minister for the Environment**

**Chair, Cabinet Economic Development Committee**

## **Update on the resource recovery and circular economy work programme**

### **Proposal**

1. In July 2018 I presented Cabinet with an overview of the work programme to improve the waste management system in New Zealand. This paper provides an update on that work programme, as invited by the Cabinet Business Committee [CBC-18-MIN-0078 refers]. It also reports back on the implementation of the Waste Minimisation (Plastic Shopping Bags) Regulations 2018, as invited by Cabinet [CAB-18-MIN-0635.01 refers].
2. This paper is accompanied by another paper seeking Cabinet's agreement to release a consultation document proposing regulated product stewardship.

### **Executive summary**

3. New Zealanders are concerned about the environmental impacts of waste and are ready for change, as shown by widespread public and industry support for the phase out of single-use plastic shopping bags.
4. The risks, costs and environmental impacts of a 'take, make, use and dispose' approach to resource use has been obvious most recently with:
  - the decision of several markets, most notably China, no longer accepting large streams of imported waste
  - the wash-out of the closed Fox River landfill in March 2019 spreading rubbish over some 1,700 sq kms of riverbed and coast in the Te Wahi Pounamu/South West NZ World Heritage Area.
5. Moving towards a circular economy where we maximise use of current resources rather than disposing of them will create jobs, reduce environmental impacts and improve economic efficiency. Less waste to landfill will also reduce greenhouse gas emissions. Through this work programme, Government can influence and help speed the transition to a more productive, sustainable, and inclusive economy.
6. I intend to progress the following priority initiatives over the coming 12 months:
  - expansion of the landfill levy
  - development of an investment strategy for levy funds, including for infrastructure and circular economy transition
  - co-design regulated product stewardship for six priority products, including packaging (beverage containers and plastic packaging)

- co-design and assess a New Zealand container deposit-refund scheme
- a National Environmental Standard for the Outdoor Storage of Tyres
- a comprehensive work programme on National Resource Recovery issues.

### **Drivers for a shift to resource recovery and a circular economy**

7. Market research indicates that New Zealanders see reducing waste as the second most important challenge facing New Zealand over the next 20 years.<sup>1</sup> Similarly, expectations about how we reduce our waste footprint are changing. Widespread public and industry support for the prohibition of single-use plastic shopping bags is one recent example of this shift.
8. The public concern about waste has yet to translate to a reduction in waste volumes to landfill. New Zealand is still one of the highest producers of household waste in the developed world, per capita. Over the last nine years (June 2009 to July 2018) the total net tonnage disposed to levied landfills increased by 39 percent<sup>2</sup> and a long-term growth trend is evident. Waste to landfill creates environmental impacts and inter-generational risks exemplified in rubbish spread over the Fox and Cook riverbeds and South Westland coast from the wash out of the closed Fox River landfill in March 2019.
9. The longstanding practice of exporting our waste has been significantly disrupted by the decision of several markets, most notably China, to no longer accept large streams of poor quality imported recyclables and waste.
10. An increased Government focus on waste minimisation and resource recovery can help New Zealand shift to a low-emissions, circular economy which maximises the recovery and use of materials and embedded energy compared to the 'take, make, use and dispose' economic model. An economy with 'reuse, repair, recycle, recover' at the core of its system has many more job opportunities and growth pathways than a disposal-based system.
11. Jurisdictions that have explored the likely economic and climate change benefits of a transition to a circular economy and found significant net positive opportunities include Finland, Scotland, Denmark, France, China and South Australia. For example, recent reports have highlighted a circular approach across just two regions in Scotland has the potential to deliver over one billion pounds in economic benefits<sup>3</sup>.
12. The shift to a more circular economy requires involvement of households, businesses, iwi, local government, community organisations and others. Government can also play a stronger role, in terms of leadership, investment and greater use of regulatory tools, including the Waste Minimisation Act 2008.

