In Confidence

Office of the Associate Minister for the Environment

Chair, Cabinet Environment, Energy and Climate Committee

Proposals for a more effective waste levy

Proposal

1. It is proposed to develop regulations under the Waste Minimisation Act 2008 (the Act) to improve the effectiveness of the existing waste disposal levy (waste levy) by applying it to more sites, progressively increasing its rate, and requiring additional reporting of waste data. These proposals are intended to transform New Zealand's waste and recycling sector and help us transition to a lower-waste future.

Relation to government priorities

2. These proposals relate to the government's plan to transition to a clean, green carbon-neutral New Zealand as part of the approach to building an economy that is growing and working for all of us.

Executive summary

3. New Zealand faces substantial challenges in its waste and recycling systems, and the ways in which we are producing, using, and disposing of materials. We have high per-capita waste production and low recycling rates, despite strong public support for waste minimisation. A lack of onshore resource recovery infrastructure has made us vulnerable to fluctuations in international markets (which are increasingly subject to import restrictions).

4. COVID-19 has exacerbated these existing challenges, but we now have an opportunity for New Zealand to develop a low-waste economy and world-leading resource recovery sector.

5. As summarised in table 1 below, I am proposing a range of improvements to the waste levy that would expand its application to more sites (including those that take construction and demolition waste), set differential levies for landfill sites based on differing levels of environmental harm and waste minimisation potential, and to progressively increase the rate of the existing levy (which currently only applies to landfills that take municipal waste). I also propose to collect more data on waste.

Table 1: Proposed levy rates for phased implementation (per tonne of waste)

Landfill class	Waste types	1 July 2021	1 July 2022	1 July 2023	1 July 2024
Municipal landfill (class 1)	Mixed municipal wastes from residential, commercial and industrial sources	$20	$30	$50	$60
Construction and demolition fill (class 2)	Range of wastes from construction and demolition activities, including rubble, plasterboard, timber, and other materials	-	$20	$20	$30
Managed fill (class 3)	Contaminated but non-hazardous soils and other inert materials (eg, rubble)	-	-	$10	$10
Controlled fill (class 4)	Soils and other inert materials (eg, rubble)	-	-	$10	$10

6. The levy proposals are projected to result in revenue of around $276 million per annum by the end of the 2024/25 financial year (the current levy generates around $36 million per annum). This would create a significant opportunity to achieve a step change in New Zealand's performance on waste by investing in a number of key priority areas such as onshore recycling infrastructure, research and development and other key change levers to minimise waste.
7. With Cabinet's approval of these policy proposals, I propose to bring draft regulations to the Cabinet Legislation Committee by the end of 2020.
8. I propose that rates for municipal landfills would progressively increase, starting in 2021, while additional sites would be progressively made subject to a levy starting in 2022. This timeline provides a balance between the urgent and pressing need to address our infrastructure shortfall, and providing businesses and households with sufficient lead-in time to adjust.
9. I anticipate the economy would be well on the path to recovery by the time the package was fully implemented in the 2025 financial year. There is also scope for some of this investment to occur through the COVID-19 Response and Recovery Fund (CRRF) 'wave three' economic stimulus proposals (of which $20 billion has been allocated for longer-term recovery and rebuilding).
10. CRRF 'wave three' investment in recycling infrastructure would provide an opportunity to 'front-load' some of the necessary investment in advance of sufficient levy revenue being built up. It would improve the benefits and reduce some of the costs to the economy of the proposals. It could also potentially be offset by a return of levy revenue to the Crown at a later date.

Background

11. New Zealand's waste production and disposal to landfills has increased in the last decade – both in absolute and per capita terms. Waste disposed of at municipal landfills that take household waste grew by 48 per cent between 2009 and 2019. Our waste and recycling systems now face major challenges, exacerbated by the global and domestic impact of COVID-19:

    - changing international markets have limited our ability to export recycling commodities, placing stress on collection systems and raising costs for councils and recycling operators
    - New Zealand has limited onshore waste minimisation and recycling infrastructure. An independent report commissioned from Grant Thornton identified potential infrastructure funding needs of approximately $2.1 to $2.6 billion and other enabling service funding needs of approximately $0.9 billion over the next 10 years.

12. At the same time, public interest and expectations for reducing and better managing waste continue to increase.

13. Waste levies are a widely used tool for helping to reduce waste and encourage alternative disposal options such as reuse and recycling. New Zealand's waste levy was introduced in 2009 under the Act, with a dual purpose[1]:

    - raise revenue for promoting and achieving waste minimisation; and
    - increase the cost of waste disposal to recognise that disposal imposes costs on the environment, society and the economy.

14. Reviews to date indicate it is not effective at achieving these purposes, due to its low rate and limited coverage.

Levy expenditure

15. The Act sets out how levy revenue can be spent. Revenue from the levy is hypothecated for waste minimisation activities and must be allocated as follows:

    - 50 per cent of gross revenue is allocated to territorial authorities, on a population basis
    - the remainder (after deducting administrative costs) is invested in waste minimisation projects, largely allocated through a contestable Waste Minimisation Fund administered by the Ministry for the Environment (the Ministry).

Levy rates and coverage

16. The levy is currently set at $10 per tonne and only applies to landfills that take household waste. This is low by international standards and does not provide a strong incentive for businesses and households to reduce waste.

17. Expanding the levy to cover more types of landfill and setting a higher levy rate would provide a greater financial incentive to minimise waste, and would also

[1] The consultation document (*Reducing waste: a more effective landfill levy)* referred to a 'landfill levy.' Following consultation feedback, 'waste levy' is now being used, to focus attention on the problem we want to manage (ie, waste rather than landfills).

make resource recovery options (recycling, composting, reuse) more competitive. The revenue raised could be invested in a wider range of waste minimisation activities including onshore infrastructure for waste minimisation and recycling.

Levy proposals

18. In November 2019 Cabinet agreed to the release of a consultation document *Reducing waste: a more effective landfill levy* for public consultation from 25 November 2019 to 3 February 2020 (ENV-19-MIN-0068 refers).

19. The consultation document set out proposals to:

    - expand the waste levy to cover additional types of landfill (but not cleanfills or farm dumps)[2]
    - progressively increase the levy rate for municipal landfills to either $50 or $60 per tonne
    - apply differential levy rates to other types of landfill (such as landfills that take construction and demolition waste).

20. Consultation methods included webinars, stakeholder workshops, letters, phone calls, and meetings. The Ministry for the Environment received 479 submissions, from iwi, local government, businesses, non-governmental organisations (NGOs), cross-sector groups, and individuals.

21. Over 80 per cent of submitters agreed that the *status quo* needs to change, and most were broadly in support of increasing and expanding the levy. The statutory Waste Advisory Board was also broadly in agreement with the proposals.

22. The Ministry has analysed the submissions and provided a summary of the matters raised.

23. I have made some changes to the proposals in response to submissions, including a higher levy rate for construction and demolition fill sites, phasing implementation differently, and re-considering the approach for industrial monofills. I propose further work to address concerns raised about the impact on recycling operators.

24. I have also taken into account the changed economic circumstances as a result of COVID-19, and the potential for investment in waste and resource recovery infrastructure to form part of the proposed COVID-19 Response and Recovery Fund (CRRF) 'wave three' economic stimulus proposals (of which $20 billion has been allocated for longer-term recovery and rebuilding).

25. Officials have re-engaged with key sector groups to check if their views have changed, and provide them with an opportunity to bring up any issues that might require further consideration. There appears to be a general view that COVID-19 has exacerbated existing problems with waste management and resource recovery infrastructure. Many stakeholders are looking for the Government to provide urgent strategic direction on waste and signal investment priorities.

[2] Definitions for cleanfills and landfill types are provided in Appendix 2.

26. The levy proposals are a critical component of a wider work programme because levy settings have the potential to both directly influence waste disposal decisions, and generate the necessary revenue for investment in waste minimisation. The wider work programme includes:

    - the development of regulated product stewardship proposals, which would make producers responsible for specified problematic products such as tyres and agrichemicals at their end of life
    - responding to the Prime Minister's Chief Science Advisor's report on plastics, including through standardising kerbside recycling systems, improved consumer labelling, and phasing out hard to recycle plastics
    - design of a modern container return scheme aimed at lifting recovery and recycling rates for beverage containers.

27. As required by sections 41(2), 86(2) and 86(3) of the Act, in making these proposals, I have:

    - obtained and considered the advice of the Waste Advisory Board
    - been satisfied there has been adequate consultation with those who may be significantly affected by the regulations
    - considered the costs and benefits expected from implementing the regulations
    - consulted with the Government Statistician (in relation to the proposals to improve waste data).

28. This paper sets out my final proposal for regulations to be made under sections 41 and 86 of the Act, and seeks approval to instruct the Parliamentary Counsel Office (PCO) to draft the regulations.

Analysis

29. The proposals seek to balance an improved incentive to minimise waste and raising increased revenue for investment, with minimising the risk of unintended outcomes such as increased fly tipping and illegal disposal of waste, and disproportionate financial impacts for households and businesses.

