



PROACTIVE RELEASE COVERSHEET

Minister	Hon David Parker	Portfolio	Environment
Associate Minister	Hon Rachel Brooking	Portfolio	Environment
Name of package	Proposals to regulate product stewardship for tyres and update on large batteries product stewardship scheme	Date to be published	8 November 2023

List of documents that have been proactively released

Date	Title	Author
7 December 2022	Cabinet paper – Proposals to regulate product stewardship for tyres and update on large batteries stewardship scheme	Office of the Minister for the Environment
7 December 2022	Cabinet paper attachment – Appendix 1: summary of Tyrewise roles and responsibilities and scheme financial and data flows	Office of the Minister for the Environment
7 December 2022	Cabinet paper attachment – Appendix 2: Support from submitters on tyre proposals	Ministry for the Environment
7 December 2022	Cabinet paper attachment – Appendix 3: Proposed product stewardship regulations: tyres and large batteries: summary of submissions	Ministry for the Environment
7 December 2022	Cabinet paper attachment – Appendix 4: Regulatory impact statement – tyres	Ministry for the Environment
7 December 2022	Cabinet paper attachment – Appendix 5: Proposed tyre stewardship fee levels	Office of the Minister for the Environment
7 December 2022	Cabinet paper attachment – Appendix 6: Proposed tyre stewardship scheme take-back targets	Office of the Minister for the Environment
7 December 2022	DEV-22-MIN-0302 – Proposals to regulate product stewardship for tyres and update on large batteries stewardship scheme	Cabinet Office
16 August 2023	Cabinet paper - Regulated product stewardship for tyres: Imprest supply approval	Office of the Associate Minister for the Environment
16 August 2023	DEV-23-MIN-0176 - Regulated product stewardship for tyres: Imprest supply approval	Cabinet Office
18 September 2023	Cabinet paper – Waste Minimisation (Tyres) Regulations 2023	Office of the Associate Minister for the Environment
18 September 2023	LEG-23-MIN-0197 – Waste Minimisation (Tyres) Regulations 2023	Cabinet Office

Information redacted**YES**

Any information redacted in this document is redacted in accordance with the Ministry for the Environment's policy on proactive release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Summary of reasons for redaction

Some information has been withheld for the reasons of protecting commercial information, maintaining the confidentiality of advice tendered to Ministers, maintaining legal professional privilege, carrying out commercial negotiations and avoiding prejudice to international relations of the Government of New Zealand.

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In Confidence

Office of the Minister for the Environment

Chair, Cabinet Economic Development Committee

Proposals to regulate product stewardship for tyres and update on large batteries stewardship scheme

Proposal

- 1 This paper seeks policy decisions on proposed product stewardship regulations under the Waste Minimisation Act 2008 (WMA) s 22 and s 23 to be used for tyres and agreement to publish the summary of submissions from public consultation undertaken in 2021 on regulated product stewardship for tyres and large batteries.

Relation to government priorities

- 2 Regulated product stewardship is a key tool to reduce waste and transition to a low-carbon circular economy.¹ The proposed regulations for tyres help implement the Labour Party 2020 election manifesto goal to improve our economy by preventing, reducing and recycling waste. This will reduce pollution, and support protecting our environment, an agreed cooperation area between Labour and Green Parties.²

Executive Summary

- 3 Government declared six priority products under the WMA as part of a longer-term goal of moving to allow a low-carbon circular economy (CAB-20-MIN-0312 refer).³

Tyre stewardship scheme

- 4 I seek policy decisions to progress regulations under the WMA needed to implement the product stewardship scheme for tyres in 2023. The proposed scheme will oversee the payment of the proposed tyre stewardship fee through incentives to collectors, processors, and manufacturers to pull end-of-life tyres through to increase resource recycling. The proposed fee would replace an existing ad-hoc tyre collection fee charged by retailers at a similar price level.
- 5 Subject to Cabinet approval, officials will work with the Parliamentary Counsel Office (PCO) to prepare regulations for tyres.
- 6 I propose to bring back to Cabinet by May 2023 the draft tyre regulations for decision.

Public Consultation

¹ A low-carbon circular economy is an outcome in Government's September 2019 Economic Plan for a productive, sustainable and inclusive society; <https://www.mbie.govt.nz/assets/economic-plan.pdf>

² https://www.labour.org.nz/news-labour_2020_manifesto, page 18; https://d3n8a8pro7vnm.cloudfront.net/nzlabour/pages/18779/attachments/original/1604183807/Labour_Greens_Cooperation_Agreement.pdf?1604183807, section 14.

³ The six priority products are tyres, refrigerants and other synthetic greenhouse gases, agrichemicals and their containers, electrical and electronic products (e-waste including batteries), farm plastics and plastic packaging.

- 7 In 2021 public consultation was undertaken on proposed regulations to enable regulated product stewardship for tyres and large (e.g. electric vehicle) batteries. The Ministry received 85 submissions with majority support from submitters for the proposed regulatory framework along with suggestions for improvement.
- 8 I seek Cabinet agreement for the Ministry for the Environment to publish *Proposed product stewardship regulations: Tyres and large batteries: Summary of submissions* subject to minor corrections as required.

Large battery stewardship scheme update

- 9 Design work on the large battery stewardship scheme is continuing. Officials from the Ministry and the Energy Efficiency and Conservation Authority (EECA) are working with large battery stakeholders to progress the necessary scheme and stewardship fee details by February 2023.
- 10 I propose to bring back to Cabinet by May 2023 proposed policy decisions and the regulatory impact statement (RIS) for large batteries.

Background

- 11 Currently end-of-life product management costs largely fall on communities, local government, and the environment. Regulated product stewardship can ensure those in the supply chain take responsibility to minimise waste and harm from products.
- 12 Regulated product stewardship is part of a comprehensive waste minimisation work programme to support the goal of moving to a low-carbon circular economy⁴ (CAB-20-MIN-0312 refer). In July 2020 Government declared six priority products for which product stewardship schemes must be developed and accredited.⁵
- 13 From 4 November to 16 December 2021, the Ministry for the Environment (the Ministry) consulted on proposed regulations under the Waste Minimisation Act 2008 (WMA) for priority product stewardship schemes for tyres and large batteries.

Tyrewise

- 14 The accredited tyre stewardship scheme, known as Tyrewise, was originally developed in 2013 and updated in 2020 via a collaborative process with industry, supported by the Government through the Waste Minimisation Fund. The accreditation is held by Auto Stewardship New Zealand (ASNZ), a not-for-profit product stewardship organisation (PSO).
- 15 The scheme will be ready to launch once participation and funding regulations are in place. These proposed regulations would require tyres to be sold only in accordance with the scheme and set a tyre stewardship fee. This fee would be charged at tyre

⁴ Complementary projects include investigating a container return scheme, kerbside standardisation, investment in recycling infrastructure and phase-outs of certain hard-to-recycle plastics and single-use items.

⁵ The priority products are tyres, electrical and electronic products (e-waste of which large batteries are a part), agrichemicals and their containers, farm plastics, refrigerants and plastic packaging (Declaration of Priority Products Notice 2020, <https://gazette.govt.nz/notice/id/2020-go4533>).

entry to the market for both imported and domestically manufactured tyres and distributed by Tyrewise to fund tyre collection and incentivise onshore manufacture of tyre derived products.

- 16 Roles and responsibilities for tyre supply chain actors under the Tyrewise scheme were explained in the consultation document and are summarised in Appendix 1.
- 17 Implementation of tyre stewardship regulations by November 2023 is anticipated, subject to Cabinet agreement.
- 18 Once in effect tyre stewardship fee regulations will also support self-sustaining operation of onshore tyre-derived fuel infrastructure co-funded by the Waste Minimisation Fund.⁶

Feedback from consultation and resulting changes

- 19 The Ministry received 85 submissions, primarily from business/industry, local authorities, and individuals. There was majority support from submitters for the proposed regulatory framework (Appendix 2), and suggestions for improvement were also received.
- 20 I seek Cabinet agreement for the Ministry to publish *Proposed product stewardship regulations: Tyres and large batteries: Summary of submissions*, (Appendix 3) subject to minor editorial changes as required.

No changes to four proposals as a result of public consultation

- 21 Of the five proposals consulted on, four were supported by submitters and have not changed as a result of public consultation. These would set requirements for scheme participation, a take-back service and targets, a tyre product quality standard, and recovery of scheme monitoring costs (Table 1). Further details are in Table 2 of Appendix 2.

Changes proposed to the tyre stewardship fee costs, categories, and collection entities

- 22 Under the WMA the only funding option for managing products is via fees set by regulation. Government also proposed to set a product stewardship fee to administer the scheme, as it is the only funding option for managing products under the WMA. The fee would be imposed on imported and domestic manufactured tyres under WMA sections 23(1)(d) and 23(1)(j), which producers and importers would be liable to pay at product entry into the market.
- 23 Three changes were prompted by submissions. These related to the need for the fee to be flexible and regularly reviewed, requests to increase granularity in the truck fee category and consideration of the impact of incentive payments on international trading partners. Further details are in Table 3 of Appendix 2.
- 24 Some adjustments were recommended by agencies after the consultation. These related to the reducing fraud risk, choice of fee collection entities and application of a de minimis. Further details are in Table 3 of Appendix 2. As a result of these changes, and adjustment for inflation, the proposed \$5.50 per equivalent passenger

⁶ <https://www.beehive.govt.nz/release/government-backs-waste-tyre-initiative> . The Waste Minimisation Fund (WMF) provided \$16 million of the \$25 million needed to upgrade Golden Bay Cement's kiln to enable replacement of coal with tyre-derived fuel. The WMF also provided substantial support to establish a major tyre shredding plant in Auckland to prepare tyre-derived fuel for Golden Bay Cement.

unit (EPU) has been adjusted to \$6.65 per EPU. This increase in cost is not considered to be sufficient to require further public consultation.

Wider action required

- 25 Many submitters supported the regulations and called for stronger action to prevent waste and transition to a circular economy. These matters are being considered in the parallel work by officials on revision of the waste strategy and the WMA.⁷
- 26 I propose to progress regulations for tyres and come back to Cabinet for policy decisions on large batteries.
- 27 I propose using a package of WMA regulations under sections 22 and 23 to establish an effective, easily monitored and enforced entry to support accredited tyre stewardship schemes (Table 1).

Table 1: Proposed tyre product stewardship regulations for agreement under the Waste Minimisation Act 2008

Proposed in-effect timing	WMA regulations	Description	Whether changed as a result of consultation
Tranche 1 November 2023	23(1)(d) and (j)	Set stewardship fee as products enter the market and require information provision	Changes to quantum, collection entities and tyre categories
	22(1)(e)	Require the accredited tyre stewardship scheme manager to pay the Secretary 0.48% of fee revenue for the monitoring of the accredited tyre scheme	Unchanged
	22(1)(a)	Sale only in accordance with accredited scheme	Unchanged
Tranche 2 May 2024	23(1)(c) and (i)	Take-back and recycling targets and related information provision	Unchanged
	23(1)(g) and (h)	Set a quality standard for use of tyre-derived products in playing surfaces to protect human health	Unchanged

- 28 I propose to bring back to Cabinet by May 2023 the draft tyre regulations for decision.
- 29 I propose to bring back to Cabinet by May 2023 proposed policy decisions and the RIS for large batteries.

Regulation making requirements in the Waste Minimisation Act 2008

- 30 The WMA empowers the Minister for the Environment to recommend the making of regulations by an Order in Council to prohibit the sale of priority products unless in accordance with a product stewardship scheme (section 22(1)(a)), control or prohibit the disposal of products and set requirements for take back services, quality standards, and fees (section 23(1)(c through j))(Table 1).
- 31 Before recommending the making of these regulations, I must consider the requirements of WMA s 23(3). I confirm that:

⁷ <https://environment.govt.nz/publications/taking-responsibility-for-our-waste-consultation-document/>

- 31.1 I have obtained and considered the advice of the Waste Advisory Board on the consulted proposals, as per WMA s 23(3)(a) and did not seek further advice as there are no substantive policy changes;
- 31.2 I am satisfied that there has been adequate consultation with parties who may be significantly affected, as per WMA s 23(3)(b)(i). In addition, officials will ensure that key parties have an opportunity to comment on the workability of regulations in an exposure draft;
- 31.3 I am satisfied that benefits from implementing these regulations are likely to outweigh their costs as per WMA s 23(3)(b)(ii);
- 31.4 further work is required before I can be satisfied that the proposed regulations are consistent with international obligations as per WMA s23(3)(b)(iii). I will provide information on revisions to Tyrewise incentive payments and related draft tyre regulation text to Cabinet in May 2023. ^{s 9(2)(h)}

Compliance, monitoring and enforcement

- 32 The Ministry is responsible for undertaking audits and investigating potential breaches of WMA regulations, including for product stewardship schemes. The Ministry will work with both the Product Stewardship Organisation (PSO) that owns the Tyrewise scheme, ASNZ, and their appointed scheme manager.
- 33 The WMA has limited opportunities for enforcement and is currently under review. In the short to medium term, we will have Agreements with the PSO to enable closer monitoring and enforcement. In the longer term the review of the WMA is expected to significantly improve options.