### 13. Important recent Government-led initiatives include:

<sup>1</sup> Second equal with 'increasing the supply of affordable housing' and only narrowly behind 'reducing poverty' - see Ministry for the Environment. 2018. Environmental Attitudes. [http://www.mfe.govt.nz/sites/default/files/media/About/Environmental\\_Attitudes\\_SEP\\_2018.pdf](http://www.mfe.govt.nz/sites/default/files/media/About/Environmental_Attitudes_SEP_2018.pdf)

<sup>2</sup> Figure calculated from Online Waste Levy System 2019

<sup>3</sup> [www.zerowastescotland.org.uk/press-release/£1bn-potential-circular-economy-scotland's-cities-and-regions-revealed-new-reports](http://www.zerowastescotland.org.uk/press-release/£1bn-potential-circular-economy-scotland's-cities-and-regions-revealed-new-reports)

- the allocation of \$40m from the Provincial Growth Fund to support investment in waste and resource recovery infrastructure, with a focus on reducing plastic waste to landfill
- the mandatory phase-out of single-use plastic shopping bags on 1 July 2019
- investment of funding from the landfill levy into waste minimisation.

*Single-use plastic shopping bag phase-out compliance*

14. The Ministry for the Environment is taking an education-first approach to encourage compliance working with retailers and the public. Its retailer toolkit included guidance for business and a public social media campaign.
15. As expected, there has been an influx of calls and emails from the community about the phase-out and breaches to which Ministry for the Environment officials are responding.

**The work programme**

16. With the support of \$4m in additional funding allocated as part of the Government's 2019 Wellbeing Budget, I will be progressing the initiatives set out below over the next 12 months.
17. The work programme supports the following Government priorities:
  - transitioning to a clean, green, carbon-neutral New Zealand
  - minimising waste to landfill, with significant reductions in all waste classes by 2020
  - investing in product stewardship (eg, tyres).

*Expansion of the landfill levy*

18. The landfill levy was established under the Waste Minimisation Act 2008. It incentivises the diversion of waste from landfills and generates revenue for investment in waste minimisation. The levy applies to only 11% of all landfill types and generates around \$36 million annually.
19. Half of the levy collected (now approximately \$18 million) goes to territorial authorities (city and district councils) on a population basis to support waste minimisation activities set out in their plans. The other half is administered through the Waste Minimisation Fund, including a contestable grant scheme that supports investment in innovation and infrastructure and waste minimisation projects by industry and community organisations.
20. The levy was set at \$10 per tonne when first introduced, and has never been adjusted. The rate is low compared to a number of other countries and states, including Australian states. For instance, New South Wales' levy sits at \$138 per tonne, Queensland's levy has recently been raised to \$75 per tonne, and Victoria's landfill levy sits at \$60 per tonne. Further, New Zealand's current levy only applies to waste sent to municipal landfills, which comprises 11% of all landfills (representing approximately 30% of waste disposed of in New Zealand). The OECD notes that the limited coverage of New Zealand's levy reduces its

effectiveness in encouraging waste minimisation and management<sup>4</sup>. Local government has also called for the expansion and increase of the levy.<sup>5</sup>

21. I intend to consult with colleagues on options and bring a public discussion document to Cabinet in September 2019. This discussion document will propose an increase in the levy and an expansion of its scope to include a greater number of landfills, along with proposals to improve the collection of waste and landfill data.

22. Implementing the landfill levy expansion may entail improving the enforcement regime under the Waste Minimisation Act. This would be a longer-term project.

### *Investment strategy and circular economy approach*

23. In support of the review of the landfill levy, officials are developing a long-term investment strategy underpinned by circular economy principles<sup>6</sup>. Maximising the value of products and materials – and what we may have formerly thought of as 'waste' – helps the shift to a circular economy and provides employment opportunities.

24. The investment strategy will signal investment in areas such as:

- waste management and resource recovery infrastructure (eg, in the building and construction sector) and services
- alternatives to landfilling (eg, community-based recycling and composting)
- assisting local and regional councils with waste minimisation and compliance, monitoring and enforcement.

25. I have commissioned a report on regional and sectoral opportunities for circular economy investment. The report will assess the net benefits for New Zealand of a transition to a circular economy, including potential waste reduction, material reuse, greenhouse gas emission reductions, and job creation opportunities. Ministry for the Environment officials have been working with Ministry for Business, Innovation and Employment officials. There are opportunities for further cross-agency work.

26. The circular economy opportunities report will facilitate next steps and engagement with key sectors and regions, and provide guidance for future landfill levy investment as well as informing wider Government and industry investment in resource recovery and circular economy activities. I am expecting the final report from the Ministry for the Environment in August.