30. I am particularly aware that in the short to medium term, households and businesses may be more sensitive to cost increases given the expected economic impacts of COVID-19.

31. Cost-benefit analysis indicates that the proposals could increase revenue from the waste levy from about $36 million at present to up to $276 million by the end of the 2024 financial year. This would create a significant opportunity for investment in waste minimisation infrastructure and services that could achieve a step change in how New Zealand performs on waste.

It is proposed to expand the waste levy to construction and demolition fill sites and fill sites that take inert materials

32. The existing waste levy applies only to sites that take household waste (class 1 municipal landfills). The consultation document proposed expanding the levy to other types of landfill including:

    - industrial monofill sites (class 1); these landfills typically only take waste from a single business. The waste types are varied and include by-products of steel and aluminium production, pulp and paper manufacturing, sawmills, and biosolids
    - construction and demolition fills (class 2); these landfills take a range of wastes from construction and demolition activities, including rubble, plasterboard, timber, and other materials
    - managed fill sites (class 3); these landfills take contaminated but non-hazardous soils and other inert materials (eg, rubble), that allow the landfill site to be used for a restricted purpose upon closure
    - controlled fill sites (class 4); these landfills take soils and other inert materials (eg, rubble), which allow the landfill site to be used for an unrestricted purpose upon closure.

33. These sites are described in more detail in table A1.1 and A1.2 in Appendix 1.

34. There was strong support for expanding the levy to other types of landfill from a wide range of submitters. Over 75 per cent of submitters were in favour, with a majority across all submitter categories.

35. Several operators of industrial monofills (which are not currently subject to a levy) submitted that they already faced the full cost of waste disposal and did not need further financial incentive to minimise waste, and/or there were no further opportunities to reduce this waste.

36. New Zealand Steel Ltd s 9(2)(ba)(i) [redacted]

37. While I remain committed to reducing the quantities of waste disposed of at industrial monofills, I now consider a better way forward in current circumstances is to:

    - introduce reporting requirements for these sites, so we can get a better picture of the quantities of waste being disposed of
    - proactively work with sites on better understanding waste composition and opportunities for minimisation – including, where appropriate, setting specific waste minimisation targets
    - take into account the success of waste minimisation initiatives for class 1 monofills as part of the review of the levy in 2023, and consider whether it would be appropriate to apply a levy to industrial monofills at that time.

38. The consultation also raised an additional issue in relation to industrial monofills. Water New Zealand, Watercare Services Ltd and Auckland Council submitted that the Puketutu Island restoration project (which the consultation document classified as a class 1 monofill) should be exempted from the levy due to exceptional circumstances.[3]

39. While it is not intended to apply a levy to class 1 monofills at this time, for the sake of clarity I note that Puketutu Island does appear to be a special circumstance and applying a levy to it would not necessarily achieve waste minimisation aims.

40. I propose that the other landfill types listed above in paragraph 32 (ie, construction and demolition fill sites, managed fills and controlled fills) are defined as disposal facilities (and therefore subject to a levy) based on the classifications set out in Appendix 1.

Landfills that take household waste are proposed to have a levy of $60 per tonne

41. The consultation document proposed to increase the levy for landfills that take household waste from $10 per tonne to either $50 or $60 per tonne.

42. Of those submitters who commented on specific levy rates, a majority (71 per cent) supported a levy rate of $60 or higher, while 17 per cent supported a rate of $50 or lower. Submitters who thought the rate should be $60 or higher typically felt the levy should be in line with higher rates charged in other jurisdictions, where rates of $100 per tonne or more are common. These submitters reflected on the need for urgent action on waste and considered a stronger financial incentive was needed to trigger behaviour change.

43. I consider that the proposed rate of $60 per tonne is high enough to change behaviour and divert waste from landfills, and make alternatives such as recycling, composting and reuse more competitive. The benefits of a much higher landfill levy need to be balanced against potential costs (to landfill users), as well as compliance, monitoring and enforcement risks.

44. Some submitters thought $50 per tonne was a good starting point and the levy could be raised further as more reuse and recycling options become available.

45. Some submitters were concerned that waste disposal costs are already high in some areas and could disproportionately affect low-income households and rural communities. There were also concerns that an increase in costs could lead to illegal dumping or burning of waste. Others felt other approaches (such as product stewardship, or incineration) would be more effective.

46. Product stewardship and other waste reduction initiatives are underway as part of the wider work programme and can address some of these concerns.

[3] Treated biosolids from Mangere Wastewater Treatment Plant are being used to restore a former quarry site at Te Motu a Hiaroa (Puketutu Island) in the inner Manukau Harbour. Puketutu Island was purchased by Watercare and ownership was gifted to iwi. Applying the levy to Puketutu Island s 9(2)(ba)(i) [redacted] Water New Zealand also submitted on the potential for beneficial uses of biosolids. Water New Zealand's submission highlighted that New Zealand generates an estimated 300,000 wet tonnes of biosolids per year, of which 35 per cent currently goes to municipal (class 1) landfills. Other uses noted in their submission include in fertiliser production, as a feedstock for vermiculture and for mine rehabilitation.

47. Paragraphs 97 and 98 set out a proposed approach to addressing the risk of illegal dumping. Impacts of increased levy rates on households and businesses are discussed at paragraphs 146 to 157.

48. In response to concerns about cost impacts, I propose to incrementally increase the levy over a longer time period than initially consulted on, allowing some additional time for households and business to adjust to the increases but reaching the higher of the two rates consulted on (see table 2).

Table 2: Proposed levy rates for phased implementation

Landfill class	2021	2022	2023	2024
Municipal landfill (class 1)	$20	$30	$50	$60
Construction and demolition fill (class 2)	-	$20	$20	$30
Managed fill (class 3)	-	-	$10	$10
Controlled fill (class 4)	-	-	$10	$10

49. It is not proposed to raise the rate any higher than $60 per tonne at this stage, because of the need to first invest in more recycling and reuse options on-shore, to provide effective alternatives to landfill. There is also scope for some of this investment to occur through CRRF 'wave three' economic stimulus proposals.

50. CRRF 'wave three' investment in recycling infrastructure would provide an opportunity to 'front-load' some of the necessary investment before sufficient levy revenue is built up. It could also potentially be offset by a return of levy revenue to the Crown at a later date.

51. CRRF 'wave three' investment would allow greater benefits from the changes to the levy proposals (further investment in waste and recycling infrastructure), while minimising some of the potential costs to households and businesses (because there would be more opportunities to use new waste and recycling infrastructure and services to reduce disposal to landfill).

It is proposed to set different levy rates for different landfill classes

52. The consultation document proposed differential rates for other landfill classes, including $20 per tonne for industrial monofills (class 1) and construction and demolition fills (class 2) and $10 per tonne for sites taking inert materials (class 3 and 4).

53. These rates reflect the need to gradually introduce a levy for sites that are currently unlevied; the availability of waste minimisation opportunities for these waste types; and the likely cost of alternatives to landfill disposal.

54. The levy for construction and demolition fills will support the Building for Climate Change Sector Plan currently being developed by the Ministry for Business Innovation and Employment, which aims to increase recycling and reuse of building materials.

55. A large number of submitters supported differential rates for different landfill types, because:

- some waste streams are more harmful and/or harder to deal with than others
- there is a higher cost to construct and maintain some landfill types
- different waste types may have different 'tipping points' for diversion.

56. A number of submitters thought that a rate higher than $20 would be needed to create an incentive to reduce construction and demolition waste.

57. Some submitters (including the main waste management companies) considered that a single flat levy rate should apply to all landfill sites, in order to:

    - incentivise waste reduction, reuse, or recycling of all materials (regardless of where they are disposed of)
    - avoid incentivising diversion of waste streams to inappropriate landfill types, and in particular to discourage wastes that should be disposed of in class 1 landfills[4] from being disposed of at other landfill classes.

58. The levy is only one component of the gate fee charged to landfill users. Regardless of the levy rate set, the gate fees charged to landfill users will vary depending on the location and the type of waste being disposed of, and on requirements for environmental controls (such as resource consent conditions). Some submitters who favoured a single rate accepted that it might be appropriate to have different rates for different landfill classes at least in the short term, to assist with transition for those sites not currently subject to a levy.

59. The Waste Advisory Board was of the view that, given the limited data for sites that are not currently levied, it would be prudent to have differential rates, but this should be reviewed when better data is available.

60. On balance, I propose to set different levy rates for different landfill classes as outlined in table 2 (above). I have, however, addressed the concerns of submitters calling for a single flat rate as follows:

    - a higher rate is proposed for construction and demolition sites than the consultation proposals, to bring it more closely in line with the proposed rate for municipal sites
    - the introduction of levy rate changes is proposed to be phased in a way that minimises the differential between sites, to the extent possible.

61. Regardless of the levy rate set, compliance, monitoring and enforcement activity will need to focus on reducing inappropriate disposal of waste (including to fly tipping, illegal dumping, and inappropriate landfill types).