Financial Implications

- 34 Ministry officials worked with the Treasury to establish a financial management framework for the tyre stewardship fee. The Minister of Finance has approved:
 - 34.1 the establishment of a new multicategory appropriation "Product Stewardship" in Vote Environment;
 - 34.2 the appropriation is to be administered by the Ministry for the Environment and with the Minister for the Environment as appropriation Minister;
 - 34.3 the single overarching purpose of the appropriation is to encourage redesign, reduction, reuse, recycling, recovery or appropriate treatment and disposal to manage the environmental harm arising from priority products through product stewardship;
 - 34.4 together with the Minister for the Environment that the categories for this appropriation are outlined in Table 2;

Table 2: New multi-category appropriation “Product Stewardship” in Vote Environment Categories

Title	Type	Scope
Product stewardship administration	Departmental Output Expense	This category is limited to administering, implementing, monitoring, and enforcing the product stewardship scheme
Tyre stewardship fee disbursements	Non-departmental Output Expense	This category is limited to the management and operation by non-government organisations of accredited tyre stewardship schemes

- 34.5 the scheme operates financially based on expenses equalling revenue over time, with an accumulated deficit of up to \$6 million by 30 June 2030 provided this accumulated deficit is reduced to zero by 30 June 2033.
- 35 There is fiscal risk to government of the tyre scheme being underfunded. This is because the fee revenue is collected on tyres as they enter the market, and the scheme costs in any given year are determined by the number of tyres that reach their end-of-life that year. The risk is that scheme costs exceed fee revenue.
- 36 The following measures are proposed to mitigate the fiscal risk to government:
- 36.1 the PSO’s operating revenue will be derived from the stewardship fee and a ‘float’ will be required to cover the first months of implementation. Thus, the proposal is for the fee regulation to come into force six months before the scheme starts operating in order that the PSO can save up fee revenue to commence scheme operations. This is not considered to pose equity issues as the risk of tyres being presented as end-of-life for collection within six months of their stewardship fee being paid is negligible;
- 36.2 to mitigate the uncertainty as to the size of the fiscal risk, it is proposed the Product Stewardship appropriation account is allowed to operate with a fixed ceiling cumulative deficit, which is set close to the forecast cumulative deficit and together with joint Minister of Finance and Minister for the Environment financial monitoring and reporting to ensure the deficit ceiling is not breached;
- 36.3 the Ministry will provide six-monthly operating and financial performance reporting on the Tyrewise scheme to the Minister of Finance and Minister for the Environment;
- 36.4 the collected fee belongs to the Crown and is administered by the Ministry for the Environment with the Minister for the Environment as appropriation Minister. This provides a clear basis for determining the rights and responsibilities and enable government to make arrangements for the management of any surpluses;
- 36.5 The Ministry will ensure that suitable agreements are in place with Waka Kotahi and the PSO as required prior to the regulation coming into force to set out roles, responsibilities, and financial arrangements between the agencies.

Legislative Implications

37 Regulations are required to implement the new requirements for tyres.

38 A legislative amendment is required to enable the proposed product stewardship fee, that will be collected to administer the scheme, to be treated as if it was a duty so that New Zealand Customs Service (Customs) can cost-effectively collect the fee under the Customs and Excise Act 2018 (CEA) as imported products, covered by a scheme, enter the market. This remains the preferred longer-term solution.

39 Ministry officials are s 9(2)(f)(iv) [redacted] as well as pursuing measures to enable timely collection of the stewardship fee in the interim by the Ministry using Customs data provided under WMA s 24 and supported by a CEA s 316 agreement.

40 Customs officials recommended applying a de minimis, where necessary, to ensure cost effective collection mechanisms.⁸ Ministry officials will undertake further work to confirm the appropriate level for a de minimis to ensure cost-effective fee collection mechanisms are implemented. A de minimis can be established in regulations using section 23 of the WMA, and this will be considered when the work is completed.

s 9(2)(h) [redacted]

41 s 9(2)(h) [redacted]

42 s 9(2)(h) [redacted]

43 s 9(2)(h) [redacted]

44 s 9(2)(h) [redacted]

45 s 9(2)(h) [redacted]

⁸ A de minimis refers to a threshold below which a decision has been made to take no further action (e.g. in a legal sense, below which no legal action is taken).

46 s 9(2)(h) [Redacted]

47 s 9(2)(h) [Redacted]

48 s 9(2)(h) [Redacted]

Impact Analysis

Regulatory Impact Statement

49 The Ministry's Regulatory Impact Analysis Panel has reviewed the draft Regulatory Impact Statement *Proposed regulations for priority product stewardship schemes for tyres* (Appendix 4). The panel considers the document meets the quality assurance criteria for regulatory impact analysis.

50 The RIS clearly establishes the problems the interventions are seeking to address, considers a range of possible solutions, and potential impacts of the solutions. Consultation feedback has been considered in detail and is drawn on throughout the analysis. Some proposals have been changed as a result of consultation feedback, including to respond to concerns about particular impacts on certain groups.

Climate Implications of Policy Assessment

51 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the threshold for significance is not met.

52 However, the CIPA team notes that product stewardship schemes are likely, through fostering circular resource use, to contribute towards a global net emissions benefit, through avoiding some upstream processes and associated emissions such as virgin material extraction and manufacturing.

Population Implications

53 People on low incomes may find product stewardship fees, no matter how small a percentage of the purchase price, to be an additional burden or constraint to access. With tyres this might affect access to transport or energy self-sufficiency. This risk is considered to be low as the proposed tyre stewardship fee would replace an existing ad hoc tyre collection fee charged by retailers at a similar price level.

- 54 Rural and regional communities are presently disadvantaged in access to collections for recycling. The Tyrewise scheme would apply free and convenient tyre collections to the tyre disposer, funded by applying the stewardship fee to the costs of collection and explicitly recognise the higher costs for collection of tyres in rural areas.

Human Rights

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

Consultation

- 56 The following agencies were consulted: Department of Internal Affairs, Department of Conservation, Energy Efficiency and Conservation Authority, Environmental Protection Authority, Ministry of Cultural Heritage, Ministry for Primary Industries, Ministry of Business Innovation and Employment, Ministry of Foreign Affairs and Trade, Ministry of Transport, New Zealand Customs Service, Waka Kotahi New Zealand Transport Agency, Te Puni Kōkiri, Worksafe New Zealand, Inland Revenue, and The Treasury. The Department of Prime Minister and Cabinet has been informed.
- 57 The Department of Prime Minister and Cabinet, Department of Internal Affairs, Inland Revenue, Worksafe New Zealand, Environmental Protection Authority, Ministry of Foreign Affairs and Trade, Ministry of Transport, New Zealand Customs Service, and The Treasury have provided feedback which is reflected in this paper and the RIS. The other agencies proposed no changes or provided no comment.

Communications

- 58 I intend to announce the policy decisions alongside the release of the Summary of Submissions on the Ministry's website. Details and timing of an announcement will be confirmed in consultation with the Prime Minister.
- 59 The Ministry will ensure clear messaging for the public and people involved in the tyre supply chain about phase in of regulations and the Tyrewise scheme.

Proactive Release

- 60 I propose to proactively release this Cabinet paper following the policy announcements. The documents will be redacted as appropriate under the Official Information Act 1982.

Recommendations

The Minister for the Environment recommends that the Committee:

Background

- 1 **Note** that regulated product stewardship is a key tool to reduce waste and transition to a low-carbon circular economy, and tyres and large batteries are the first of six declared priority products to be progressed toward regulation under the Waste Minimisation Act 2008.

- 2 **Note** that in October 2021, Cabinet agreed to the release of a consultation document on proposed product stewardship regulations for tyres and large batteries [DEV-21-MIN-0202].
- 3 **Note** that there was majority support from submitters for the proposed regulatory framework, and suggestions for improvement were also received which have informed the current proposals.
- 4 **Note** that for large batteries the Ministry for the Environment and the Energy Efficiency and Conservation Authority are undertaking further work with stakeholders to progress the necessary scheme and stewardship fee details, which will be brought back to Cabinet by May 2023.

Tyre stewardship scheme

- 5 **Agree** that the regulations be developed under the Waste Minimisation Act 2008 to establish an effective, easily monitored and enforced regulations to support accredited tyre stewardship schemes:


Proposed In-effect Timeframes	Description
Tranche 1	Set stewardship fee will be charged on all tyres as products enter the market and require information relating to collection of the fee
	Require the accredited tyre stewardship scheme manager to pay the Secretary 0.48% of fee revenue for the monitoring of the accredited tyre scheme
	Sale only in accordance with accredited scheme
Tranche 2	Take-back and recycling targets and information relating to these requirements
	Set a quality standard for use of tyre-derived products in playing surfaces to protect human health

- 6 **Agree** that Tranche 1 will commence 6 months prior to Tranche 2.
- 7 **Note** that the requirements of sections 22(2), 23(3)(b)(ii), and 23(3)(b)(ii) have been satisfied, and the requirements of 23(3)(b) have been satisfied apart from 23(3)(b)(iii) relating to international obligations which is subject to further policy work.

Participation obligation

- 8 **Note** that setting regulation to require the participation of obligated parties is expected to significantly increase the beneficial diversion of tyres away from landfill, illegally dumped or left in storage or stockpiled and reduce the free-rider issues experienced by voluntary product stewardship schemes.
- 9 **Note** that all pneumatic and solid tyres for use on motorised vehicles, bicycles and non-motorised equipment were declared a priority product in Gazette Notice 2020-go-4533.
- 10 **Agree** to prohibit the sale of all pneumatic and solid tyres for use on motorised vehicles, except in accordance with an accredited product stewardship scheme.
- 11 **Note** that all pneumatic and solid tyres for use on bicycles and/or non-motorised equipment will not fall within the scheme at this time.

Tyre stewardship fee, categories and collection entities

- 12 **Note** that until such time as the Waste Minimisation Act 2008 is revised the only funding option for an accredited tyre stewardship scheme is fee setting by regulation.
- 13 **Agree** to a tyre stewardship fee of \$6.65 per passenger tyre equivalent (9.5 kg of tyre).
- 14 **Note** that the tyre stewardship fee will be subject to GST.
- 15 **Note** that minor changes to the tyre stewardship categories may be required to refine the fee categories for trucks, trailers, buses, tractors, agricultural machines, off-road vehicles, mobile machines and special purpose vehicles.
- 16 **Authorise** the Minister for the Environment to amend the fee categories as per the scope of recommendation 15.
- 17 **Agree** that the following people must pay the tyre stewardship fee:
 - 17.1 any person who imports a loose tyre, or a tyre affixed to an off-road vehicle, into New Zealand, must pay the fee to the Ministry for the Environment after import;
 - 17.2 any person who registers a tyre affixed to a vehicle registered for on-road use must pay the fee to Waka Kotahi New Zealand Transport Agency at the point of first vehicle registration;
 - 17.3 any person who manufactures a tyre in New Zealand must pay the fee to the Ministry for the Environment at the point of entry into the market.
- 18 **Agree** that the tyre stewardship fee will apply to different categories of tyres as specified in the Tables 1, 2 and 3 in Appendix 5 of this paper.
- 19 **Agree** that the fees will be transferred by the Crown to the accredited scheme(s) for tyres and must be used for management of the scheme, tyre collection services, incentive payments for processing and tyre-derived product manufacture, and research and development grants, with a weighting toward onshore market development.
- 20 **Agree** to set the proportion of the fee payable to the Secretary for the Environment at 0.48% of fee revenue for the monitoring of the accredited scheme.
- 21 **Agree** that the Crown is the owner of the revenue from the tyre stewardship fee.
- 22 **Note** that regular reviews of the fee will be needed to accommodate inflation and evolving scheme costs as the market develops, and a maximum review period of three years is proposed.
- 23 **Authorise** the Minister for the Environment to finalise the details of the tyre stewardship fee collection and associated management of the fee revenue, following agreement between the Ministry for the Environment, New Zealand Customs Service, Waka Kotahi New Zealand Transport Agency and the accredited tyre product stewardship organisation.
- 24 **Note** that a legislative amendment is required to enable New Zealand Customs Service to cost-effectively collect the product stewardship fee on loose tyres as if it were a duty under the Customs and Excise Act 2018 and that the Ministry for the Environment ^{s 9(2)(f)(iv)}


Financial recommendations

- 25 **Agree** that the scheme operate financially on the basis of expenses (tyre stewardship fee disbursements) equalling revenue (product stewardship fees and performance monitoring charges) over time, but that initially the scheme can run an accumulated deficit of up to \$6 million by 30 June 2030 provided this accumulated deficit is reduced to zero by 30 June 2033.
- 26 **Note** that the scheme carries a fiscal risk to government due to legacy and orphan tyres.
- 27 **Agree** that the Ministry for the Environment will provide six-monthly reporting on the operating and financial performance of the Tyres Product Stewardship scheme to the Minister of Finance and Minister for the Environment.
- 28 **Note** that if the scheme is likely to accrue a cumulative deficit higher than \$6 million before 30 June 2030, Cabinet approval would be sought to increase the upper limit on the cumulative deficit.
- 29 **Agree** to increase spending to provide for costs associated with the policy decision in recommendation 25 above, with the following impacts on the operating balance and net debt:

	\$m - increase/(decrease)				
	2022/23	2023/2024	2024/25	2025/26	2026/27
Operating Balance Impact and Net Core Crown Debt Impact	-	-	2.668	5.442	3.961
Operating Balance Impact Only	-	-	-	-	-
Net Core Crown Debt Impact Only	-	(17.654)	-	-	-
No Impact	-	14.006	55.721	60.168	63.228
Total	-	(3.648)	58.389	65.610	67.189
	2027/28	2028/29	2029/30	2030/31	2031/32
Operating Balance Impact and Net Core Crown Debt Impact	3.999	1.675	1.167	-	-
Operating Balance Impact Only	-	-	-	-	-
Net Core Crown Debt Impact Only	-	-	-	(0.629)	(2.440)
No Impact	65.976	67.975	70.049	71.624	72.709
Total	69.975	69.650	71.216	70.995	70.269
	2032/33				
Operating Balance Impact and Net Core Crown Debt Impact	1.705				
Operating Balance Impact Only	-				
Net Core Crown Debt Impact Only	-				
No Impact	77.805				
Total	79.510				

- 30 **Note** that the fiscal impacts on operating deficit before gains and losses (OBEGAL) and net debt are specified in recommendation 29 and that these impacts are fiscally neutral over a ten year period.
- 31 **Note** that the Minister of Finance has approved the establishment of a new multi-category appropriation “Product Stewardship” in Vote Environment, to be administered by the Ministry for the Environment and with Minister for the Environment as appropriation Minister.
- 32 **Note** that the Minister of Finance has agreed that the single overarching purpose of this appropriation is to encourage redesign, reduction, reuse, recycling, recovery or appropriate treatment and disposal to manage the environmental harm arising from priority products through product stewardship.
- 33 **Note** that the Minister of Finance and the Minister for the Environment have agreed that the categories for this appropriation be as follows:

Title	Type	Scope
Product stewardship administration	Departmental Output Expense	This category is limited to administering, implementing, monitoring, and enforcing the product stewardship scheme
Tyre stewardship fee disbursements	Non-departmental Output Expense	This category is limited to the management and operation by non-government organisations of accredited tyre stewardship schemes

34 **Approve** the following changes to appropriations to provide for the new multi-category appropriation described in recommendations 31, 32, and 33 above:

	\$m - increase/(decrease)				
	2022/23	2023/2024	2024/25	2025/26	2026/27
Multi-Category Expenses: Product Stewardship MCA					
Departmental Output Expense					
Product Stewardship administration (funded by Revenue Crown)	-	1.267	1.047	1.154	1.185
Non-Departmental Output Expenses	-	12.739	57.342	64.456	66.004
Tyre stewardship fee disbursements					
Total Operating	-	14.006	58.389	65.610	67.189
	2027/28	2028/29	2029/30	2030/31	2031/32
Multi-Category Expenses: Product Stewardship MCA					
Departmental Output Expense					
Product Stewardship administration (funded by Revenue Crown)	1.215	1.245	1.276	1.307	1.340
Non-Departmental Output Expenses	68.760	68.405	69.940	70.317	71.369
Tyre stewardship fee disbursements					
Total	69.975	69.650	71.216	71.624	72.709
	2032/33				
Multi-Category Expenses: Product Stewardship MCA					
Departmental Output Expense					
Product Stewardship administration (funded by Revenue Crown)	1.373				
Non-Departmental Output Expenses	78.137				
Tyre stewardship fee disbursements					
Total	79.510				

- 35 **Approve** the following changes to appropriations to provide for the new multi-category revenue appropriation described in recommendations 25 and 26:

	\$m - increase/(decrease)				
	2022/23	2023/2024	2024/25	2025/26	2026/27
Non-Departmental Non-Tax Revenue:					
Product Stewardship fees and performance monitoring charges	-	31.660	55.721	60.168	63.228
	2027/28	2028/29	2029/30	2030/31	2031/32
Non-Departmental Non-Tax Revenue:					
Product Stewardship fees and performance monitoring charges	65.976	67.975	70.049	72.254	75.149
	2032/33				
Non-Departmental Non-Tax Revenue:					
Product Stewardship fees and performance monitoring charges	77.805				

- 36 **Note** that any costs to prepare for the tyre scheme in 2022/23 will be met within baselines.
- 37 **Authorise** the Minister of Finance and the Minister for the Environment jointly to approve increases or decreases in the amount of the multicategory appropriation consistent with forecast changes in revenue and the upper limit on the accumulated deficit (in recommendation 25 above).