### *Regulated Product Stewardship*

27. Product stewardship can be regulated or voluntary, and is a tool under the Waste Minimisation Act 2008 to encourage manufacturers, importers, retailers and consumers to take responsibility for the products they make, sell and use. New Zealand has 14 voluntary stewardship schemes for a range of products including

4 OECD. 2017. OECD environment performance reviews: New Zealand 2017. [https://read.oecdilibrary.org/environment/oecd-environmental-performance-reviews-new-zealand-2017\\_9789264268203-en#page24](https://read.oecdilibrary.org/environment/oecd-environmental-performance-reviews-new-zealand-2017_9789264268203-en#page24)

5 [Local Government Waste Manifesto](#), January 2018.

6 Design waste out of the system, keep materials at their highest value circulating in the economy and systems must support natural capital fuelled by renewable energy. [Ellen Macarthur Foundation](#)

used oil, agrichemical containers, paint, e-waste, farm plastics and packaging. Participation is variable and often limited. To date, no scheme has been made mandatory through regulation under the Act.

28. Detailed proposals to set a framework for co-design of regulated product stewardship are set out in the accompanying Cabinet paper (and draft discussion document). The consultation document proposes:

- the declaration of six priority products under section 9 of the Waste Minimisation Act 2008:
  - tyres
  - electrical and electronic products (e-waste)
  - refrigerants and other synthetic greenhouse gases
  - agrichemicals and their containers
  - farm plastics
  - packaging (beverage containers and plastic packaging).
- Ministerial guidelines for product stewardship schemes for priority products under section 12 of the Waste Minimisation Act 2008. These guidelines signal expected outcomes to assist stakeholder groups in the co-design of schemes and improve quality of proposed priority product stewardship schemes as applications for accreditation.

29. Following the declaration of priority products, Government and key stakeholders will co-design schemes, including considering any regulations that may be needed to ensure a high degree of participation in and effectiveness of the scheme. Co-design has begun for some proposed priority products (eg, tyres, agrichemicals, refrigerants, farm plastics, beverage containers) and is in discussion for others (eg, e-waste and packaging). Any proposed regulations would come to Cabinet for decision once this process and the regulatory impact assessment have been completed.

30. Note that this framework envisions an accredited priority product stewardship scheme as the vehicle to implement and administer a future container deposit-refund scheme (see further discussion below).

#### *National Environmental Standard for the Outdoor Storage of Tyres*

31. The outdoor storage of tyres poses significant environmental risks, including pollution from fires. I intend to submit policy proposals to Cabinet in the next few months setting out a National Environment Standard (NES) for the outdoor storage of tyres, under the Resource Management Act 1991. It is expected that the NES will be in place by early 2020.

32. This NES for the outdoor storage of tyres will complement and be supported by the regulated product stewardship scheme for tyres that will also be developed over the next 12 months (as discussed above).

### *National Resource Recovery*

33. Changes in global resource commodity prices, due in part to China's National Sword policy (the decision by China to ban imports of poor quality recyclable material), has placed pressure on the New Zealand resource recovery sector. In particular, financial risk to businesses, councils and tax/ratepayers has accentuated the need to lift our resource recovery performance.
34. A National Resource Recovery Taskforce was set up to respond to China's waste ban, and engage with stakeholders, including industry and local authorities. I agreed to all its recommendations for action and these are part of the Ministry for the Environment's work programme for 2019/20 and beyond. Some aspects, such as those relating to product stewardship and expansion of the landfill levy, have been discussed above.
35. The Taskforce also made recommendations on improving systems for collection of recoverable materials, researching resource recovery infrastructure investment opportunities (particularly paper and plastics), funding a national education campaign to reduce contamination, investigating the options to shift away from hard-to-recycle plastics (eg, regulations for recycled content in single-use packaging), and procurement guidelines for recycled products. These proposals will require close engagement with wide ranging stakeholders across the waste sector.