Future levy rates

62. A proposed review of the New Zealand Waste Strategy planned for later this year (see *Implementation* section for details) will provide an opportunity to send a strong signal that further levy rises are likely in the future, including to:

[4] ie, wastes that may generate leachate and or greenhouse gas emissions.

- further raise the rate for municipal sites
- reduce the differentiation between landfill classes.

63. In addition, the proposed review of the Act will consider the offences and penalties regime and institutional arrangements for spending levy funds, which is important before increasing the levy any further.

64. The Minister for the Environment is required to review the effectiveness of the waste levy every three years. The consultation document included a preliminary assessment, and I propose to report back with a final review that also reflects Cabinet decisions that have been made to improve the levy's effectiveness.

65. The next review in 2023 will provide an opportunity to assess the initial impacts of the proposed changes, and consider the need for additional changes, for example to:

    - continue to increase the rate for municipal sites, in order to further drive waste minimisation opportunities (and reflecting the strong call from submitters, of whom close to 70 per cent considered the rate should be further increased in the future)
    - reduce differentiation of levy rates across sites (by continuing to raise the rate for construction and demolition sites, and potentially also other sites).

Implementation is proposed to be phased

66. A substantial implementation programme will be required to identify all new sites proposed to be made subject to a levy, and ensure they are aware of their obligations and have adequate systems in place to meet them. Businesses and councils will also require time to implement and respond to changes.

67. Four options for phasing in levy changes were consulted on. Many submitters called for rapid action given the pressing waste challenges we currently face. Other submissions, particularly from territorial authorities and the waste sector, raised concerns about the need for sufficient lead-in time for effective implementation. The proposed implementation phasing aims to address these concerns, as well as reflecting the current economic climate.

68. Officials consider the earliest feasible date for making increases to the existing levy is July 2021 (assuming regulations are gazetted around the end of 2020), because of a need to communicate changes, allow regulated parties time to make operational changes, and ensure IT systems can be updated. Councils submitted that they need sufficient time to change landfill gate fees to reflect the higher levy costs.[5]

69. I propose the existing levy rate for landfills that take household waste be increased on 1 July 2021.

70. Expanding the levy to new sites requires additional implementation time. I propose to expand the levy to construction and demolition sites on 1 July 2022.

[5] Some councils may be unable to change gate fees to reflect an increase in the levy by 1 July 2021, meaning they would face a shortfall in landfill gate fees.

71. It is proposed however that managed and controlled fills (classes 3 and 4) have a longer lead-in time, in order to allow:
    - further work with these sites to identify waste minimisation opportunities prior to imposition of a levy
    - sufficient implementation time to identify all sites and ensure they have adequate facilities in place to meet their levy obligations.
72. Additional levied landfill sites will become subject to the same data reporting obligations as existing sites.
73. I propose to de-risk the implementation approach by requiring sites to start reporting data on waste disposed of 6 months before the levy takes effect.[6] This will provide time to identify any problems with data and reporting systems, as well as providing a baseline of data that will be useful for monitoring purposes.
74. This means construction and demolition sites will start reporting waste data from 1 January 2022, and managed and controlled fill sites will start reporting waste data from 1 January 2023 (see paragraphs 101 to 103 for more detail).
75. Table 2 sets out the proposed levy rates and phasing.

Further work will take place to mitigate any negative effects on recycling operators

76. A number of recycling operators raised concerns that the proposed changes would increase their costs because they have to dispose of unavoidable by-products from recycling. In some cases, this could affect viability of the business, especially as it may compound existing challenges caused by volatility of international markets, as well as challenges caused by COVID-19.
77. Conversely, some submitters felt that exempting recycling by-products from the levy or giving them a lower rate could:
    - lead to recyclers 'cherry-picking' more valuable materials
    - reduce incentives to improve the efficiency of recycling operations
    - provide an avenue for levy avoidance.
78. Improvements to the levy are intended to support recycling, by making recycling more attractive as an alternative to landfill disposal, as well as through direct investment of levy funds into waste minimisation activities and infrastructure.
79. In the medium- to long-term, other components of the work programme will also help recycling operators. The regulatory product stewardship and container return scheme proposals would shift costs up the chain to producers (rather than having disposal costs fall on councils and recycling operators).
80. Work is also underway to reduce contamination in kerbside recycling (including investment in optical sorters and standardised collection systems). This will reduce the level of contamination that recyclers have to dispose of. In addition, the proposed phasing of changes will mean that costs will increase gradually rather than all at once.

[6] Data reporting requirements would be the same as those already in place for municipal landfills (class 1).

81. However, I share the concerns of the recycling sector that in the short term, increased costs may create challenges for them, especially in the context of current uncertainties in global markets. In particular, I consider the metal and fibre (paper and card) sectors could face substantial short term impacts.

82. A number of options are available to help remedy this, including short-term waste minimisation funding; development of proposals to defer introduction of an increased levy for the by-products of recycling operations, or make them subject to a lower levy for a time; and further consideration of the issue as part of the proposed review of the Act.

83. I propose officials undertake further investigation of these options to address any negative impacts on the recycling sector, to be concluded before the first increases in levy rates (ie, by July 2021).

Other exemptions for specific waste types are not proposed at this time

84. Some submitters considered specific waste types should be exempt from the levy or have a lower rate, including:

- high risk wastes with low diversion potential such as asbestos, highly contaminated soils, medical waste, or chemical waste where the primary aim should be to encourage appropriate disposal
- waste arising from nationally significant civil defence emergencies
- waste from legacy landfills
- waste from litter or fly tipping clean ups.

85. In general, a simpler levy system is favoured to avoid the risk of levy avoidance behaviour and to reduce administrative and monitoring costs. The Act already allows for waivers or refunds of the levy in exceptional circumstances, which in the past have been used for disposing of waste from natural disasters such as the Christchurch and Kaikōura earthquakes.

86. The levy investment plan is proposed to include investment 'envelopes' that would cover legacy landfills and fly tipping.[7] It is not proposed to make further exemptions at this time, but it is proposed to monitor outcomes to determine if any unintended consequences arise.

It is not proposed to levy cleanfills – but further monitoring will take place to ensure they only take virgin, excavated natural materials

87. Submitters held mixed views on whether cleanfills should be subject to a levy. Many submitters were concerned that exempting cleanfills would lead to inappropriate disposal practices and levy avoidance.

88. However, some submitters noted it could be difficult in practice to differentiate between a short-term cleanfill site and large earthworks, leading to potential ambiguity about whether importation of gravel, sand and other inert materials to development sites should be levied.

[7] Changes may be needed as part of the proposed review of the Act in order to enable this.

89. I do not propose to include cleanfills in the levy, because officials advise that disposal of only virgin, excavated natural materials does not necessarily impose costs on the environment, society or the economy.

90. However, compliance, monitoring and enforcement will be important to ensure cleanfill sites are only accepting virgin excavated natural materials. This will be supported by proposed new requirements for all landfills and cleanfills to report to the Ministry for the Environment on the tonnages of material disposed of and diverted from their sites.

It is not proposed to levy farm dumps – but more needs to be done to minimise harm

91. The consultation proposals excluded farm dumps from the levy because it was considered that other approaches to reducing farm waste would be more effective given the large numbers of small, dispersed sites across the country.

92. As with cleanfills, a number of submitters considered that farm dumps should also be subject to a levy, generally because of concerns that people would dispose of waste in farm dumps in order to avoid the levy (ie, that farm dumps become informal community landfills); and a need to minimise all types of waste including farm waste. Submitters were also concerned about potential for leachate from farm dumps entering waterways or the water table.

93. Other submitters acknowledged that levying farm dumps could be impractical. Many submitters called for further work, including better planning controls, improved monitoring, and development of further minimisation opportunities for rural waste. This was also the view of the Waste Advisory Board.

94. A single annual payment was proposed as one alternative to a quantity-based levy for farm waste. Some submitters also suggested including farm dumps in the freshwater farm plans proposed as part of the Government's 'Action for healthy waterways' proposals.[8]

95. Federated Farmers submitted that levying farm dumps would amount to a tax with no purpose since they considered there are no practical alternatives to on-farm waste disposal in many remote rural locations, and environmental effects of farm dumps are already managed through regional plans under the Resource Management Act 1991 (RMA).

96. I do not propose to make farm dumps subject to the waste levy. It is proposed to continue work already underway to improve management of rural waste:

- working with rural communities to provide better disposal options for a range of inorganic wastes (including through regulated product stewardship proposals for agrichemicals and their containers and farm plastics; and support for voluntary product stewardship of a wider range of farm waste)
- investigating an overarching regulatory framework for disposal of waste (including farm waste) (such as national direction under the RMA)

[8] Under the proposals that Cabinet recently considered (CAB_20-MIN-0231, confirming the Report of the Cabinet Economic Development Committee – Minute DEV-20-MIN-0077), there would be scope for this if the farm dump was seen as posing a potential risk to surface or ground water.