Take-back and recycling targets

- 38 **Agree** that the manager of an accredited product stewardship scheme for tyres be required to:
- 38.1 operate a take-back service for end-of-life tyres through providers registered under the scheme which is funded by the tyre stewardship fee; and
 - 38.2 be available to public and commercial users presenting tyres that meet published acceptance criteria.
- 39 **Agree** that the take back service must meet scheme targets for tyre collection as specified in Appendix 6 of this paper and collect and provide information to the Secretary for the Environment about the operation of the scheme.
- 40 **Agree** that tyre collection and processing incentive payments will only be paid to entities that meet tyre management criteria published by the scheme and are currently registered with the scheme.

Quality standards

41 **Agree** that parties may not receive tyre processing incentive payments from the accredited product stewardship scheme for manufacturing tyre-derived products designed for use in playing surfaces unless they first provide documentation of meeting quality standards to protect human health under 23(1)(h), of no more than 20 mg/kg (0.002 % by weight) of all listed polycyclic-aromatic hydrocarbons (PAH), and the accredited product stewardship scheme must provide information to the Secretary for the Environment about enforcing this requirement.

s 9(2)(h)

s 9(2)(h)

s 9(2)(h)

s 9(2)(h)

s 9(2)(h)

s 9(2)(h)

Other matters

47 **Agree** to circulate an exposure draft of the tyre regulations for targeted consultation with Auto Stewardship New Zealand, tyre industry (including an importer, generator, collection site, transporter, processor and two manufacturers), Tyre Stewardship Australia and Waka Kotahi New Zealand Transport Agency.

48 **Approve** publication of *Proposed product stewardship regulations: Tyres and large batteries: Summary of submissions*.

49 **Agree** that the Minister for the Environment can make further minor changes to the summary of submissions including final editing and design prior to publication.

50 **Invite** the Minister for the Environment to issue drafting instructions to the Parliamentary Counsel Office to draft regulations for tyres under Section 22 and 23 of the Waste Minimisation Act 2008.

51 **Invite** the Minister for the Environment to report back to Cabinet by May 2023 with the tyre regulations for decision.

52 **Invite** the Minister for the Environment to report back to Cabinet by May 2023 on proposed policy decisions and the regulatory impact statement for large batteries.

53 **Authorise** the Minister for the Environment to approve minor policy changes during drafting of the regulations, in line with the policy decisions agreed by Cabinet.

Authorised for lodgement

Hon David Parker

Minister for the Environment

Appendix 1: Summary of Tyrewise roles and responsibilities and scheme financial and data flows

Figure 1: Summary of roles and responsibilities under the Tyrewise scheme

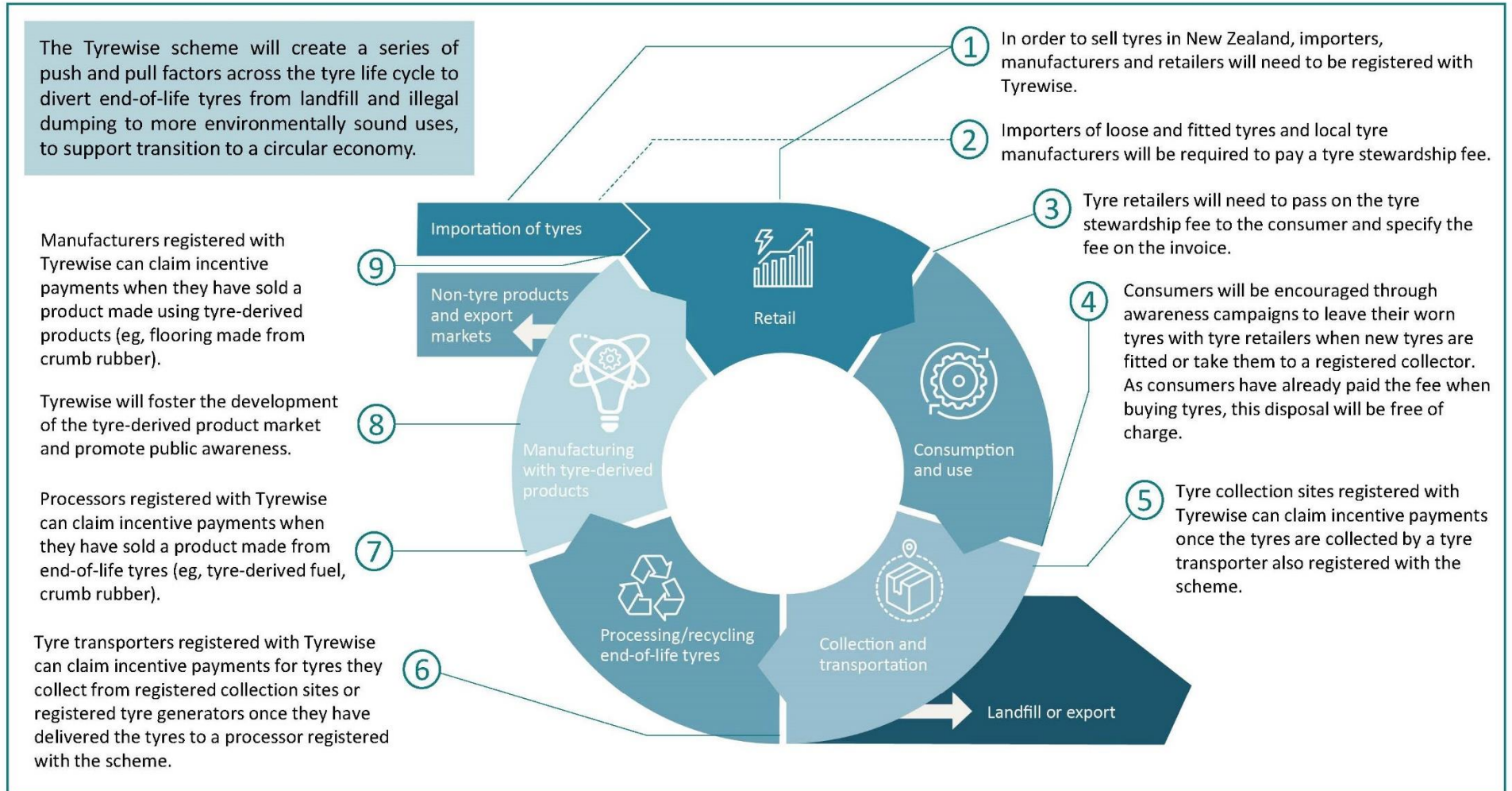
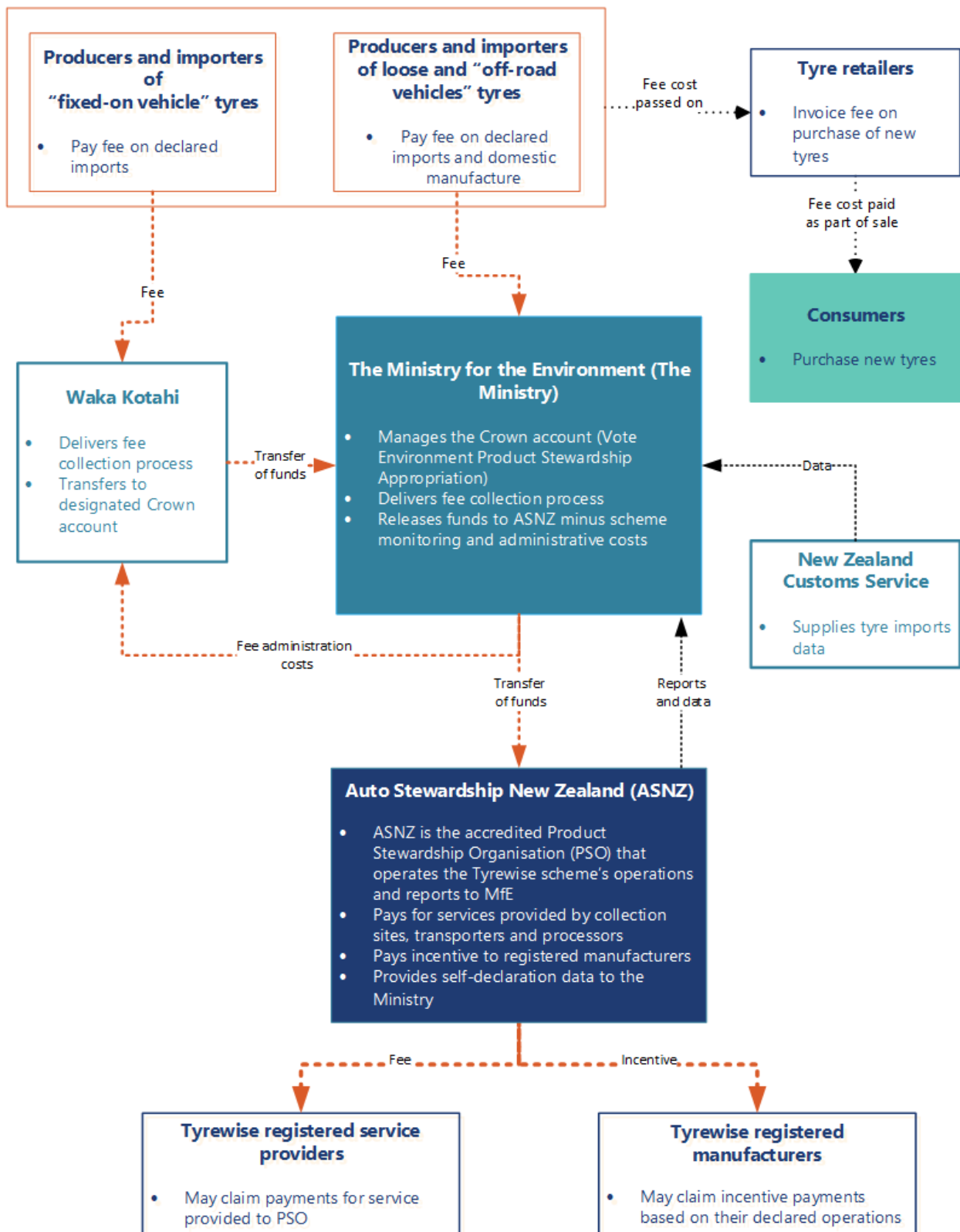


Figure 2: Summary of Tyrewise scheme financial and data flows



Appendix 2: Support from submitters on tyre proposals

Table 1 - Summary of submissions on tyre proposals – per cent support

Proposal	Agreement by those answering the question (per cent)	Agreement by total submitters (per cent)
Regulatory framework for tyres – agree in principle	97	89
Obligation to take part – sale of tyres only in accordance with an accredited scheme	99	87
Stewardship fee – to cover end-of-life tyre management	97	87
Fee collection entity		
Loose tyres (at import) – by New Zealand Customs Service	88	71
Tyres attached to imported on-road vehicle (at import or first point of registration) – by Waka Kotahi NZ Transport Agency or product stewardship organisation (PSO)	84	62
Tyres attached to imported off-road vehicles (at import) – by New Zealand Customs Service or PSO	86	66
Tyres made in New Zealand – by PSO	85	62
Take-back and targets – set minimum expectations for PSO to provide service including recovery, reuse and recycling targets, and reporting	96	79
Quality standards – for eligibility for tyre-stewardship incentive payments	93	78

Table 2: Summary of submissions on tyre proposal where no changes were made as a result of the public consultation

Proposal	Description	Consultation feedback
Participation obligation	Government proposed to prohibit the sale of tyres or large batteries except in accordance with an accredited scheme under WMA section 22(1)(a). This means that to sell or distribute those goods ¹ parties would be required to act in accordance with an accredited scheme for that product, reducing the free-riders issues experienced by voluntary schemes. What it means to “act in accordance with an accredited scheme” depends on the scheme. The obligations for different parties in the supply chain under the Tyrewise scheme is summarised in Appendix 1.	Consultation feedback strongly supported this proposal (Appendix 2, Table 1). Support was strongest among local government, individuals, and business/industry. Comments on impacts to business from participating in Tyrewise were generally supportive and considered the likely impacts to be manageable.
Take-back and recycling targets	The Government proposed regulations under WMA 23(1)(c) and (i) to set targets for collection and recycling of tyres and large batteries to provide a take-back service and set reporting requirements. These were based on recommendations from the scheme co-design working groups. ² The tyre scheme targets cover implementation, building capacity and stewardship fee incentive payments (Appendix 7).	This proposal was supported by submissions (Appendix 2, Table 1). Many local government submitters which supported this proposal also asked for stronger targets on reuse and recycling.
Quality Standards	<p>The Government proposed regulations under WMA 23(1)(g) and (h) to set quality standards for eligibility for tyre stewardship incentive payments to minimise risk of harm, and to require the PSO to ensure these are met.</p> <p>The recommended quality standard for tyres, to reduce risk to human health from use of tyre-derived products in synthetic turf, playgrounds or other sport applications, follows current best practise in the European Union of no more than 20 mg polycyclic aromatic hydrocarbons (PAH)³ per kg. This has been tested in industry engagement and would be checked again with key stakeholders in an exposure draft.</p>	<p>Consultation feedback supported these proposals (Appendix 2, Table 1).</p> <p>Recommendations by agencies noted that the wider health and safety requirements associated with the schemes operational activities will be required to meet the Health and Safety at Work Act 2015 (HSWA) requirements. This includes any hazardous waste (including flammable material) produced during the manufacturing of tyre-derived products and its disposal must be in accordance with the Environmental Protection Authority (EPA) Hazardous Substances notices (where applicable).</p>

¹ ‘Sale’ under the WMA includes both an ‘offer for sale’ and ‘distribution or delivery whether or not for valuable consideration’ (section 5).