### *Container refund scheme*

36. Stakeholders raised with the National Resource Recovery Taskforce the need for New Zealand to take a proper look at a container refund scheme. A container refund scheme is a recycling scheme that incentivises consumers and businesses to return beverage containers (eg, plastic and glass bottles) in exchange for a deposit refund, potentially 10-20 cents (or more).
37. A number of New Zealand stakeholder groups have advocated for the introduction of a container refund scheme for many years. Last year Local Government New Zealand passed a remit to establish a New Zealand container refund scheme with 96% of Mayors in favour. Auckland Council has also commissioned independent research that shows local government could achieve significant savings in kerbside system costs (ie, through fewer vehicle movements) under a scheme, while also generating wider economic benefits nationally. The recent increase in support for a scheme in New Zealand reflects the significant move in favour of container refund schemes globally. For instance, in Australia, schemes are now either in place, or planned, in all states except Victoria.
38. With the additional pressure on the resource recovery sector created by China's National Sword policy, it is timely to seriously consider the merits of a scheme in New Zealand. The Ministry for the Environment has undertaken some preliminary discussions with stakeholders on the matter.
39. Under section 38 of the Waste Minimisation Act 2008, the Minister for the Environment can fund projects that promote or achieve waste minimisation. Officials have begun initial work with an applicant to the Waste Minimisation Fund to co-design a container deposit-refund scheme. Scheme design will require the

involvement of wide range of stakeholders including the beverage industry, recyclers, local government, mana whenua and community stakeholders.

40. It is my intention to publicly announce this project involving the co-design of a New Zealand container deposit-refund scheme within the next few weeks.
41. The experience of other countries, including Australia, is that successful design of a container refund scheme requires careful consideration of policy parameters and scheme design, extensive consultation, and an adequate timeframe for tendering/commercial contracting before final implementation. Cabinet will be engaged at key stages along the way. It is expected that a scheme would take at least three years to be designed, assessed and implemented.

### **Consultation**

42. I have consulted Department of the Prime Minister and Cabinet (DPMC), Treasury, Department of Conservation (DOC), Ministry for Primary Industries (MPI), Ministry of Foreign Affairs and Trade (MFAT), Ministry of Business, Innovation and Employment (MBIE), Department of Internal Affairs (DIA), Te Puni Kōkiri (TPK), and the Environmental Protection Authority (EPA).
43. Comments were received from Treasury, DOC, MPI, MFAT, and EPA and have been incorporated within this paper.

### **Legislative Implications**

44. There are no legislative implications arising from this paper; the implications for each project will be set out individually in their respective Cabinet papers. In particular, the National Environmental Standard for the Outdoor Storage of Tyres, regulated product stewardship schemes, and the landfill levy expansion will require regulatory changes.

### **Financial Implications**

45. The programme is funded from additional resource obtained from Budget 2019. Some parts of the programme make use of the waste disposal levy revenue as appropriate.

### **Regulatory impact analysis**

46. Regulatory impact analysis requirements do not apply to this paper.

### **Human rights**

47. There are no human rights implications arising from this paper.

### **Gender implications**

48. There are no gender implications arising from this paper.

### **Disability perspective**

49. A disability perspective is not required for this paper.

## Publicity

50. I intend to make an announcement on the release of the priority products consultation document, if Cabinet agrees (see the accompanying Cabinet paper).

51. I also intend to publicly announce the investigation into a potential New Zealand container deposit-refund scheme within the next few weeks.

## Proactive Release

52. I intend to proactively release this Cabinet paper in part and within the required 30 business days, following due diligence and consultation.

## Recommendations

I recommend that the Committee:

1. **note** that New Zealanders are concerned about the environmental impacts of waste.
2. **note** the report back on the implementation of the Waste Minimisation (Plastic Shopping Bags) Regulations 2018, and that the Ministry for the Environment is taking an education-first approach to compliance.
3. **note** that Government can play a stronger role in the move to a circular economy in terms of leadership, investment and greater use of key regulatory tools, including the Waste Minimisation Act 2008.
4. **note** that with the support of additional funding allocated as part of the Government's 2019 Wellbeing Budget, I will be progressing a number of initiatives over the coming twelve months, including:
  - 4.1. expansion of the waste disposal levy
  - 4.2. development of an investment strategy and circular economy approach
  - 4.3. regulated product stewardship
  - 4.4. a National Environment Standard for the Outdoor Storage of Tyres
  - 4.5. wide ranging national resource recovery initiatives
  - 4.6. consider the design options of a potential New Zealand container-deposit refund scheme.
5. **note** that I intend to publicly announce the development of a potential New Zealand container deposit-refund scheme within the next few weeks.
6. **note** that this overview paper is accompanied by another Cabinet paper that seeks Cabinet's agreement to release a consultation document proposing priority products and priority product stewardship scheme guidelines.

Authorised for lodgement.

Hon Eugenie Sage

**Associate Minister for the Environment**

PROACTIVELY RELEASED