- considering coverage of farm dumps in practice standards for freshwater farm plans.

Measures to help combat any unintended consequences such as fly tipping

97. A number of submitters noted that increasing the cost of waste disposal could lead to an increase in undesirable forms of waste disposal (littering, fly tipping, illegal dumping, and disposing of waste in inappropriate landfill or cleanfill sites or farm dumps). This was particularly a concern for rural and remote areas. It is proposed to address these concerns through:

    - establishment of an Illegal Dumping Prevention and Enforcement Fund and a Litter Prevention and Enforcement Fund, to be open to applications from councils and community groups[9]
    - development of a litter prevention strategy and illegal dumping strategy
    - clarifying for territorial authorities how they can currently spend levy funds they receive – including on infrastructure or services that may help prevent fly tipping (such as a recycling service for old whiteware or mattresses; additional recycle bins in public places; an education campaign to help people do the right thing). Territorial authorities can also be directed to consider this in their waste management and minimisation plans if they do not already do so
    - the proposed review of the Waste Minimisation Act and the Litter Act 1979 will provide an opportunity to look at the best tools and systems to deal with these problems.

98. Interventions at the top of the hierarchy are also important – ie, looking at commonly littered items and investigating whether intervention is required to limit them. For example, the ban of plastic bags led to a substantial reduction in their presence in marine and urban litter.

Mandatory reporting of waste data will be established for landfills, transfer stations and cleanfills; further work on waste data is also required

99. Ninety-six per cent of submitters agreed that waste data needs to be improved. Improved waste data will assist with identifying gaps and opportunities in waste minimisation activities, measure progress, assist with monitoring and compliance, and also help more accurately estimate and target interventions to reduce greenhouse gas emissions produced by the waste sector.

100. In order to effectively administer the levy, it was proposed that landfills, transfer stations and cleanfills would report to the Ministry on the quantities of waste disposed of at and diverted from their facility. It was initially proposed these regulations would take effect on 1 July 2021.

101. It is now proposed that these data reporting requirements will take effect progressively in advance of sites becoming subject to the levy, as summarised in table 3. Reporting would be monthly, with some limited exceptions, and

[9] These funds would form part of the proposed 'regulatory' funding envelope; the availability of funding would be subject to review of the Act (to allow levy funds to be spent on this).

would require data on gross, diverted and net tonnages in line with the existing regulations.[10]

102. Sites that are not proposed to be subject to a levy (ie, industrial monofills (class 1), cleanfills (class 5), and transfer stations) are proposed to be required to report gross, diverted and net tonnages. This would be a quarterly requirement, to provide a balance between timeliness of data and operational practicality.

103. A record of landfills, transfer stations, and cleanfills is proposed to be established as a tool to assist with monitoring and compliance. There is currently no centralised database of landfills, and data held by individual councils is of variable quality. This is a new obligation that would be placed on site operators (one of the two options consulted on, with the other being to place the obligation on councils).

104. The Ministry will work with regional councils and territorial authorities to make operators aware of their obligations in relation to the record.

Table 3: Date new reporting obligations are proposed to take effect

Site/requirement	Date data reporting obligations take effect
Class 1 monofills	1 Jan 2022
Construction and demolition fills (class 2)	1 Jan 2022
Managed fills (class 3)	1 Jan 2023
Controlled fills (class 4)	1 Jan 2023
Cleanfills (class 5)	1 Jan 2023
Transfer stations	1 Jan 2022
Record of waste disposal sites	1 July 2022

105. The changes in implementation dates are in response to submissions that outlined the additional work that would be required to implement these requirements.

106. Submissions highlighted that it would be valuable to undertake more collaborative work with stakeholders on the reporting proposals, including the means of reporting and the detail of what information would be reported (eg, data format and definitions).

107. It is proposed to further develop and report back to Cabinet before the end of March 2021 on the other reporting requirements consulted on, including reporting of:

- activity source and geographic source data by landfills, cleanfills and transfer stations
- information from territorial authorities about their spending of levy money and their performance in achieving waste minimisation outcomes.

[10] As for the current Waste Minimisation (Calculation and Payment of Waste Disposal Levy) Regulations 2009, the operator of a disposal facility could, if the expected net tonnage of the facility for a financial year us 1000 tonnes or less, make a written request to the levy collector for approval to provide an annual return for the financial year.

Implementation

Improved compliance, monitoring and enforcement

108. The Ministry is responsible for the compliance assurance programme that monitors disposal facilities and territorial authorities to ensure they are fulfilling their obligations under the Act and associated regulations. The Ministry plans to increase its capacity for compliance assurance, funded through the increased levy revenue, with a focus on:

    - communication with and education of landfill operators
    - site visits by compliance staff to landfill operators and territorial authorities
    - continuing to use external auditors when required.

109. The Ministry also plans additional support for local government, including further guidance on how levy funds can be used, including in relation to littering and fly tipping. The proposed Act review will also consider if levy funds should be used for a wider range of waste minimisation purposes, including potentially for regional councils who have a monitoring role in ensuring waste is disposed of appropriately.

Penalties and offences

110. The Act establishes the penalties and offences in relation to the waste levy and data reporting requirements. Namely, a person who contravenes regulations made under section 86(1)(a) or (b) (the data reporting requirements) is liable on conviction to a fine not exceeding $100,000. In addition, the levy collector may, in prescribed circumstances, estimate the amount of levy payable by an operator and seek payment of the correct amount of levy as debt if it is not fully paid as required.

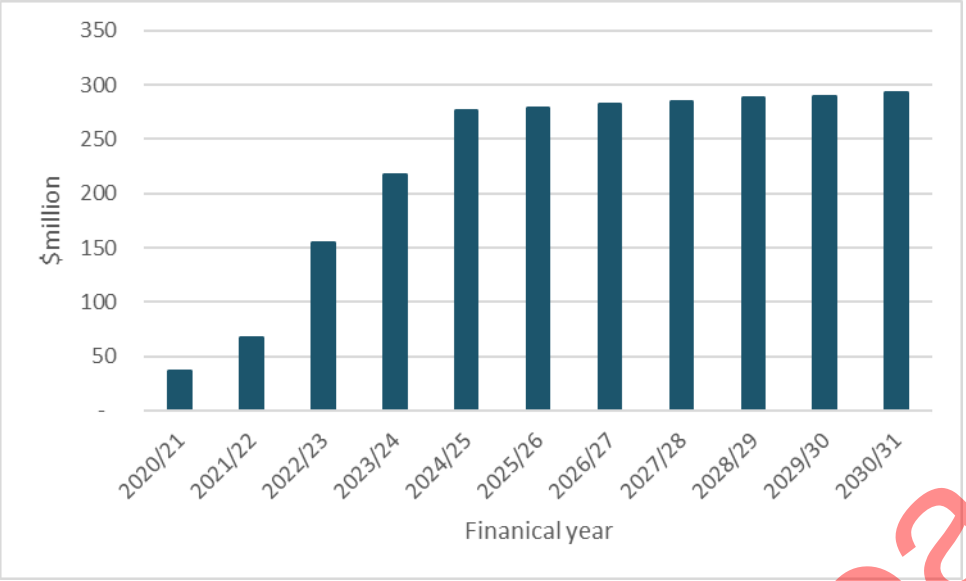
111. The planned review of the Act is proposed to modernise the offences and penalties regime to ensure alignment with best practice enforcement models and increase the range of compliance tools available.

A strategic framework has been developed which identifies key investment envelopes for increased levy revenue

112. The levy proposals are projected to result in increased revenue of around $276 million per annum by the end of the 2024/25 financial year (increasing to $293 million per annum by 2030/31). This would create a significant opportunity to achieve a step change in New Zealand's performance on waste by investing in a number of key priority areas such as onshore recycling infrastructure, research and development and other key change levers to minimise waste.

113. There is also an opportunity for the levy revenue to finance measures that have dual waste and climate benefits. An emissions reduction plan for the waste sector is currently underway, and will be published by 31 December 2021.

Figure 1: Projected levy revenue



114. In November 2019, Cabinet noted that I would develop an investment plan for increased levy revenue, in conjunction with the Minister of Finance and the Minister for the Environment (ENV-19-MIN-0068 refers).

115. The consultation document sought feedback on a set of principles for the investment plan. Submitters generally supported taking a more strategic and proactive approach to investment.

116. Key points raised by submitters include:

- the need for appropriate governance arrangements including iwi and stakeholder involvement in decision-making, and ensuring coordination between different government agencies and tiers of government
- that investment priorities should be underpinned by a strategy and informed by the waste hierarchy, and should prioritise reducing the generation of waste.

117. A number of submitters commented that levy funds should continue to be hypothecated for waste minimisation. There were mixed views on the current funding split with 50 per cent of levy funds currently going to territorial authorities for their own waste minimisation purposes.