² Targets were stated as increasing percentages of capacity, based on realistic phase-in potential over the first seven years. Details are in the consultation document (Table 6, page 30)

<https://environment.govt.nz/publications/rps-tyres-batteries-consultation-document>

³ Total of all specified PAH: Benzo[a]pyrene (BaP), Benzo[e]pyrene (BeP), Benzo[a]anthracene (BaA), Chrysene (CHR), Benzo[b]fluoranthene (BbFA), Benzo[j]fluoranthene (BjFA), Benzo[k]fluoranthene [BkFA), Dibenzo[a,h]anthracene (DBAhA).

Proposal	Description	Consultation feedback
Scheme monitoring cost recovery	The WMA specifies separate regulation to set agency monitoring charges (section 22(1)(e)). The consultation document set this out as \$0.02 of the \$5.50 per equivalent passenger unit (EPU) to give a sense of scale which is equivalent to 0.44% of fee revenue	

Table 3: Summary of submissions on tyre proposal leading to proposed changes to tyre stewardship fee

Description	Consultation feedback	Proposed change
Under the WMA the only funding option for managing products is via fees set by regulation. Government proposed to set a product stewardship fee to administer the scheme. The fee will be imposed on imported and domestic manufactured tyres under WMA sections 23(1)(d) and 23(1)(j), which producers and importers would be liable to pay at product entry into the market		
Fee costs	Submitters highlighted the need for the fee to be flexible and reviewed regularly, as scheme costs are heavily dependent on a market which is still developing. As an independent not-for-profit entity, the PSO will be sensitive to cash flow.	Proposing a maximum fee review period of three years. Regulated PSOs will need a 'float' to start implementing their accredited scheme. To provide this from the tyre fee, it is proposed to have regulations for fee collection and monitoring cost recovery come into effect six months before the other regulations that would enable scheme operation (Table 1). This is not considered to pose equity issues as the risk of tyres being presented as end-of-life for collection within six months of their fee being paid is negligible. Additionally, six months' worth of legacy tyres which did not have a tyre stewardship fee paid on them will not draw on end-of-life services from the scheme. It will require careful communications management, as both the ad-hoc retail tyre management fee for old tyres and the tyre stewardship fee for new ones would be charged during for this period, risking perception of double-charging.
Fee categories	One submitter asked for truck tyre fees to be spread more fairly, using truck weights and axle numbers and Waka Kotahi's Road User Charges.	Officials are working with Tyrewise and Waka Kotahi to broaden fee categories from a single average based on EPU and axle numbers.
Incentive payments	The voluntary tyre stewardship scheme in Australia submitted concern that Tyrewise incentive payments would be available for processing tyres into products which could compete at an unfair price advantage with their member's products in Australia.	s 9(2)(h) [Redacted]

Description	Consultation feedback	Proposed change
<p>The Government proposed fee collection points as a combination of New Zealand Customs Service (Customs), Waka Kotahi New Zealand Transport Agency (Waka Kotahi) and the PSO. This mix of entities was chosen to enable clear identification of liable parties and goods entering the market, fairness, efficiency, and ease of monitoring and compliance.</p>		
<p>Fraud risk</p>	<p>Treasury recommended that all stewardship fees be collected as a debt to the Crown and be disbursed to the PSO based on a service level agreement to reduce risk of fraud and facilitate monitoring and enforcement.</p>	<p>To cover costs for agency IT system upgrades to enable both fee collection and scheme monitoring as well as adjust for inflation, the proposed \$5.50 per EPU has been adjusted to \$6.65 per EPU (Appendix 5). This increase in cost is not considered to be sufficient to require further public consultation.</p>
<p>Fee collection entities</p>	<p>Cost-effective collection of the stewardship fee by Customs under the Customs and Excise Act 2018 (CEA) requires a technical legislative amendment to treat WMA product stewardship fees as if they were duties under the CEA to utilise an existing and efficient fee collection process. To ensure timely collection of the fee to administer the scheme until such time as legislative amendments can be made, the Ministry now proposes to obtain Customs data under WMA s 24 and CEA s 316 to enable invoicing of liable parties</p>	<p>Thus, the roles proposed for Customs and the PSO to collect the fee on tyres as they enter the market have been adjusted and now includes the Ministry. Waka Kotahi's role remains unchanged following consultation. Specifically:</p> <ul style="list-style-type: none"> a) fees due on tyres attached to vehicles being licensed for on-road use would be collected by Waka Kotahi and conveyed to the Ministry (no change) b) fees due on imported loose tyres would be collected by the Ministry using Customs data secured under WMA s 24 and CEA s 316 (previously Customs collection and conveyance to the Ministry) c) fees due on tyres attached to off-road vehicles would be collected by the Ministry using industry declarations obtained from the PSO (previously PSO collection and retention). <p>Details of information sharing, protection of privacy, stewardship fee collection, accounting, transfer of funds, enforcement, and memoranda of agreement are currently being confirmed between the Ministry, Customs, Waka Kotahi, The Treasury and the PSO to ensure robust and cost-effective operation.</p>
<p>Apply a de minimis</p>	<p>Ability for a de minimis to be applied, where necessary, to ensure cost-effective collection mechanisms.</p>	<p>A de minimis refers to a threshold below which a decision has been made to take no further action (e.g. in a legal sense, below which no legal action is taken).</p> <p>Ministry officials will undertake further work to confirm the appropriate level for a de minimis to ensure cost-effective fee collection mechanisms are implemented. A de minimis can be established in regulations using s 23 of the WMA, and this will be considered when the work is completed.</p>



Summary of submissions

Ngā waeture tiaki rawa kua takoto i konei: Ngā taea me ngā pūhiko kaitā

Proposed product stewardship regulations: Tyres and large batteries



Ministry for the
Environment
Manatū Mō Te Taiao



Te Kāwanatanga o Aotearoa
New Zealand Government

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Message from the Secretary for the Environment



The Government's vision is for Aotearoa New Zealand to be a low-waste, low-emissions economy with a world-class system for reducing, recycling and managing our waste responsibly.

Waste is one of the greatest challenges of our time. We use too much, waste too much and pollute too much – and this is harming the environment.

Our work programme for waste aims to accelerate New Zealand's transition to a circular economy – designing waste out of the system in the first place, while avoiding undue costs to communities, businesses and our taiao (environment).

New Zealand is one of the highest generators of waste per person in the world, and the amount of waste we create is increasing. We are now making the transition from a linear economy (take–make–dispose) to a circular economy (make–use–return).

Used tyres and large batteries, if not managed properly, can cause significant harm to the environment through fires and toxic emissions. Regulated product stewardship is one tool we can use to change the way we manage materials and waste, to protect our environment for future generations.

Thank you to everyone who took the time to make a submission.

Decisions we make today affect the choices of future generations. We have to transform the way we think about, use and dispose of resources and waste. Together, we can create a more flourishing environment for all generations.

A handwritten signature in black ink that reads "V Robertson". The signature is fluid and cursive, with a long horizontal flourish at the end.

Vicky Robertson
Secretary for the Environment

Executive summary

From 4 November to 16 December 2021, the Ministry for the Environment (the Ministry) consulted on proposed regulations for priority product stewardship schemes for tyres and large batteries.

The Government proposed regulations to:

- require the sale of these products to be in accordance with accredited product stewardship schemes
- set product stewardship fees, targets and quality standards under the Waste Minimisation Act 2008 (WMA).

We received 85 submissions, mainly from business/industry, local authorities and individuals. This report summarises the views expressed in submissions, and outlines the main findings, themes and support for each proposal.

The report does not make recommendations on the basis of the submissions. Any recommendations will be made through policy advice to the Minister for the Environment, Hon David Parker.

Accredited product stewardship schemes

This consultation addressed the Government's proposal for regulated product stewardship schemes for tyres and large batteries.

Product stewardship involves people involved in the life cycle of a product, such as producers, brand owners, importers, retailers or consumers, taking responsibility for reducing a product's impact on the environment. This approach helps us move from a linear to a circular economy.

Taking responsibility can include:

- responsible disposal or recycling of a product
- designing a product which can be broken down into recyclable or reusable components
- organising a sector-wide scheme for managing products to minimise waste.

Under New Zealand's Waste Minimisation Act 2008 (WMA), product stewardship schemes can be accredited by the Minister for the Environment. These schemes can be voluntary or regulated.

Many New Zealand organisations and individuals have participated in one or more voluntary accredited product stewardship schemes since 2009.

More information: [About product stewardship in New Zealand and Regulated product stewardship](#) | Ministry for the Environment

Key findings

Overall there was majority support from submitters for the proposed regulatory framework for tyre and large battery product stewardship. Suggestions for improvement were also provided.

Tyres

A clear majority of submitters were in support of the proposals for tyre stewardship regulation (table 1).

Table 1: Summary of submissions on tyre proposals – per cent support

Proposal	Agreement by those answering the question (per cent)	Agreement by total submitters (per cent)
Regulatory framework for tyres – agree in principle	97	89
Obligation to take part – sale of tyres only in accordance with an accredited scheme	99	87
Stewardship fee – to cover end-of-life tyre management	97	87
Fee collection entity		
• Loose tyres (at import) – by New Zealand Customs Service	88	71
• Tyres attached to imported on-road vehicle (at import or first point of registration) – by Waka Kotahi NZ Transport Agency or product stewardship organisation (PSO)	84	62
• Tyres attached to imported off-road vehicles (at import) – by New Zealand Customs Service or PSO	86	66
• Tyres made in New Zealand – by PSO	85	62
Take-back and targets – set minimum expectations for PSO to provide service including recovery, reuse and recycling targets, and reporting	96	79
Quality standards – for eligibility for tyre-stewardship incentive payments	93	78

Impacts on business

A number of business/industry and local-government submitters gave feedback on the likely impact of the proposed tyre regulations on their business operations.

Tyre wholesalers and retailers, and their industry associations, noted likely net benefits. Tyre collectors expressed some concern and sought more information about the amount of incentive payment they would receive. Tyre Stewardship Australia expressed concerns about the impact that the Tyrewise incentive payments could have on other markets for tyre-derived products

Local authorities noted likely benefits for tyre management, and possible cost increases for council vehicle and bus fleets.

Large batteries

A majority of submitters were in support of the proposals for large battery stewardship regulation (table 2).

Table 2: Summary of submissions on large battery proposals – per cent support

Proposal	Agreement by those answering the question (per cent)	Agreement by total submitters (per cent)
Regulatory framework for large batteries – agree in principle	86	82
Obligation to take part – sale of large batteries only in accordance with an accredited scheme	85	78
Stewardship fee – to cover end-of-life large battery management	84	72
Fee collection entity		
• Loose large batteries (at import) – by product stewardship organisation (PSO)	68	58
• Large batteries attached to imported on-road vehicle (at import or first point of registration) – by Waka Kotahi NZ Transport Agency or PSO	64	53
• Large batteries attached to imported off-road vehicles (at import) – by PSO	58	
• Large batteries made in New Zealand – by PSO	68	58
Take-back and targets – set minimum expectations for PSO to provide service including recovery, reuse and recycling targets, and reporting	81	65
Quality standards – for transporting, storing and processing large batteries	88	74

Impacts on business

Some business/industry and local government submitters gave feedback on the likely impact of the proposed large battery regulations on their business operations.

Vehicle sellers and electric fleet managers saw net benefit and manageable costs. The co-design group saw benefit in limiting battery collection and processing to those meeting good health, safety and environmental standards. Metal recyclers warned of collection and recycling infrastructure costs, and insurance issues, and a solar-power installation company was concerned about increased costs and unintended consequences.

Local authorities saw the need for provision of appropriate handling charges and timely collections to cover their involvement in battery recovery. Alternatively, one proposed limiting collection to sites where the batteries are installed or removed from vehicles. One council with an electric vehicle fleet noted benefit from pre-paid end-of-life battery management and another was concerned that the stewardship fee on bus batteries may discourage transition to electric bus fleets.

Recovery of scheme monitoring costs

The Government proposed that the Ministry recover the costs of monitoring the performance of the accredited scheme from the scheme manager.

This question had a low response rate (45 per cent of total submitters) and did not receive majority support from all submitters. Among those that answered the question, a clear majority was in support:

- 87 per cent of those who answered the question
- 39 per cent of total submitters.

Other key issues

A range of related matters were raised by submitters. These included doing more to prevent waste rather than just managing end-of-life products, ideas for better scheme implementation, and the need to improve onshore infrastructure and consistency with the Treaty of Waitangi.

About the consultation

This document reports on the findings of public consultation by the Ministry in late 2021. The consultation sought feedback from New Zealanders on **proposed regulations to support effective outcomes from accredited product stewardship schemes for tyres and large batteries**.

[View the 2021 consultation \(PDF\)](#)

Proposals

The following regulations were proposed for tyres and large batteries.

- **Participation obligation (WMA 22 (1)(a))**
Prohibit the sale of tyres or large batteries except in accordance with an accredited product stewardship scheme.
- **Product stewardship fee (WMA 23(1)(d))**
Set fees to cover the end-of-life management of the priority product (see [Priority products](#), below). Specify: classes of persons who must pay the fee; to which collection entities; and at what point in the product life cycle.
- **Quality standards (WMA 23(1)(g) and (h))**
Set quality standards to ensure that best practice is followed for managing priority products to prevent harm. For tyres, this applies to certain applications of crumb rubber from tyres. For large batteries, it applies to all stages of transport, storage and processing.
- **Take-back service (WMA 23(1)(c) and 23(1)(i))**
Require the accredited scheme to provide a free and convenient product collection service, and information provision requirements related to this.
- **Targets (WMA 23(1)(c) and 23(1)(i))**
Set collection and recycling targets for accredited schemes, and information provision requirements related to this.
- **Scheme monitoring cost recovery (WMA 22(1)(e))**
Empower the Ministry to recover monitoring costs from the accredited scheme manager.

Background

Priority products

This consultation followed the declaration of ‘priority products’ under the WMA in July 2020. The products are:

- tyres
- electrical and electronic products (including large batteries)
- agrichemicals and their containers
- refrigerants and other synthetic greenhouse gases
- farm plastics
- plastic packaging.

This was the first consultation on such regulations – for tyres and large batteries (electric vehicle and stationary storage batteries). Consultation on proposed regulations for the other priority products will follow, subject to scheme co-design being able to inform accreditation and regulatory proposals.

Stewardship schemes required for priority products¹

Once a product is declared a priority under the WMA, a stewardship scheme must be developed and accredited for that product. Regulations can be made to require the sale of that product to be in accordance with the scheme, and to help the scheme run effectively.

Accreditation of schemes

Proposed schemes for accreditation are not subject to public consultation under the WMA. To date, schemes for the priority products have been co-designed by stakeholders, supported by the Waste Minimisation Fund. The Minister for the Environment decides on accreditation, subject to criteria in the WMA.

Consultation process

How we consulted

From 4 November to 16 December 2021 the Ministry consulted on proposals to regulate tyre and large battery stewardship schemes.²

[View the 2021 consultation \(PDF\)](#)

Consultation tools

Submitters gave feedback through three channels:

- Online submissions, which asked various questions, including some specific to business and industry.
- Via email to the Ministry.
- Via post to the Ministry.

Who responded

Although the response was relatively small (85 submissions), there was a good cross-section of potentially affected businesses, environmental and community groups, and local government agencies (table 3).

¹ For more information on regulated product stewardship schemes, see: [Regulated product stewardship | Ministry for the Environment](#).

² Ministry for the Environment. 2021. *Ngā waeture tiaki rawa kua takoto i konei: Ngā taea me ngā pūhiko kaitā – Proposed product stewardship regulations: Tyres and large batteries*. Wellington: Ministry for the Environment. Retrieved from <https://environment.govt.nz/publications/rps-tyres-batteries-consultation-document> (March 2022).

Table 3: Type and number of submissions

Submitter type	Number
Individual	33
Business/Industry	27
Local government	17
Unspecified/Other	6
Iwi/Māori	2
Total	85

Submitter comments

Comments from submitters are included throughout this summary. Footnotes state the business or organisation of those who provided their name and consented for it to be published.

Some comments are not footnoted – for brevity, because they are paraphrased or because the organisation/individual chose to remain anonymous.

Next steps and policy decisions

Publishing submissions

Alongside the release and publication of this document, we will also publish and release submissions from those who agreed to publication. These will be available on the Ministry's website.

Policy decisions

The Ministry is advising Ministers and Cabinet on next steps for regulated product stewardship. The advice is informed by this consultation and other Ministry work, including engaging with stakeholders, consulting across government agencies, researching best-practice methods from overseas and other work programmes.

The timing for consultation on regulations for the other declared priority products, after tyres and large batteries, is subject to decisions by Ministers and Cabinet.

Stay up to date

Policy decisions are expected by late-2022. To stay up to date on any decisions and announcements, visit: [The Ministry for the Environment's waste page](#), or [Facebook](#) and [Instagram](#).

What we heard: Tyre regulations

Regulatory framework

Declaring tyres a priority product requires formation and accreditation of a product stewardship scheme and opens the option to restrict sale of tyres to those who do so in accordance with the scheme. Other product regulations under the WMA are available for both priority and non-priority products. Submitters were asked whether they supported in principle such a regulated framework for tyres.

There was strong support in principle for a regulatory framework for tyres:

- 97 per cent of those who answered the question
- 89 per cent of total submitters (figure 1).

A minority did not answer the question (8 per cent) or did not agree with the proposal (2 per cent). Support was strongest among iwi/Māori, 'other' and business/industry (figure 2).

Figure 1: Tyres: Support in principle for a regulatory framework

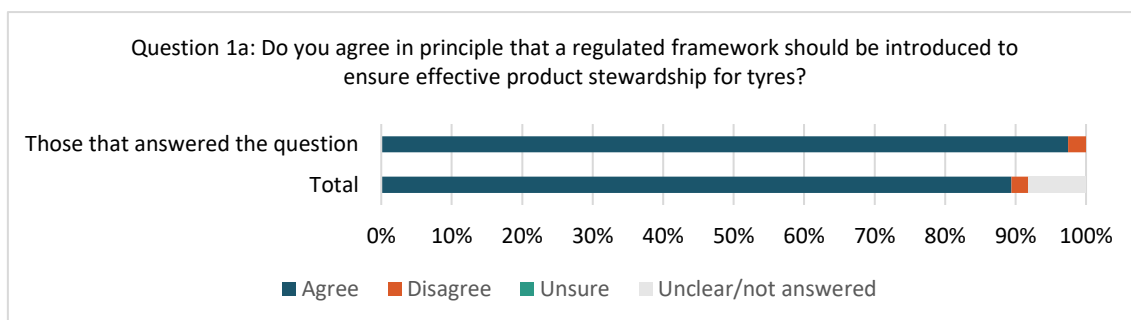
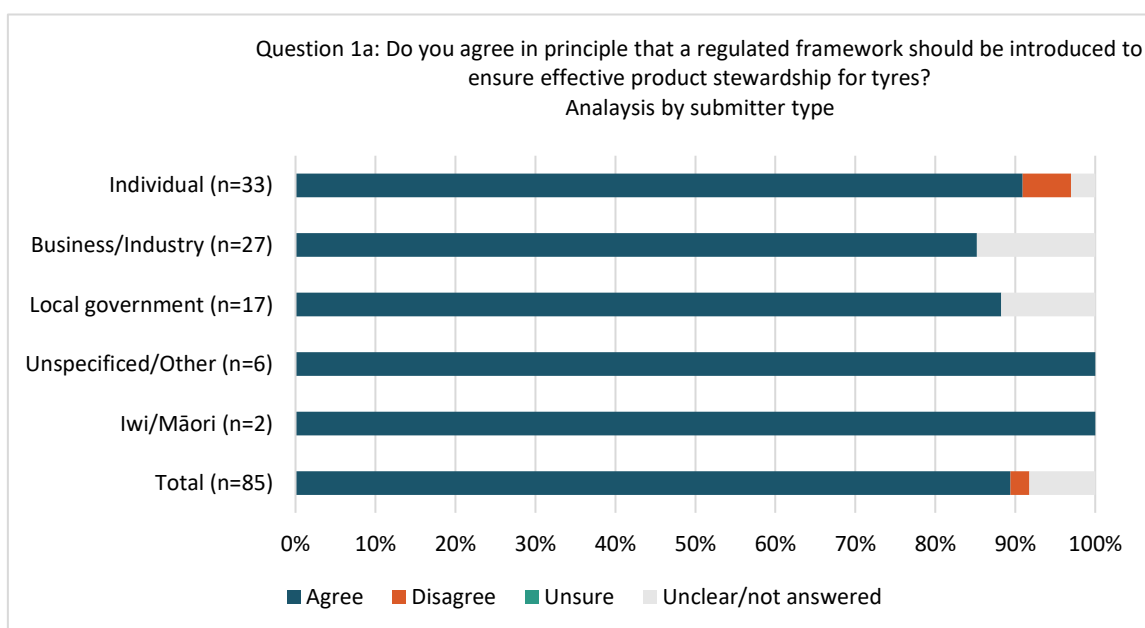


Figure 2: Tyres: Support in principle for a regulatory framework, by submitter type



Comments and suggestions

Reasons given by supporters for their support mostly echoed the consultation document.

Support the circular economy

Twelve submitters, including four local governments, noted that regulated product stewardship can help support a circular economy, by reducing waste generation and material consumption. One said that the framework would provide:

... [an] emerging set of tools to manage and fund movement of products and materials through supply, use and recovery chains. This brings circular economy to life by sharing responsibility for products over the whole life cycle.³

Creating new economic opportunities from recovered resources was a part of this theme, including new income streams and domestic industries.⁴

Producers and retailers take responsibility

Nine submitters, including three local governments, noted that producers and retailers do not currently have to take responsibility for the environmental impact of their product, whereas a regulated scheme would help ensure they do. One noted that:

... being able to accord responsibility for reducing harm during the product design and use phase is important for achieving the circular economy principles of designing out pollution (as well as waste).⁵

Reducing these impacts would improve end-of-life tyre management:

The current situation is leading to a poor end-of-life outcome for tyres. The proposed product stewardship scheme would improve this.⁶

Address the full life cycle

In keeping with the transition to a circular economy, a number of submitters who supported regulations also want to see schemes and regulations that focus on the full life cycle rather than on managing the product at end of life. This was a common theme in several questions – see [Key issues](#).

Reasons for opposing the proposal

The two submitters who did not support the proposal did not provide reasons.

³ Zero Waste Network.

⁴ Environment Canterbury.

⁵ Zero Waste Network.

⁶ Horowhenua District Council.

Obligation to take part

Once a priority product has been declared, it is possible to prohibit sale of that product except in accordance with an accredited scheme.

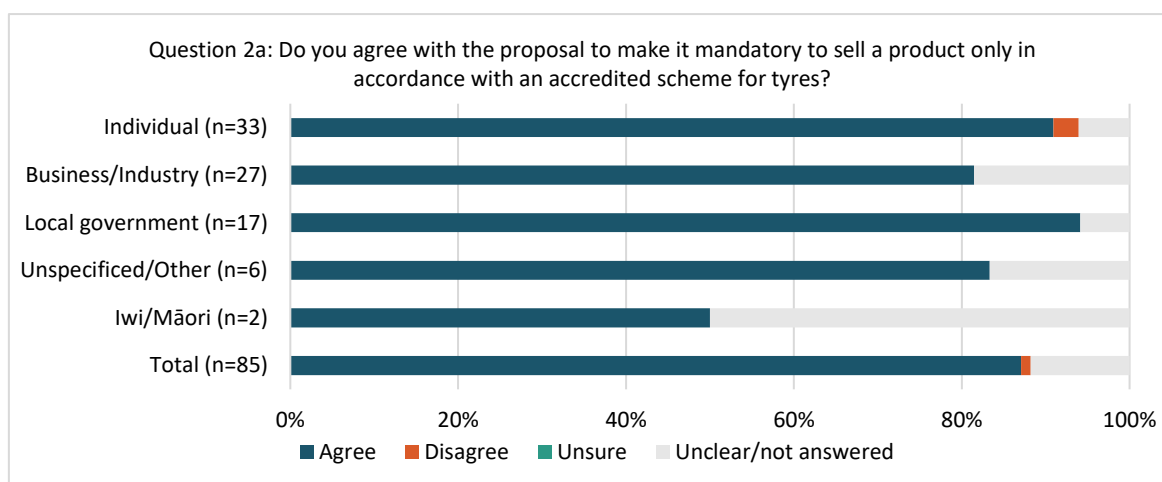
There was strong support for requiring the sale of tyres to be in accordance with an accredited scheme:

- 99 per cent of those who answered the question
- 87 per cent of total submitters.

Support was strongest among local government, individuals and business/industry (figure 3).

A minority did not answer the question (12 per cent) or did not agree with the proposal (1 per cent).

Figure 3: Tyres: Support for sale in accordance with an accredited scheme



Comments and suggestions

The reasons for support largely echoed the consultation document. Key themes included:

- Mandatory participation would ensure that all producers take responsibility for the end-of-life disposal of their product.
- This would distribute responsibility across the chain of custody for the product life cycle and avoid free riders.
- Consumers would be able to access a proper disposal pathway, without a cost barrier.
- It would be helpful to clarify the meaning of 'sale in accordance with an accredited scheme' for the public and local government, ideally before a scheme is accredited.
- Licencing operators responsible for collecting tyres under the proposed scheme will provide customers with the confidence that only appropriate disposal methods are being used by certified collectors.⁷ An anonymous local authority noted:

Without involvement from all those who have a part to play in creating a scheme or a stake in the outcome, there is the risk that schemes have adverse impacts on vulnerable populations, are not appropriately priced, or are only designed to succeed (or maximise benefits) according to specific industry's interests.

⁷ Hurunui District Council.

Reasons for opposing the proposal

One individual believed it would raise the purchase price of new tyres.

Tyrewise: Impact on business

Submitters were asked how having to take part in the proposed Tyrewise scheme⁸ would affect their business. We received comments from business/industry and local authorities.

Business/industry

Tyre wholesalers largely supported the scheme and considered it of net benefit.

Goodyear Dunlop Tyres NZ (GDTNZ) as an importer and distributor of tyres will be impacted based on the fees applied to imported tyres ... Depending on how the scheme is administered there could be additional administration and system costs associated with administering the scheme.

To drive full transparency and promote the benefits of the scheme GDTNZ proposes that this also applies for all tyre wholesalers/distributors where they pass on the fee to their retail or end user customers. This should be done by using a separate line item on invoices that states the tyre stewardship fee levied by the Tyrewise scheme to the tyre retailers creating full transparency. This will ensure all stakeholders understand that this fee is part of the Tyrewise stewardship scheme, addressing end-of-life tyre issues.⁹

One tyre importer noted that the levied amount would be passed on to resellers at first transaction.¹⁰ A related company noted:

Additional systems and software changes will be needed at Tyremax which will come at a financial cost but it is too early to assess the likely cost at this point. [We are] a wholesale distributor of tyres and do not fit tyres for the public, so we anticipate minimal direct impact on the day-to-day operation of the business. We do see considerable benefit for our customers (the tyre retailers) through having effective, efficient tyre disposal.¹¹

One tyre retailer and an industry association cited benefits:

As a generator of end-of-life tyres this supports an ethical solution for ourselves and our consumers. We can be sure that the tyres are ending up at the processing destination rather than being disposed of on the side of the road or similar due to the transporter already having collected income. This will hopefully incentivise more regular pick ups; currently we are finding that we are left with unnecessary stockpiles. It is a simpler and more pleasant process at the customer facing side when the fee is set at import as we would no longer need to justify this to consumers but can explain the process if required. This provides a sense of responsibility without burden of additional cost.¹²[Our members include] around 2,500 vehicle repair workshop members who would be classed as 'tyre generators'... a previous survey of members found that they paid an average of \$4 per

⁸ Tyrewise is a regulated product stewardship programme which has been accredited by the Government. When regulations are in place (anticipated mid-2023) it will be implemented to create an effective solution for New Zealand's end-of-life tyres.