118. Any change to the current funding split would require a change to the Act. I will direct officials to look closely at this during the upcoming review of the Act, because it is critical that levy funds be spent as effectively as possible, and I consider this will require a greater degree of central coordination than currently occurs.

119. In parallel, the Ministry commissioned Grant Thornton to provide advice on investment priorities and to consider options for institutional arrangements for delivering the investment plan. Grant Thornton consulted with a wide range of key industry and local and central government stakeholders as well as considering submissions on the levy consultation.

120. This work, alongside consultation on the levy proposals, has confirmed that:

- there is a major infrastructure gap in New Zealand for recycling and waste minimisation – the increased levy revenue (and potentially CRRF 'wave three' economic stimulus investment) would make a significant contribution to addressing this, thereby diverting more waste from landfill and reducing New Zealand's reliance on sending waste overseas for processing[11]
- there is a compelling need for the strategic investment of resources in a range of other waste minimisation activities
- the current Waste Minimisation Fund process is not fit for purpose for large–scale, strategic investment across a range of investment types such as infrastructure and research and development
- an updated strategic framework is required to guide both spending and use of other levers (including regulation, education and so on) across the system
- the Act is too restrictive on the purposes for which levy revenue can be used, and the requirement for fifty per cent of revenue to be allocated to territorial authorities (on a population basis). The scope of the proposed Act review could include consideration of how the Act could better enable the strategic investment of revenue to improve our overall performance on waste.

121. Drawing on Grant Thornton's advice, the key features of the strategic framework for setting direction and investment in waste minimisation are summarised at Appendix 2.

122. The framework recognises that waste is a multi-dimensional challenge and that it is important to both reduce the generation of waste at source as well as increase our capacity to recycle, recover and manage waste. The proposed Waste Strategy and investment plan are grounded in the waste hierarchy.

123. For example, investment in research and development could support the top level of the waste hierarchy, perhaps by focussing on reducing harmful plastic waste. Investment in infrastructure would support the diversion of existing waste streams from landfill, and would be informed by a waste sector infrastructure plan (with a horizon of at least ten years).

124. Despite the importance of interventions at the top of the waste hierarchy, the investment in infrastructure is proposed to progressively increase to 60 per cent over time, because of the need to address substantial existing deficits. Challenges in international markets, exacerbated by COVID-19, make this all the more pressing.

125. Initial priorities are expected to include onshore plastic reprocessing, organic waste, and paper and card reprocessing infrastructure (as outlined in Appendix 2 – along with proposed funding priorities for each of the other funding envelopes).

126. There is likely to be around a three year lead-in for large-scale infrastructure investment, although some smaller scale infrastructure needs identified in existing work programmes could be developed sooner, such as kerbside

[11] Without CRRF wave three funding, substantial expenditure on infrastructure would be unlikely to occur before the mid-to-late part of the decade, because of the need for sufficient revenue to accumulate.

collection and container refund infrastructure. Wave three investment in recycling infrastructure would assist in this occurring sooner.

127. A dedicated research and development fund would be established to develop and commercialise sustainable alternatives to harmful and difficult-to-recycle plastics. Smaller, but still significant, amounts of revenue would be allocated to community solutions for local waste issues and community engagement in waste minimisation; addressing gaps in data; behaviour change initiatives and enhancing compliance, monitoring and enforcement.

128. It is also proposed that funding could be made available for addressing risks from legacy landfills, including risks related to the effects of climate change. Some elements of the investment plan, for example legacy landfills, would be subject to the proposed review of the Act as they fall outside the current provisions of the Act for use of levy revenue.

Institutional and governance arrangements for investing levy revenue – next steps

129. Grant Thornton identified options for institutional and governance arrangements that involved delegating investment responsibilities to existing organisations, for example the Provincial Development Unit (infrastructure), and the Energy Efficiency and Conservation Agency (behaviour change). The full range of investment functions could also be aggregated in a new organisation.

130. Subject to Cabinet approval of the levy proposals, I propose that the Ministry should further investigate the optimal institutional arrangements for investing levy revenue and report back to Cabinet by the end of October 2020.

131. As figure 1 shows, it will be a number of years before levy revenue is projected to substantially increase. This allows time to establish institutional arrangements for governing and allocating funding. There would be scope to develop other funding options in the short term for urgent priorities.

132. To fully implement the levy changes and associated programme of investment will involve several closely related strands of work. Over the next year, the Ministry for the Environment will work in close collaboration with the waste and resource recovery sector to develop drafts of a new Waste Strategy, the Infrastructure Plan that accompanies it, and the Action and Investment Plan that will set out the priorities and projects for the next few years (see Appendix 2 for more detail on the content of these plans).

133. The Ministry will concurrently will review the legislation and develop a Bill that will ensure that the necessary regulatory tools and administrative infrastructure are in place to support the revitalised sector and new strategy. The updated legislation, and finalised Strategy, Infrastructure Plan and Action and Investment Plan should all be in place and operating by mid-2022.

Local government will receive more direction on how they should spend the levy funds they receive

134. The proposed investment plan will cover how central government will spend levy funds. I also plan further work with local government to ensure levy funds allocated to territorial authorities are invested strategically and equitably.

135. Territorial authorities are required to spend levy funds to promote or achieve waste minimisation, in accordance with their waste management and minimisation plans. They are required to have regard to the New Zealand Waste Strategy in preparing, amending, or revoking their waste management and minimisation plans. The existing Waste Strategy is high-level, and does not provide much guidance, particularly if levy funds substantially increase.

136. I propose:

- to amend the New Zealand Waste Strategy in the second half of 2020, to provide a robust strategic framework for the large-scale changes required to our waste and recycling systems
- to investigate the use of tools in the Act to provide further guidance to territorial authorities:
    - giving direction to them on what they should include in their waste management and minimisation plans in order to assist in achieving the revised Waste Strategy, and/or
    - setting performance standards for implementation of their waste management and minimisation plans.

Financial implications

137. An expanded and increased waste levy would increase Crown revenue (including levy revenue and associated GST payments). This increase in revenue can only be spent in accordance with the Act, as reflected in Vote Environment appropriations.

138. Modelling by economic consultants the New Zealand Institute of Economic Research (NZIER) suggests the proposed changes could increase revenue from $36m per year in 2019/20 to up to $276m per year in 2024/25 and following years (these estimates do not include GST, which is paid into the Crown Bank Account).

139. Once any changes to the levy come into force (proposed for July 2021), technical changes to appropriations would be needed, with no net fiscal impact on the Crown, to increase funding to match the increase in revenue for:

- Waste Disposal Levy Disbursements to Territorial Authorities – payments of half of the Waste Disposal Levy as prescribed under the Act
- Contestable Waste Minimisation Fund – funding for projects that promote or achieve waste minimisation
- Waste Minimisation Administration – collection and administration of the landfill levy and assessing and monitoring costs relating to projects considered or approved for funding from the landfill levy.

140. Ongoing costs associated with direct administration of the levy and waste minimisation projects can be covered by the levy, meaning there would be no net increase in Crown costs.

141. Some implementation and data collection and management costs cannot be funded from the levy under current legislation, which was reflected in the Vote Environment 2020/2021 budget, including:

- departmental funding of $8 million over four years (beginning 2020/21), covering:
  - employment of regionally-based officers to develop and implement the systems and processes necessary to administer the levy
  - working with councils and landfill operators to prepare for the expansion and new data reporting requirements
  - costs associated with improving the regulatory framework for disposal of waste to land.[12]
- capital costs of $1-2 million over four years (beginning 2020/21) for possible infrastructure contributions at some landfills as well as enhancements to the existing Online Waste Levy System data tool in order to facilitate levy payments and collect a broader range of data from new and existing landfills and territorial authorities.

142. This budget funding allows the Ministry to continue the wider policy programme in parallel, so that benefits from the levy proposals can be maximised.

Legislative implications

143. The Act establishes that the waste levy can be changed by regulation (ie, changes to the Act are not required). After final policy decisions have been made, I propose that the Parliamentary Counsel Office start drafting the regulations under section 41 (waste disposal levy) and section 86 (records, information and reports) for submission to the Cabinet Legislation Committee (LEG) by late 2020.

144. Regulations would be gazetted in late 2020 with the regulations taking effect progressively from 1 July 2021. The lead-in time is intended to clearly signal intentions in advance, to provide councils, waste management companies and businesses time to align their practices.

145. Regulations prescribing waste levy rates are confirmable instruments under section 47B of the Legislation Act 2012 and must be confirmed by an Act of Parliament. An annual Subordinate Legislation Confirmation Bill is introduced to ensure that confirmable instruments are appropriately confirmed each year, and these regulations can be confirmed as part of this annual process – this is a standard procedural step that applies to a number of regulations.

Impact analysis

146. The costs and benefits of the proposals would depend on how waste producers and disposers respond, which is influenced by a range of factors including availability of alternatives to disposal to landfill. It is expected that diversion of waste from landfill would increase over time, as increased levy revenue continues to be invested in opportunities to minimise waste and divert waste from landfill.