⁹ Goodyear Dunlop Tyres NZ.

¹⁰ Tyremax New Zealand.

¹¹ Tyremax LP.

¹² VC Tyres.

tyre to dispose of tyres but some customers queried these costs. Removing the costs associated with tyre collection and disposal will be well received by our members ... In some areas of the country, there are no effective tyre collection services and as such, members have problems disposing of tyres correctly. Encouraging the establishment of an effective nationwide network of accredited tyre collection services through the Tyrewise product stewardship scheme will go a long way to solving these issues.¹³

Tyre collectors expressed concern about collection payment rates and potential delays in receiving incentive payments for processing tyres.

Details around remuneration are required before we can accurately assess the impact on our business. We will need to assess the actual cost and revenue allocation for collection and processing. ADF [advance disposal fee] rates will need to be reviewed annually to ensure that the costs around collection and processing tyres, which are primarily labour, fuel, electricity and machinery maintenance and repair, are able to be adequately covered.¹⁴

There would be a large loss in OTR [off-road vehicle], tractor revenue etc. Prices allocated are in some places 50% drop in revenue. There is a lot of work and cost in processing these larger tyres. It would not be viable.¹⁵

[We] are not clear what the breakdown is ... ie transport, storage, processing, and recycling or export, the prices we [would] get paid ... The other question is, we know we don't get paid till proof of recycling or export documents supplied. There is a huge shortage of containers at the moment and has been for a while now ... so will there be something in place to free up cash so we can continue to run, I definitely need to have a meeting with someone to explain or breakdown what is going to happen so I understand it in English and not trying to decipher the document.¹⁶

A national waste company anticipated being part of the scheme, but the national network of community recyclers did not.

[We operate] a range of refuse and resource recovery transfer stations throughout the country. These sites already receive end-of-life tyres from the waste generator who pays a disposal fee per tyre [and] would seek to obtain registration of its collection sites under the Tyrewise scheme ... The Company already collects and transports end-of-life tyres from a range of customer sites [and] would likely seek to become a Registered Transporter under the Tyrewise scheme.¹⁷

We do not think that the [Tyrewise incentive payments] are realistic or a fair reflection of the real cost of providing a tyre collection service. ... We think this would partially cover the labour cost of receiving and handling a tyre. It would not cover: the lease cost of the m² area needed to receive and store the tyres, Capex related to any equipment or storage, overhead costs associated with reporting, training, H&S etc. The opportunity cost of using scarce space on sites for tyre collection makes it unlikely that many of our members would be able to afford to take part in the scheme as they can earn a much higher return by using the space for other recovery activities. It feels to us as though the tyre scheme is looking to piggyback on existing operations at transfer stations and other sites.¹⁸

¹³ Motor Trade Association.

¹⁴ Waste Management NZ Ltd.

¹⁵ Tyre Collection Services Ltd.

¹⁶ Scrap Tyre Movements Ltd.

¹⁷ EnviroNZ.

¹⁸ Zero Waste Network.

An anonymous supplier of tyre processing equipment was generally supportive:

We are acting as an agent for processing equipment in tyres and therefore we would not be directly affected by any scheme. However, we would support the involvement of any incentive, scheme, or other to the level of establishment of repurposing, recycling, and any other work NZ can create away from landfill options within its shores.

Tyre Stewardship Australia expressed concerns about the impact that the Tyrewise incentive payments could have on Australian and Pacific markets for tyre-derived products.¹⁹

Local authorities

Local authorities may be involved in terms of their waste management role and in connection with their vehicle fleet tyres. Some local authority submitters were positive about net benefits and cautious about unpredictable costs.

Waste collection services

The scheme will provide a valuable option at our Refuse Transfer Station to encourage correct diversion and circular economy processes ... The scheme should impact positively on the costs to us as a Council for collecting tyres and getting them to a recovery option rather than landfill costs. It should also reduce the impacts of and costs associated with illegal dumping of tyres.²⁰

[Our]Resource Recovery Centre charges fees for accepting five types of tyre, ranging ... in size from passenger car tyres through to tractor tyres. The removal of this fee would encourage the community to use this service ... As long as the rate paid for operating a collection point was sufficient to cover the existing and (if applicable) new costs around this service, Manawatū District Council anticipates there would be no adverse impact upon Council or the community. The associated benefits to Council would include the reduction or elimination of fly tipping of tyres, reducing the amount of monitoring and enforcement work required and the cost that falls to Council for disposing of dumped tyres.²¹

[We are] committed to providing options to our community to divert as much as possible from landfill. We feel that including these in our offerings would fit well, therefore we would consider being involved in both schemes as a collector ... Operational costs are unclear at this stage because we do not currently provide this service. We would require capital investment to set up collection sites, of which there is no provision for in our current LTP [long-term plan].²²

Where TAs [territorial authorities] own transfer stations or resource recovery centres, they want to facilitate the easy drop off of batteries and tyres. Therefore, it is important that there be appropriate handling charges built into the scheme and timely collections at no further costs to those locations.²³

¹⁹ Tyre Stewardship Australia.

²⁰ Hastings District Council.

²¹ Manawatū District Council.

²² Palmerston North City Council.

²³ Hamilton City Council.

For the council to take part in the proposed scheme for tyres it could potentially mean a significant increase in the volumes received, creating additional extra handling and storage costs.²⁴

If we had to be part of the scheme, storage space could be an issue.²⁵

Additional information is required to understand how the scheme will deal with orphaned and legacy tyres.²⁶

Rural councils and large tyre costs

It is important that there be appropriate handling charges built into the scheme and timely collections at no further costs to those locations ... rural local authorities, for example, such as Waitomo District Council, receive a disproportionately high number of large tyres for disposal at landfill. These are from farm, forestry, and logging vehicles. These are much more difficult to handle and more costly for cartage to a recycling facility. The ... added cost burden ... for smaller rural TAs ... has forced consideration of not accepting those types of tyres, which means the burden to process or dispose is pushed onto someone else. This raises an illegal stockpiling or dumping concern.²⁷

The proposal is not clear regarding whether collections from farms or businesses would be possible. Hurunui District covers a wide geographical area and Council would support the scheme undertaking collections from large operations or generators of tyres in the district.²⁸

Council service and public transport fleets

Local authorities noted that councils are also users of tyres or contractors for services that use tyres. Impacts would include:

- tyre stewardship fees on bus tyres, which may be passed on to the bus operators and possibly higher costs for public transport
- tyre stewardship fees for a council's own vehicle fleet. These may be offset in due course by lower costs to manage tyres collected at transfer stations and to clean up illegally dumped tyres
- potential inability for additional costs to public transport to be absorbed by existing contracts and budgets. Due to COVID-19 impacts on public transport revenue, there is a reduced ability to absorb additional costs.

An anonymous local government submitter recommended phasing in tyre scheme fees for public transport fleets. This would reduce the impact and allow costs to be built into budgets and contracts that may be negotiated infrequently.

²⁴ Hurunui District Council.

²⁵ Individual (council staff).

²⁶ Two anonymous local government submitters.

²⁷ Waikato Regional Council.

²⁸ Hurunui District Council.

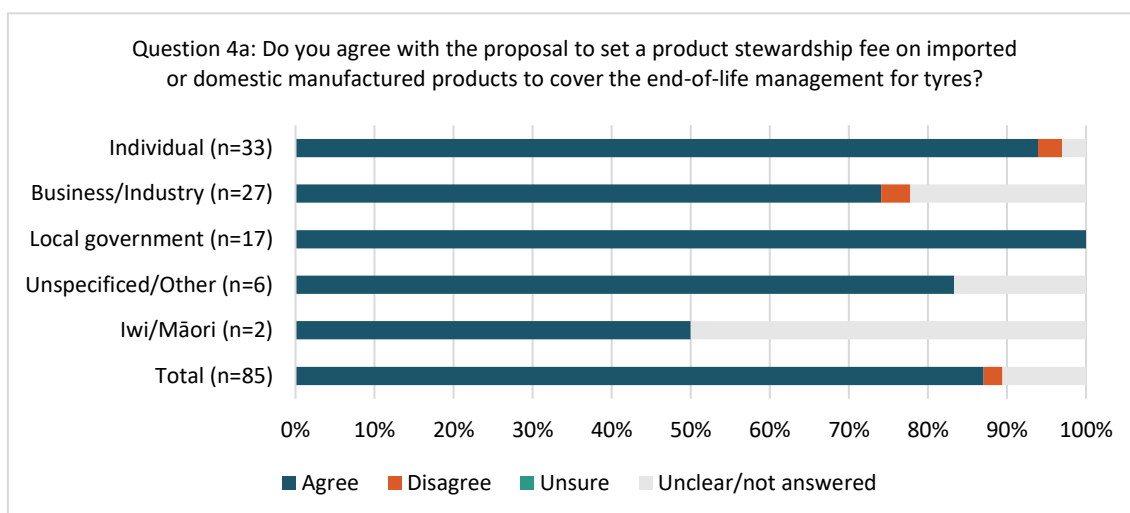
Tyre stewardship fee

There was strong support for a stewardship fee:

- 97 per cent of those who answered the question
- 87 per cent of total submitters.

Support was highest among local government and individuals (figure 4).

Figure 4: Tyres: Support for a stewardship fee



Reasons for opposing the proposal

Of the two submitters who opposed, one gave their reason – that consumers were already paying too much for tyres.²⁹

Comments and suggestions

A fair approach

- A standardised fee structure is fairer than the current situation, and places responsibility with the producers rather than taxpayers.³⁰
- The proposed payment and sharing of the fee is appropriate:

[It] encourages those responsible for generating products to consider recyclability and life cycle impacts. It is also a mechanism through which organisations involved in recycling, reuse or disposal can be supported, and the costs of compliance and enforcement met. Though the increased costs will likely be passed onto users through increases to purchase price, removing the fee at the point of disposal decreases the perceived burden on consumers when choosing to dispose of their waste correctly.³¹

²⁹ DME Ltd.

³⁰ Hastings District Council, Hurunui District Council, Waikato District Council and two anonymous submitters (one iwi and one individual).

³¹ Manawatū District Council.

Costs

- The tyre stewardship fee should be high enough to cover the full cost of the scheme.³²
- Ensure that the fee reflects the current cost of collecting tyres, and recognise that these costs vary by geographical region and the type of tyre.³³

Orphan and legacy tyres³⁴

- Ensure there is additional funding to handle existing orphan and legacy tyres.³⁵
- Further thought should be given to orphan and legacy tyres to avoid a risk that ratepayers will have to cover the shortfall.³⁶

Extend to whole of life

A common theme from submissions across several areas was that the fee proposal focuses on the costs of the end-of-life management of tyres and needs to address the whole life cycle. For a summary, see [Key issues](#).

Other

- The fee should be reviewed regularly.³⁷
- Base the fee structure on the actual weight of tyres provided by the tyre manufacturer or, alternatively, on the Road User Charges classes that reflect vehicle weight bands and axle numbers.³⁸

Fee collection entities

The proposed entities are: New Zealand Customs Service (Customs), Waka Kotahi New Zealand Transport Agency (Waka Kotahi) and/or the accredited product stewardship organisation (PSO).

The majority of submitters supported the proposal for a mix of entities to collect the tyre stewardship fee (depending on the feasibility of capturing market entry with tariff codes or vehicle registration):

- 84 to 88 per cent of those who answered the question
- 62 to 71 per cent of total submissions (table 4).

³² Palmerston North City Council, Waste Management NZ Limited, two anonymous business submitters, one anonymous local authority submitter and two individual submitters.

³³ Anonymous business/industry supporter.

³⁴ An orphan tyre is one that has been abandoned and is deemed to no longer have an owner. Legacy tyres are stockpiled tyres that still have an owner/person responsible.

³⁵ Anonymous business/industry submitter.

³⁶ Palmerston North City Council and anonymous local government submitter.

³⁷ Auto Stewardship New Zealand, Waste Management NZ Limited and an anonymous local government submitter.

³⁸ FUSO New Zealand Ltd.

Table 4: Tyres: Support for stewardship fee collection entities

Type of tyre	Proposed fee collection entity	Agreement by those answering the question (per cent)	Agreement by total submitters (per cent)
Loose tyres – at import	Customs	88	71
Tyres attached to imported on-road vehicle – at import or first point of registration	Waka Kotahi or PSO	84	62
Tyres attached to imported off-road vehicles – at import	Customs or PSO	86	66
Tyres made in New Zealand	PSO	85	62

Comments and suggestions

Coordination

- One agency will need to take the lead to ensure that costs and recovery are centralised, and easily monitored and reported.³⁹
- Ensure transparency and data sharing between different fee collection entities at different points of entry to the market. Governance, transparency and independence is key.⁴⁰
- Avoid duplication of services for tyres and large batteries.⁴¹

Other comments

- The structures need to be reviewed regularly.⁴²
- Collection can be done through existing government agencies – do not have the PSO collect.⁴³

Reasons for opposing the proposal

- The fee needs to help the tyre recycling industry, not Waka Kotahi or Customs.
- The fee should be paid by tyre companies removing tyres from vehicles for other uses or scrap.

Take-back and targets

The Government proposed minimum expectations over seven years, for the performance of tyre collection services, which are termed ‘take-back services’ under the WMA. For details, see [table 6 in the consultation document](#).

³⁹ Napier City Council.

⁴⁰ Napier City Council and Hastings District Council.

⁴¹ Hurunui District Council.

⁴² Anonymous business/industry submitter

⁴³ EnviroNZ.