147. Further analysis of the costs and benefits of proposals is contained in the Regulatory Impact Statement (Appendix 3).

[12] Including disposal of waste into different landfill types and into farm dumps.

Costs

148. The direct costs of an expanded and increased levy would be borne by landfill operators. Some landfills might also need to install equipment for calculating waste quantities, such as weighbridges, although provision will be made for estimation of weights where the installation of a weighbridge is impractical or uneconomic.

149. Landfill operators are likely to pass the costs of the landfill levy on to customers. The costs for households would depend on how much waste they produce and how territorial authorities charge for waste services. The impact on individual households or small businesses is expected to generally be relatively low.

150. Analysis of typical costs suggest that the cost of a council rubbish bag might increase by up to 30 cents. Assuming one rubbish bag per week, annual costs would increase from $130 to up to $147 for the average household.

151. The main costs identified by stakeholders include:

- increased waste disposal costs for businesses. The main sectors of the economy that generate waste include hospitality, manufacturing, wholesale and retail trade and the primary sector. Overall, additional levy costs for businesses disposing of industrial, commercial and institutional waste at municipal landfills are estimated to be around $52.2 million (at the proposed levy rate of $60 per tonne for municipal landfills). Specific costs will depend on how businesses alter their waste management and disposal practices, but some potential examples include:
    - o an additional food waste disposal cost of around $117 per year for the average cafe or restaurant owner at the proposed levy rate of $60 per tonne for municipal landfills
    - o an additional cost of $75 for disposing of waste from the average house build, and an additional cost of $305 for disposing of waste from a house demolition at the proposed rate of $30 per tonne for construction and demolition fills
    - o an estimated 7.5 per cent of rural waste from the primary sector is disposed of at municipal landfills. Current levy costs for this are estimated to be $1.3 million. Additional costs could be $6.3 million at the proposed rate of $60 per tonne for municipal landfills.
- increased costs for recycling operators disposing of by-products from recycling – this is discussed at paragraphs 76 to 83 above
- increased cost of construction and demolition activity with potential flow-on effects to the cost of building (although the Green Building Council foresaw only a minimal cost impost on new-build houses – see estimate above). Levy costs for construction and demolition fills are estimated to be $88 million at the proposed levy rate of $30 per tonne, with the majority of these additional costs likely to be passed on to construction and demolition companies.
- an increase in fly tipping, which can lead to:

- financial costs, including for territorial authorities in relation to monitoring, education and clean up. Various forestry operators also submitted that this is an existing problem on forestry land that they expect to get worse if disposal costs increase
- environmental costs (eg, leaching/contamination of soil/water)
- social costs (eg, unsightliness, possible human health risks).

152. The main costs identified in relation to data proposals were establishing necessary infrastructure (such as weighbridges) and supporting systems (such as software), as well as staffing, maintenance, power and communications. Some submitters estimated weighbridge costs to be substantial, although it should be noted sites will not be required to use a weighbridge.

153. Some submitters noted increased costs could have a disproportionate effect on lower income communities (with less ability to pay) and rural areas (which are likely to have fewer facilities for diverted materials). There is potential to use levy funds to mitigate the impacts for rural households and low income communities, particularly following review of the Act.

154. Waka Kotahi NZ Transport Agency noted its road maintenance, renewal and construction operations may generate waste materials. Despite their long-term goal to use resources sustainability, in the short to medium-term it was noted that the proposed levy would increase their operational costs. These additional costs would require trade-offs in how Waka Kotahi manages the National Land Transport Fund to deliver the Government's priorities for land transport.

155. While larger producers of waste do face higher costs, there is scope to work with them directly to identify waste minimisation opportunities.

156. A number of large businesses and representative groups including Fletcher Building, the Warehouse Group, Plastics New Zealand, Foodstuffs New Zealand, Countdown, Atlas Concrete, and Christchurch International Airport supported the proposed levy increase, with some calling for higher rates than those consulted on.

157. These businesses generally considered that while there would be a financial impact, an increased levy would also give businesses further incentive and opportunity to reduce the amount of waste being sent to landfill.

Benefits

158. The proposals are likely to lead to environmental, economic, and social benefits. The main benefits identified by stakeholders include:

- decreased waste volumes – and subsequent reduced impact on the environment
- making recycling more cost-competitive compared to landfilling, which was seen to benefit both recycling companies and also society as a whole as recycling volumes should increase
- greater levy revenue to be distributed to waste minimisation projects and infrastructure for processing waste and recyclables
- increasing the amount of organic materials available for composting

- climate benefits including direct (reductions in greenhouse gas emissions from waste) and indirect (reduction in emissions from changes to the way we extract, use and dispose of materials (eg, reduced use of virgin materials)
- providing opportunities for companies to innovate to reduce waste
- helping New Zealand transition towards a circular economy.

159. Officials also note investment in services and facilities would reduce our reliance on volatile global markets for recycling as a result of more onshore capacity for resource recovery.
160. The Ministry for Business, Innovation and Employment noted the changes would be in line with work on delivering the Building and Construction Sector's part of the Emissions Reduction Plan.
161. Local government submitters considered improved data would help reduce levy avoidance, and help councils plan for waste minimisation activities.

Cost-benefit analysis

162. NZIER was commissioned to assess the costs and benefits of proposals before the COVID-19 situation arose. The analysis was based on various assumptions including forecast changes to waste production, and modelled changes in waste disposal as a result of increases to the cost of disposal.
163. These assumptions are now more uncertain, because it is hard to predict what impact the economic down turn will have on waste production and disposal.
164. Overseas evidence indicates that waste is often reduced during an economic downturn, which could result in lower levy revenue (and lower impacts on waste producers). However, the economy may have started to recover by the time the levy proposals are fully implemented.
165. Economic stimulus initiatives could also lead to an increase in construction waste. The Ministry is looking at how this could be mitigated, including through procurement policies such as requiring effective waste minimisation.
166. If CRRF 'wave three' economic stimulus investment includes resource recovery infrastructure in advance of the implementation of the levy proposals, the more optimistic waste reduction modelling used in the NZIER analysis may be more accurate.
167. NZIER modelled the costs and benefits of updated levy proposals (reflecting changes made to incorporate consultation feedback and respond to the current economic situation). The NZIER analysis indicates:
    - additional tonnes of waste recovery: 317,000 tonnes per annum by the end of the 2024/5 financial year (this equates to around 9 per cent of current total disposals to municipal landfills)
    - increased levy revenue of around $240m per annum compared to the *status quo*

- fewer greenhouse gas emissions: an estimated reduction in greenhouse gases of around 125,000 tonnes CO_2 equivalent per annum[13]

168. In addition, waste recovery activities generally create more employment opportunities than landfilling. It is estimated that around 315 to 495 new jobs (in waste minimisation activities) could be created by 2024/5.[14] Appendix 2 includes more detailed estimates of employment opportunities associated with investment of levy revenue.

Regulatory impact statement

169. The Regulatory Impact Statement is included at Appendix 3.

170. A joint review panel with representatives from Treasury's Regulatory Quality Team, the Ministry for the Environment and the Ministry for Primary Industries has reviewed the Regulatory Impact Assessment (RIA) "Increase and Expansion of Waste Disposal Levy" produced by the Ministry for the Environment and dated 26 May 2020. The review team considers that it meets the Quality Assurance criteria.

171. A strong case has been made for expanding coverage and increasing the rate of the waste disposal levy to incentivise diverting waste from landfill. There is good evidence of the problem, supported by stakeholder views and submissions both before and during the COVID-19 lockdown period.

172. The RIA indicates that it is difficult to predict accurately how households and business will respond to the change in levy settings. This means there is some uncertainty about the total volume of landfill that will be diverted, the extent of levy avoidance resulting from differential rates for different types of landfills (i.e. waste being inappropriately disposed of at landfills with lower levy rates), and the total revenue generated by the levy. However, the levy is reviewed at least every three years and the proposed changes to the levy will provide improved data on waste to inform decisions on adjusting levy settings.

173. There are still some detailed design issues to work through. A Cabinet report back is planned in October 2020 on an investment framework for the levy revenue. In addition, a review of the Waste Minimisation Act and related legislation is scheduled for 2021 and will cover: enforcement tools to address levy avoidance, what the levy is spent on and hypothecation of the levy revenue.

Climate Implications of Policy Assessment

174. The Climate Implications of Policy Assessment (CIPA) requirements apply to this proposal (the CIPA disclosure sheet is included at Appendix 4).

[13] NZIER corrected an error in their earlier analysis which lead to an over-estimation of greenhouse gas emissions reductions.

[14] This estimate is based on the estimated diversion figures in the NZIER modelling, noting international literature suggests resource recovery activities generate around 5 jobs for every 1 job in waste disposal. Appendix 2 provides a fuller look at potential employment that will be generated through investment of levy revenue.

175. While the disclosed emissions impact of the proposed option does not exceed 250,000 tonnes CO2-e per annum, the maximum projected annual reduction of 136,440 tonnes CO2-e is a significant emissions impact.

176. The Ministry notes that modelling results of different levels of price responsiveness has shown that the potential impact could be higher than 250,000 tonnes CO2-e per annum under a higher level of price responsiveness.

Population implications

177. While the proposals will affect everyone who disposes of waste, there is a risk that certain population groups may be disproportionately affected. In particular, rural communities (including remote Māori communities) are likely to already face higher waste disposal costs and there is potential for the proposals to exacerbate this. This is discussed further at paragraph 153.

178. The Ministry received consultation feedback from Ohinemutu Maara Kai (Ngati Whakaue ki Ohinemutu) that the practice of disposing of waste into landfills was viewed as unsustainable, disrespectful and polluting, which goes against tikanga Maori (correct procedures) and should no longer be tolerated. This submission viewed the levy proposals as one important step towards moving away from disposing of waste into landfills.

179. Ngāti Whātua Ōrākei submitted that they consider efficient use of resources to be at the heart of kaitiakitanga. Ngāti Whātua Ōrākei noted that phasing in changes to the levy would be very important for low income families.

180. Para Kore, a Māori-led waste minimisation organisation, also submitted that decreasing the amounts of waste New Zealand sends to landfill over time is about upholding the values of this whenua (land), including manaakitanga (the process of showing respect, generosity and care for others) and kaitiakitanga (guardianship and protection).

181. I do not consider there are specific population impacts for other groups including children, seniors, disabled people, women, people who are gender diverse, Pacific peoples, veterans, or ethnic communities.

Human rights

182. The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Consultation

183. Relevant government agencies have been consulted on this paper, including the Treasury, Ministry for Primary Industries, Ministry of Business, Innovation and Employment, Ministry of Housing and Urban Development, Department of Conservation, Ministry of Foreign Affairs and Trade, Ministry of Justice, Ministry of Transport, Environmental Protection Authority, Inland Revenue Department, Ministry for Social Development, Ministry of Health, Department of Internal Affairs, Kāinga Ora – Homes and Communities, Stats NZ, and Waka Kotahi NZ Transport Agency.

184. The Department of the Prime Minister and Cabinet and Te Puni Kōkiri were informed and have reviewed the proposals in this paper. Pursuant to section 86(3) of the Act, the Government Statistician has been consulted on the data reporting proposals.

185. The Inland Revenue Department supports the proposals in principle but had some concerns about the longer-term hypothecation of significantly increased levy revenue. These concerns are shared by the Treasury. The issue of hypothecation would need to be addressed as part of the proposed review of the Act and is outside the scope of the proposed waste levy regulations.

186. The Department of Internal Affairs supports the proposal to provide territorial authorities with further guidance on how they can spend the levy funds they receive, using both statutory and non-statutory tools.

187. Decisions on investment of increased funding would be guided by the strategic framework attached at Appendix 2 and (in the short to medium term at least) by the Minister's decisions on allocating the Waste Minimisation Fund.

Stakeholder consultation

188. Public consultation occurred from 27 November 2019 to 3 February 2020. 479 submissions were received, including from: iwi (2); local government (41, including some joint submissions); environmental NGOs (24, including some joint submissions); other NGOs (11); businesses (96); 264 individuals and 41 other or unspecified submissions.

189. Submissions from businesses were from both individual businesses and representative bodies from a wide range of sectors including waste, recycling, land remediation, forestry, farming, manufacturing, retail, building, hospitality, environmental and transport.

190. The consultation document and a short summary document were made available on the Ministry's website. Stakeholders were informed of the consultation through a range of channels, including email and social media. The Ministry also discussed the proposals at a number of meetings and webinars and by phone call. Letters were sent to all known landfill and cleanfill operators (around 400 in total) to notify them of the consultation.

191. Iwi partners were informed about the consultation through the Ministry's Te Kōmiromiro newsletter and the Ministry also worked with Para Kore, an organisation that works with marae on waste minimisation to reach out to iwi and other interested parties.

192. Officials also re-engaged with key sector groups to provide them with an opportunity to provide follow-up comments in light of the changed economic context.

193. Submitters' views are reflected in the discussion of my specific proposals, elsewhere in this paper. As noted, submitters were broadly in support of expanding the levy and increasing its rate, and overall tended towards support for higher levy rates and faster action than proposed.

194. There were varying opinions about levy rates for the different landfill classes. Most submitters felt the levy rate should continue to increase beyond 2023 (ie,

beyond the time period of the current proposals). Valuable feedback was also received on the data proposals, principles for levy investment, and other areas (eg, areas to include in any future review of the Act).

Waste Advisory Board

195. I have obtained and considered the advice of the Waste Advisory Board.

196. The Waste Advisory Board agreed with the consultation proposals that the levy be expanded to additional landfill classes (but not farm dumps or cleanfills). Board members had a range of views on whether different rates should apply to different landfills, but ultimately agreed with the proposed variable rates at this time.

Communications

197. There is substantial public interest in improving our waste and recycling systems. It is proposed to issue a press release to communicate Cabinet policy decisions at an appropriate time. It will be important for communications to clearly indicate:

- how the levy funds would be used to improve New Zealand's record on waste (subject to review of the Act).
- that territorial authorities' share of levy funds would may change in future with changes to the Waste Minimisation Act if the total pool of levy revenue is substantially larger. In absolute terms the amount of levy funding councils receive would be either stable or would increase; they would also benefit substantially from central investment of levy funds into priority areas including waste systems, fibre, plastics, and organic waste (as indicated in Appendix 2).
- that some levy money may be retained by central government, if there is up-front investment in waste and resource recovery infrastructure as part of CRRF Wave 3 funding before sufficient levy funds are available.

Proactive release

198. I intend to proactively release this paper on the Ministry for the Environment's website, subject to withholding of information where appropriate, consistent with the Official Information Act 1982.

Recommendations

The Associate Minister for the Environment recommends that the Committee:

1. **agree** that regulations be developed under the Waste Minimisation Act 2008 to:

   1.1. prescribe additional classes of landfills as disposal facilities, based on the information on classifications outlined in table A1.1 in Appendix 1

   1.2. prescribe the rates (plus GST) that will apply for each landfill class (per tonne of waste) and the dates on which these rates will take effect, as follows:

Landfill class	1 July 2021	1 July 2022	1 July 2023	1 July 2024
Municipal landfill (class 1)	$20	$30	$50	$60
Construction and demolition fill (class 2)	-	$20	$20	$30
Managed fill (class 3)	-	-	$10	$10
Controlled fill (class 4)	-	-	$10	$10

1.3. require operators of construction and demolition fills, managed fills and controlled fills (described in table A1.1 of Appendix 1) to keep, and provide to the Secretary for the Environment (the Secretary) information on the tonnage of waste disposed of at and diverted from the site (to assist the Secretary to compile statistics), commencing six months prior to the date the sites become prescribed as disposal facilities as set out in the table above, in accordance with the existing reporting requirements for levy calculation

1.4. require operators of industrial monofills (class 1) and cleanfills (class 5) (described in table A1.2) to keep and provide to the Secretary information on the tonnage of waste disposed of at and diverted from the site on a quarterly basis commencing from 1 January 2023

1.5. require operators of transfer stations (described in table A1.2) to keep and provide to the Secretary information on the tonnage of waste received at the transfer station, the tonnage of waste sent from the transfer station to a landfill for disposal, and the tonnage of waste diverted, commencing from 1 January 2022

1.6. require operators of the sites described in table A1.1 and A1.2 of Appendix 1 to keep, and provide to the Secretary, their contact details and (if applicable) landfill classification according to the categories in tables A1.1 and A1.2 commencing 1 July 2022

2. **invite** the Associate Minister for the Environment (Hon Eugenie Sage) to issue drafting instructions to the Parliamentary Counsel Office to draft regulations under sections 41 and 86 of the Waste Minimisation Act 2008

3. **agree** that the responsible Minister may take further decisions on minor and technical matters in line with the policy decisions agreed by Cabinet

4. **agree** that the Ministry for the Environment will develop policies, procedures and guidance for:

4.1. classifying landfills

4.2. dispute resolution

4.3. compliance, monitoring and enforcement

5. **note** that further work is proposed with recycling operators to mitigate the short-term impacts of the proposed changes

6. **note** that the proposed levy rates would generate around $276 million per annum by the end of the 2024 financial year

7. **note** that this creates a significant opportunity to achieve a step change in New Zealand's performance on waste by investing in onshore recycling infrastructure,

research and development, behaviour change initiatives and other key change levers

8. **note** the strategic investment approach proposed in Appendix 2, which sets the proposed framework for ensuring that the additional levy funds are used effectively and efficiently across the range of activities needed to shift New Zealand's performance on waste

9. **agree** that the Ministry for the Environment should continue to develop the proposed strategic investment approach, and report back to Cabinet before the end of October 2020 with proposals for the content of the guiding strategy and plans, the process for finalising them, and the supporting institutional and administrative arrangements for making investment decisions and allocating funding

10. **note** that the planned review of the Waste Minimisation Act and Litter Act will cover a range of areas, including:
    10.1. allocation of revenue and purposes for which revenue can be used
    10.2. compliance, monitoring and enforcement
    10.3. other matters to modernise and improve these acts

11. **note** the proposed establishment of an Illegal Dumping Prevention and Enforcement Fund and a Litter Prevention and Enforcement Fund, to be open to applications from councils and community groups

12. **note** it is proposed to review the New Zealand Waste Strategy later in 2020

13. **note** it is proposed that the review of the New Zealand Waste Strategy include consideration of strategies for litter prevention and illegal dumping

14. **note** it is proposed to provide territorial authorities with further guidance on how they can spend the levy funds they receive, using both statutory and non-statutory tools

15. invite the Associate Minister for the Environment to report to the Cabinet Environment, Energy and Climate Committee with final policy advice on additional proposals to improve the availability of waste data by the end of March 2021

16. **invite** the Associate Minister for the Environment to report back to the Cabinet Legislation Committee to present regulations for approval.