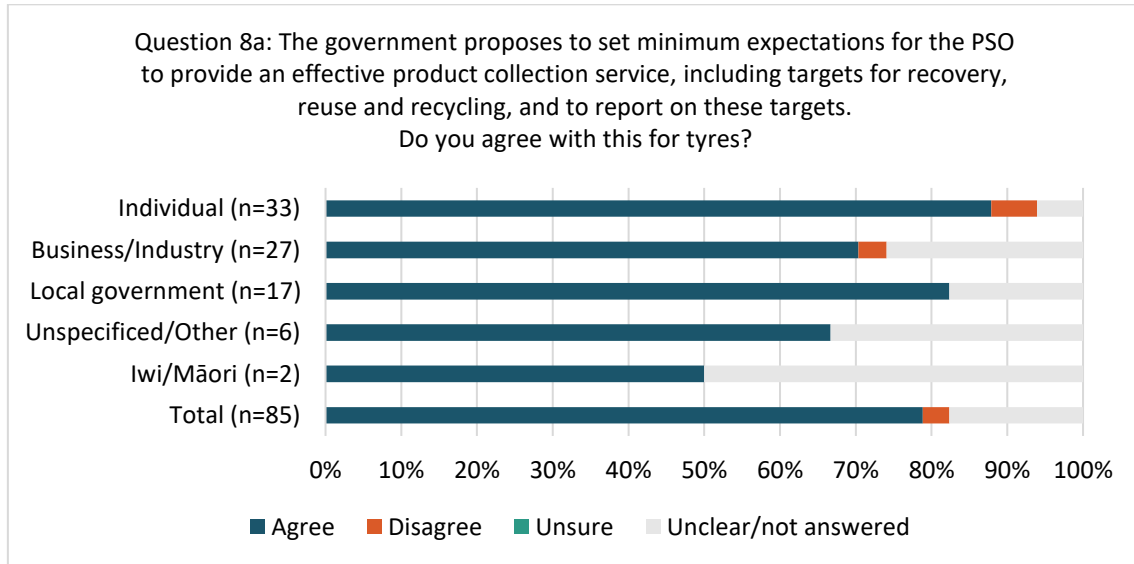
The majority of submitters supported take-back and targets:

- 96 per cent of those who answered the question
- 79 per cent of total submitters.

Support was strongest among individuals, local government and business/industry (figure 5).

A minority did not answer the question (18 per cent) or did not agree (4 per cent).

Figure 5: Tyres: Support for take-back and targets



Comments and suggestions

Reasons for support largely agreed with the rationale in the consultation document. Some also suggested ways to improve effectiveness.

Support the circular economy

Ten submitters, mainly local authorities, wanted to see targets for reuse, repair and recycling, in addition to those proposed for the Tyrewise take-back and incentive payment system.⁴⁴

One anonymous individual suggested targets to discourage harmful end-of-life tyre uses:

Not all uses of tyres are created equal. Some reuse applications can have a detrimental impact on the environment, for example small fragments of rubber and nylon can enter and contaminate the environment from people running around on artificial turfs. Would be worthwhile for specific targets to be designed to incentivise the most beneficial uses of diverted tyres.

⁴⁴ Hamilton City Council, Hastings District Council, Napier City Council, Tasman District Council, Waikato Regional Council, anonymous local government submitter, the Territorial Authority Waste Liaison Group, Motor Trade Association, Zero Waste Network and three individual submitters.

Collection convenience

Suggestions for improving the collection requirements included:

- define 'convenient collection service'⁴⁵
- consider geography and population, such as ensuring geographical coverage per head of population⁴⁶
- provide for smaller provinces, for instance with adequate transport links to facilities in larger centres.⁴⁷

Reasons for opposing the proposal

Of the two businesses and five individuals that did not agree, one stated that their staff would not have time to collate the required data on tyre collection.⁴⁸

Quality standards for tyres

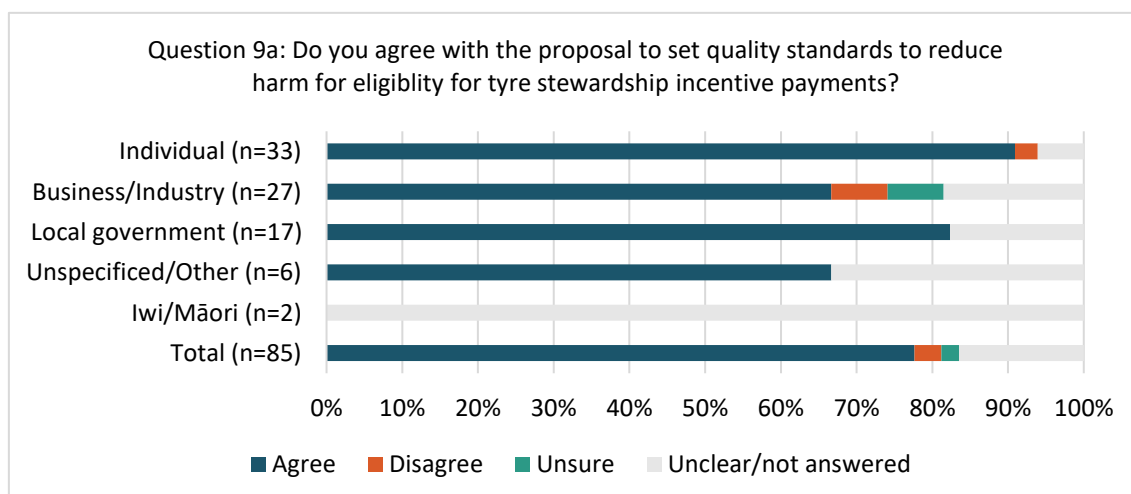
Some tyre-derived products require adherence to best practice to minimise risk of harm when they are used. It was proposed to set quality standards for eligibility for tyre stewardship incentive payments from the Tyrewise scheme.

The majority of submitters supported quality standards for tyres:

- 96 per cent of those who answered the question
- 79 per cent of total submitters.

Support was highest among individuals and local government (figure 6).

Figure 6. Tyres: Support for quality standards



⁴⁵ Motor Trade Association and Environment Canterbury.

⁴⁶ Motor Trade Association.

⁴⁷ Nelson Marlborough Health.

⁴⁸ DME Ltd.

Comments and suggestions

Support the circular economy

- Extend quality standards to more aspects to keep materials at their highest value.⁴⁹
- Quality standards are the critical driver for circularity. How products and materials are handled determines whether or not they can be incorporated into reuse, refurbishment and repair processes as well as whether they meet the specifications for raw materials which can become incorporated as recycled content in new products.⁵⁰
- Set quality standards throughout the chain of custody.⁵¹
- Ensure that quality standards apply to anyone handling the regulated product, and to storing and processing end-of-life tyres.⁵²
- Quality standards need to be flexible enough to adapt to changing technology and design innovations.⁵³

Health risks

A regional health board noted potential risks of airborne particles:

During tyre recycling processes, the textile component of tyres can create a build-up of dust and fibre in machinery and the atmosphere which can have subsequent health issues for operators. This will need to be managed accordingly as part of tyre recycling.⁵⁴

Reasons for opposing the proposal

The three submitters who did not support the proposal had concerns about:

- the difficulty of ensuring the standards were met
- tyres that didn't meet quality standards not being accepted for disposal.

⁴⁹ Zero Waste Network, Palmerston North City Council and others.

⁵⁰ Zero Waste Network.

⁵¹ Palmerston North City Council, Waste Management NZ Ltd, Zero Waste Network and an individual submitter.

⁵² Waste Management NZ Ltd.

⁵³ Anonymous local authority submitter.

⁵⁴ Nelson Marlborough Health.

What we heard: Large battery regulations

Regulatory framework

Declaring large batteries as a priority product⁵⁵ requires formation and accreditation of a product stewardship scheme and opens the option to restrict sale of large batteries to those who do so in accordance with the scheme. Other product regulations are available for both priority and non-priority products under the WMA. Submitters were asked whether they supported in principle such a regulated framework for large batteries.

There was strong support in principle for a regulatory framework for large batteries:

- 86 per cent of those who answered the question
- 82 per cent of total submitters (figure 7).

A minority did not agree with the proposal (8 per cent), were unsure of their response (5 per cent) or did not answer the question (5 per cent). Support was strongest among iwi/Māori, local government and 'other' submitters (figure 8).

Figure 7: Large batteries: Support in principle for a regulatory framework

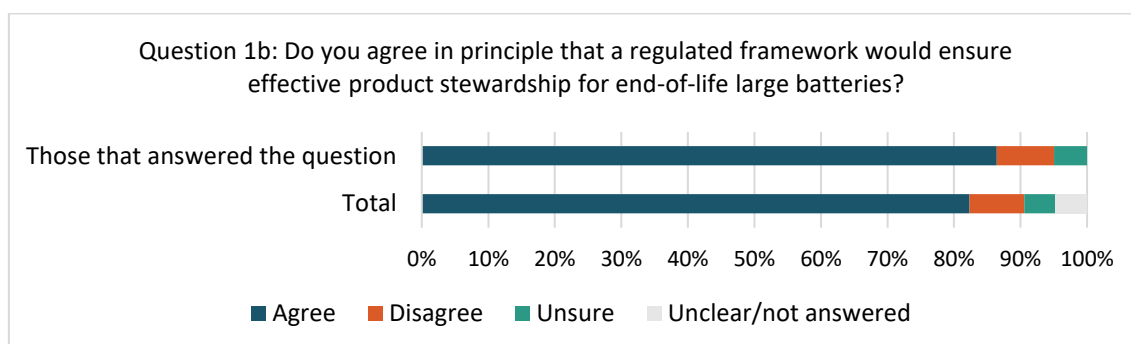
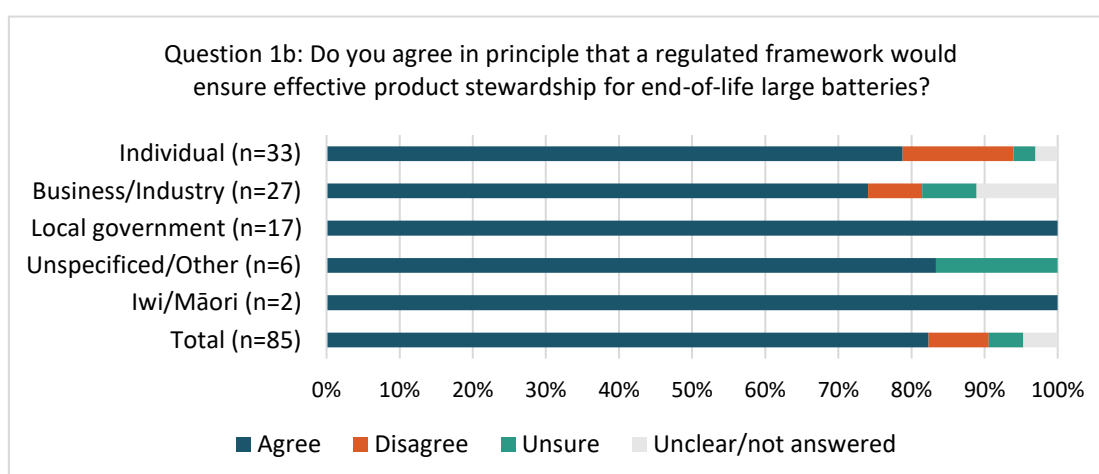


Figure 8: Large batteries: Support in principle for a regulatory framework, by submitter type



⁵⁵ Large batteries are part of a wider priority product declaration for a wide range of electrical and electronic products, see: <https://gazette.govt.nz/notice/id/2020-go4533>.

Comments and suggestions

Support the circular economy

Six submitters noted that regulatory product stewardship will support the circular economy.

Government needs to implement a strong legislative and strategic framework where laws, regulation, policy and economic instruments drive change in favour of circularity and disincentivise extractive, linear approaches. This needs to be carried through into international trade agreements. The regulations proposed are a step in the right direction.⁵⁶

Others found the approach equitable and timely.

A regulated scheme will ensure all responsible parties need to be party to it, which is equitable, and this will have a better impact on the environmental outcomes than a voluntary scheme. Need to act now with urgency and set up a scheme so this doesn't become an issue for future generations.⁵⁷

Benefits

- The scheme should extend the useful life of a proportion of large batteries and improve capture of recyclable materials at end of life.⁵⁸
- There are more economic opportunities from recovering resources than there are from sending waste to landfill.⁵⁹
- Product stewardship interventions designed to reduce material and energy consumption will trigger significant shifts in business and economic practices. Reducing waste generation and material consumption will help to mitigate climate change and resource depletion.⁶⁰

Related to this theme was a call from seven submitters to amend proposals to cover the whole product life cycle, particularly to encourage improvements at the design stage. See [Key issues](#).

Producers and retailers share responsibility

Five submitters noted that producers and retailers should share responsibility for the environmental impacts of their products.

- Currently, producers can opt out, leaving environmental costs of products to councils and the community. A regulated scheme will establish and regulate all parties' responsibilities and achieve better environmental outcomes than a voluntary scheme.⁶¹
- The proposal is a fair way of allocating responsibility to the industries and companies that are producing the goods and materials, and will have greater environmental outcomes than a voluntary approach.⁶²

⁵⁶ Zero Waste Network.

⁵⁷ Napier City Council.

⁵⁸ Transpower New Zealand Ltd.

⁵⁹ Environment Canterbury.

⁶⁰ Zero Waste Network.

⁶¹ Kapiti Coast District Council.

⁶² Zero Waste Network and an anonymous local government submitter.

Reasons for opposing regulation

Seven submitters (8 per cent of total) did not support the proposal. Key points included:

- Do not put unnecessary impediments (eg, cost) in the way of deploying lithium batteries.
- Used electric vehicle batteries are highly sought after and will be valuable for a long time.
- A stewardship scheme may not be able to continue over the long lifespan of the batteries, and people would have to pay up front for a service that they may not use for many years.
- Fossil fuels are a higher priority and should be addressed before recycling batteries.
- Landfill disposal of lithium-ion batteries is appropriate, as they are of low toxicity.
- Provide other types of support, such as funding for start-ups and training instead. One business argued for promoting vehicle battery repair:

We need to grow the idea that the battery is an ongoing asset capable of powering their home and being upgraded with new cells so the vehicle is capable of 1 million plus km of driving. I know from my own experience in this industry to date that the statement that the batteries will 'end up on a scrap heap' and be 'expensive to replace' are people committed to selling petrol and diesel cars and those listening to fake news. The Government seems to be reacting by creating an expensive tracking scheme that will prove unworkable in the longer term. It is far better to focus on finding and encouraging the importation of a standard range of cells to replace cells in battery packs that can no longer operate a vehicle ... Importers and OEMs [original equipment manufacturers] are only focused on importing complete vehicles and if these need replacing simply because the battery no longer meets the client's requirement or they can import a whole new battery pack as this is configured for their vehicle (at great cost) then that is what they would prefer as this would be more profitable for them (but another negative and expensive for the public).⁶³

Five submitters did not state a clear position. Two who gave reasons had similar concerns.