Authorised for lodgement.

Hon Eugenie Sage

Associate Minister for the Environment

Appendix 1 – Landfill classes

Table A1.1: Landfill classifications for defining additional landfills as disposal facilities

	Landfill class	Description of waste that can be accepted at these facilities	Examples of wastes accepted	Waste that is not accepted at these facilities
Controlled fill	Class 4	Virgin excavated natural materials such as clay, soil and rock, plus: Soils and other inert materials (eg, rubble) with low levels of contamination relative to receiving environment (ie, trace element concentrations greater than applicable regional background concentrations)	Soil and inert construction and demolition materials including: • Site clearance and excavation materials including soils, clays, rocks, gravel, tree stumps. • Masonry including bricks, pavers. • Clay products including pipes and tiles. • Concrete including crushed concrete, and blocks. • Asphalt (bitumen-based only). • Road sub-base.	• Household waste • Solid wastes that could discharge contaminants/ emissions, including materials that are inert but could generate leachate or emissions (eg, plastics, metal, plasterboard, reinforced concrete, timber including treated and untreated timber, coal-tar based asphalt) • Contaminated soils and other inert material above the contaminant limits for class 3 sites
Managed fill	Class 3	As above, plus: Contaminated but non-hazardous soils (ie, soils with specified maximum contaminant concentrations greater than applicable local background concentrations) and other inert materials (eg, rubble)	Contaminated soil and inert construction and demolition materials including: • Site clearance and excavation materials including soils, clays, rocks, gravel, tree stumps. • Masonry including bricks, pavers. • Clay products including pipes and tiles. • Concrete including crushed concrete, and blocks. • Asphalt (bitumen-based only). • Road sub-base.	• Household waste • Solid wastes that could discharge contaminants/ emissions, including materials that are inert but could generate leachate or emissions (eg, plastics, metal, plasterboard, reinforced concrete, timber including treated and untreated timber, coal-tar based asphalt) • Contaminated soils and other inert material above the contaminant limits for class 4 sites
Construction and demolition fill	Class 2	As above, plus: Solid wastes with lower potential for environmental harm, including rubble, plasterboard, treated timber and other construction and demolition materials.	Mixed construction and demolition waste including: • rubble, plasterboard, treated timber; • wood products e.g. softboard, hardboard, particle board, plywood, MDF, customwood, shingles, sawdust, etc. • concrete, including reinforced or crushed concrete, blocks. • clay products including pipes and tiles. • asphalt (all types), and roading materials including road sub-base. • Plasterboard, and Gibraltar board. • Masonry, including bricks, pavers.	• Household waste • Solid wastes that could discharge contaminants/emissions (aside from those listed under accepted wastes) • Contaminated soils over specified maximum contaminant concentrations specified for class 2 landfills

			• Metal, or products containing metals, including corrugated iron, steel, steel coated tiles, wire, wire rope, wire netting, aluminium fittings, etc. • Plastic products including plastic bags, pipes, guttering, building wrap, etc. • Insulation products. • Formica and laminate products. • Flooring products including carpet and underlay, vinyl/linoleum, cork tiles, etc. • Paper and cardboard products including wallpaper, lining paper and building paper. • Site clearance and excavation materials including soils, clays, rocks, gravel, tree stumps • Vehicle tyres and rubber. • Non-recyclable glass.	
Municipal	Class 1	As defined in section 7(1) of the Waste Minimisation Act 2008	• Mixed municipal waste from residential, commercial and industrial sources • Construction and demolition waste • Contaminated soils • Rocks, gravel, sand, clay • Sludges • Slurries • Putrescible waste • Green waste • Biosolids • Clinical waste • Treated hazardous waste • Incidental hazardous waste	• N/A

Table A1.2: Landfill and waste management site descriptions for section 86 data reporting obligations

	Landfill class	Description of waste that can be accepted at these facilities (or site description)	Examples of wastes accepted	Waste that is not accepted at these facilities
On-going requirements				

Industrial monofill	Class 1	Solid wastes that could discharge contaminants/ emissions, from industrial sources including steel- or aluminium-making and pulp- and paper-making.	• steel or aluminium making sludges or slurries, • pulp- and paper-making by products, • biosolid or organic wastes.	• Household waste
Cleanfill	Class 5	Virgin excavated natural materials (VENM) such as clay, soil and rock that are free of which are free of combustible, putrescible, degradable or leachable components.	Virgin excavated natural materials (VENM) such as clay, soil and rock	Deposited materials must be free of: • Construction or demolition waste; • Combustible, putrescible, degradable or leachable components; • Hazardous substances or materials (such as municipal solid waste) likely to create leachate or landfill gas by means of biological breakdown; • Products or materials derived from hazardous waste treatment, stabilisation or disposal practices; • Materials such as medical and veterinary waste, asbestos, or radioactive substances; • Contaminated soil and other contaminated materials; and • Liquid waste.
Transfer station	N/A	A waste and/or recycling management facility with a designated receiving area, where waste collection vehicles and/or public vehicles discharge their loads so that waste from multiple collection vehicles can be consolidated into larger, high-volume transfer vehicles, and transferred to a final disposal site or further processing. No long-term storage of waste occurs.	N/A	N/A

Transitional requirements (from commencement date until date sites become prescribed as disposal facilities)		
Controlled fill	Class 4	As described in table A1.1 above
Managed fill	Class 3	As described in table A1.1 above
Construction and demolition fill	Class 2	As described in table A1.1 above

Appendix 2: Strategic framework for setting direction and investment in waste minimisation

Appendix 3: Regulatory Impact Statement

Appendix 4: Climate Implications of Policy Assessment (CIPA) disclosure sheet

This disclosure sheet provides the responsible department's best estimate of the greenhouse gas emissions impacts for New Zealand that would arise from the implementation of the policy proposal or option described below. It has been prepared to help inform Cabinet decisions about this policy. It is broken down by periods that align with New Zealand's future emissions budgets.

Section 1: General information

General information	
Name/title of policy proposal or policy option:	Waste disposal levy extension
Agency responsible for the Cabinet paper:	Ministry for the Environment
Date finalised:	4 May 2020
Short description of the policy proposal:	The proposal is to improve the effectiveness of the existing waste disposal levy by applying it to more sites, progressively increasing its rate, and requiring additional reporting of waste data. More information can be found in the following RIS: Increase and expansion of the waste disposal levy, May 2020

Section 2: Greenhouse gas emission impacts

Sector & source	Changes in greenhouse gas emissions (thousands of tonnes of carbon dioxide equivalent). Report on all sectors impacted.							
	2020–25	2022–25	2026–30	2031–35	2036–40	2041–45	2046–50	Cumulative impact
Waste (total)	-411	-394	-651	-674	-674	-650	-602	-3,663

Section 3: Additional information

Additional information
• Annual greenhouse gas emissions amounts were modelled as part of cost benefit analysis of potential options. Further information can be found in the NZIER report on assessing the costs and benefits of changes to the waste disposal levy: https://www.mfe.govt.nz/publications/waste/waste-levy-extension-estimates-of-extending-and-raising-levy. Option 7, price elasticity -0.23 is disclosed from this analysis. • The key driver in changes to waste disposal is the price responsiveness to changes in the disposal price. Hence, a key assumption is the price responsiveness used in modelling the effect on emissions reductions of the proposed option. • Price responsiveness was modelled with a range of price elasticities from international literature, in the absence of New Zealand estimates. The disclosed figures are based on the moderate price elasticity value.

Section 4: Quality assurance

Quality assurance
The Ministry for the Environment has been consulted and confirms that the CIPA requirements apply to this proposal. While the disclosed emissions impact of the proposed option does not exceed 250,000 tonnes CO2-e per annum, the maximum projected annual reduction of 136,440 tonnes CO2-e is a significant emissions impact. The Ministry notes that modelling results of different levels of price responsiveness has shown that the potential impact could be higher than 250,000 tonnes CO2-e per annum under a higher level of price responsiveness.