- The issues for electric vehicle batteries at end of life may resolve themselves globally.
- Battery value and recyclability mean that commercial demand will do the job.

Obligation to take part

Once a priority product has been declared, it is possible to prohibit sale of that product except in accordance with an accredited scheme.

The majority of submitters agreed that the sale of large batteries should be in accordance with an accredited scheme:

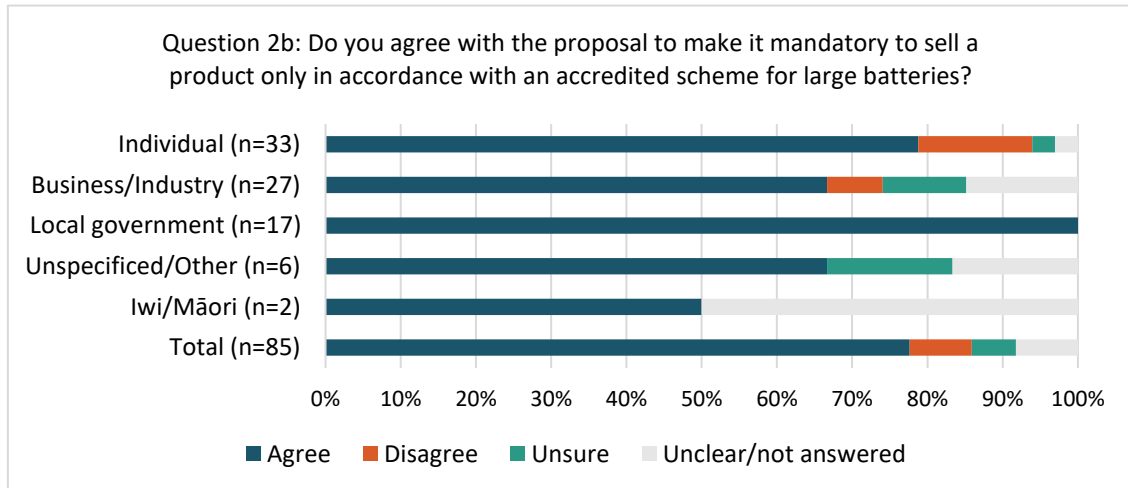
- 85 per cent of those who answered the question
- 78 per cent of total submitters.

Support was strongest among local government, individuals and business/industry (figure 9).

A minority of submitters disagreed (8 per cent), did not answer (8 per cent) or were unsure of their position (6 per cent).

⁶³ The Electric Motor Vehicle Company Ltd.

Figure 9. Large batteries: Support for sale in accordance with an accredited scheme



Comments and suggestions

Benefits

The advantages cited for this proposal included:

- ensures all producers take responsibility for the end-of-life disposal of their product
- spreads responsibility across the chain of custody of the product life cycle, and avoids free rider issues
- internalises the cost of end-of-life management
- all consumers would be able to access proper disposal pathway without cost being a barrier
- establishing the end-of-life process in advance reduces the risk of environmental harm from improper waste management
- supports the transition to a circular economy
- creates new business opportunities
- brings greater transparency.

Define the terms

A few supporters also wanted to see clear definitions.

- Explain what 'sale in accordance with an accredited scheme' means for members of the public and local governments before a scheme is accredited.⁶⁴
- Clearly define large batteries⁶⁵ and whether selling a refurbished battery is part of the act of selling.⁶⁶

⁶⁴ Environment Canterbury.

⁶⁵ NZ Association of Metal Recyclers.

⁶⁶ Zero Waste Network.

Reasons for opposing the proposal

A minority did not agree with the proposal (7 per cent of business/industry and 15 per cent of individuals who answered the question). Reasons included:

- End-of-life large batteries will have a high enough value to drive recycling, reuse and repurposing once the country begins its transition to electric vehicles.
- It would raise the cost of new large batteries.

Impact on business

Submitters were asked how having to take part in the proposed large battery scheme would affect their business. We received comments from business/industry and local authorities.

Business/industry

The predicted impacts ranged from negligible to potentially significant.

A regulated product stewardship scheme will help create stability and certainty for suppliers and provide a level playing field by limiting the participation of the informal sector which do not have to operate to the same health, safety, and environmental standards.⁶⁷

The product stewardship fee will be an increased cost to our business that we will inevitably have to pass on to our customers ... The Company operates a number of electric trucks currently and is continuing to expand its electric fleet. The Company is likely to be an importer of large batteries or of complete battery electric vehicles.⁶⁸

If there is a tracking system set up for batteries we would obviously have to comply as there would most likely be fines and penalties for not doing so.⁶⁹

Possibly additional admin upon sale of the vehicle. Scheme costs appear negligible, but transparency should be required if the costs are being passed on from the retailer (similar to how electricity retailers split charges out on their bills).⁷⁰

There are some major barriers to entry for participation in the large battery scheme ... Collection and storage sites will potentially need upgrades of their fire detection and fire-fighting systems. Transport will also be a factor as New Zealand is a combination of challenging terrain with low density population in many areas, thus impacting on the ability to move material economically.⁷¹

It is very likely that [our] members with an interest in e-waste reuse would be interested in getting involved in the refurbishment for reuse market ... As the flows of repurposable batteries increase over time they could be used to power up a wide range of community, SME and local scale activities... If large batteries were being collected through a nationwide resource recovery network in the future our members would be able to take part where they have suitable lifting equipment and storage facilities.⁷²

⁶⁷ Battery Industry Group.

⁶⁸ EnviroNZ.

⁶⁹ The Electric Motor Vehicle Company Ltd.

⁷⁰ Power Trip Ltd.

⁷¹ NZ Association of Metal Recyclers.

⁷² Zero Waste Network.

Insurance cost implications for collectors and processors

Metal recyclers had advice about a key barrier to their involvement in large battery recycling.

The Insurance Council of New Zealand (ICNZ) has notified us that metal recycling has had issues with General (Public & Products) Liability and Statutory Liability for many years – common claims come from the leaking of batteries (including while in transit/shipping). ICNZ have said that it is common to apply a full pollution exclusion to metal recycling exposures, and cover for pollution is instead available under specialist Environmental Impairment Liability policies but few insurers offer this cover in New Zealand. This means that there is low capacity and high premiums, and insurers are being choosier about who and what they are insuring [we are] aware of members which have only managed to renew their coverage by proving that they DO NOT handle lithium-ion and other high risk rechargeable battery types. We therefore have significant concerns about the ability for sites which are handling these battery types to secure the necessary insurance moving forward and if they do, at what cost.⁷³

Solar energy installers

The value of large batteries for solar energy installations also needs to be catered for.

We are very concerned that the scheme introduces burdensome bureaucracy and increases our costs. There is the obvious cost of the proposed scheme on a per battery basis ... there is also the cost of compliance and the issue of unintended consequences.⁷⁴

The battery market is going to change the landscape of power supply and transport in New Zealand. The cost of using solar for storage and car use relies on the low cost of batteries which is very high in New Zealand due to the small population and lack of scale to spread costs ... The adoption of batteries is very slow here due to cost and we don't need any more expense, this has caused the slow uptake of solar which is very connected to land based storage⁷⁵

Equipment suppliers

One business saw support for new uses of large batteries.

We are acting as an agent for engagement of EV [electric vehicles] to home/building electrical storage options. Although we may look at retail, we are intending to supply a unit that turns the EV into a power source that can be charged by solar options, but can feed homes/building at night. We would therefore support the involvement of any incentive, scheme, or other to the level of establishment of repurposing, recycling, and any other work NZ can create away from landfill options within its shores.⁷⁶

Customers

One business noted the implications for their consumers.

The people buying EVs (especially the general public) would end up paying for the compliance as this will be added to the vehicle cost. This is another negative factor they need to consider (added to a long list including range anxiety, charging time etc).⁷⁷

⁷³ NZ Association of Metal Recyclers.

⁷⁴ solarZero Ltd.

⁷⁵ Southern Plumbing & Gasfitting Ltd.

⁷⁶ Anonymous business/industry submitter.

⁷⁷ The Electric Motor Vehicle Company Ltd.

Local authorities

Council collection sites

One anonymous local government submitter noted:

Given the range of health and safety issues associated with the collection, transportation and storage of large batteries [we are] aware that investment in the necessary infrastructure, resources and training will be required to meet a range of health and safety standards. Should local authorities have a role to play in this part of the value chain (via collection and drop-off services that council own and operate), sufficient time and funding will be required to plan and provide for these functions.

Other comments:

Where territorial authorities own transfer stations or resource recovery centres they want to facilitate the easy drop off of batteries and tyres. Therefore, it is important that there be appropriate handling charges built into the scheme and timely collections at no further costs to those locations.⁷⁸

For Council to participate, administration costs would increase due to recording information when receiving large batteries and submitting claims. Consideration would also need to be given to storage and safety. The proposal does not indicate what will be classified as an approved site, so the Council recommends those undertaking work installing or removing such batteries be deemed approved sites.⁷⁹

A health and safety assessment will be required to ensure safe handling and storage of large batteries.⁸⁰

Council anticipate that any Product Stewardship scheme will provide end-market certainty and a transfer of responsibility (physical, financial and informational) away from the public sector and individuals and back to the supply chain including consumers.⁸¹

Batteries in council electric vehicles

Two anonymous local authority submitters commented on impacts for councils that had electric vehicles in their fleet.

Councils with electrical vehicle fleets will benefit by access to end-of-life management of batteries free of recycling fees.

The residual capacity and predicted falling prices for new batteries will make used bus batteries attractive for other users or applications (repurposing), potentially generating revenue ... E-bus batteries are assumed to reach their end of life after seven years and to have 80% capacity left ... There is potential for high renewal cost of batteries, as longevity in service remains uncertain. Battery disposal fees at point-of-purchase may act as a disincentive to transitioning bus fleet to battery electric and may add to bus operators' lack of confidence in new low-emission bus technologies, being uncertain of their performance and associated costs.

⁷⁸ Territorial Authority Waste Liaison Group.

⁷⁹ Hurunui District Council.

⁸⁰ Palmerston North City Council.

⁸¹ Marlborough District Council.

Large battery stewardship fee

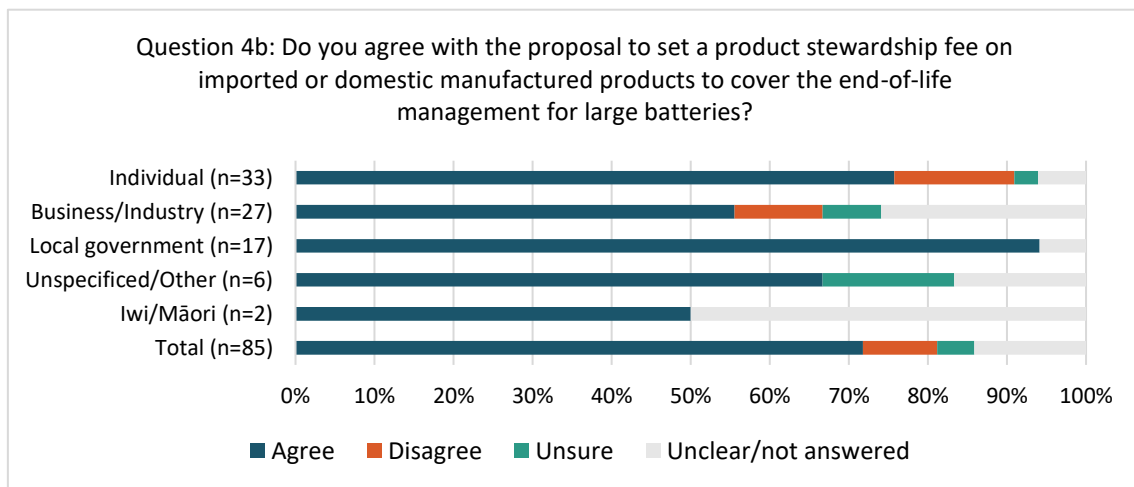
The majority of submitters supported a stewardship fee to cover the end-of-life management of large batteries:

- 84 per cent of those who responded to the question
- 72 per cent of total submitters.

Support was highest among local government and individuals (figure 10).

A minority disagreed with the proposal (11 per cent of those who answered the question and 9 per cent in total). Disagreement was from individuals and business/industry (figure 10).

Figure 10: Large batteries: Support for a stewardship fee



Comments and suggestions

A fair approach

There was support for extending responsibility to producers and consumers.

- It will prevent the cost of running the stewardship scheme placing an excessive burden on the taxpayer.⁸²

A local authority noted:

This encourages those responsible for generating products to consider recyclability and life cycle impacts. It is also a mechanism through which organisations involved in recycling, reuse or disposal can be supported, and the costs of compliance and enforcement met. Though the increased costs will likely be passed onto users through increases to purchase price, removing the fee at the point of disposal decreases the perceived burden on consumers when choosing to dispose of their waste correctly.⁸³

⁸² Anonymous iwi/Māori submitter

⁸³ Manawatū District Council.

Fee suggestions

A number of submitters supported the battery stewardship fee, but wanted to ensure it would be effective.

- The fee mechanism may not be flexible enough to respond to the actual scheme operating costs, considering the long lifespan of large batteries and likely future technological advancements.⁸⁴
- The fee should cover all the costs involved in managing the system such as insurance, transport and obtaining export permits.⁸⁵
- The fee rate should be conservative for the first three years, to ensure the scheme is fully funded before its first review period, when more data and actual scheme costs are available.⁸⁶
- The fee should cover the costs of running initiatives to support the gathering of sufficient data to allow the longevity and ease of reuse/repair to be quantified to inform measures to ensure high quality batteries are imported that are reusable, repairable and easy to dismantle.⁸⁷
- Cooperate with existing industry databases to simplify fee charging.

The weight of the cells or modules is available from the vehicle manufacturers. This information could be recorded in the MIAMI database (Motor Industry Association Model Information) by adding a new field. MIAMI records data for individual new car models, and is exported to the Motor Vehicle Register and used for other databases like Rightcar and the EECA Vehicle Fuel Economy Labels. This data can also be interrogated to identify battery weights for used-import cars, although there may be variations in battery size.⁸⁸

- There should be a cap on scheme operating costs as a way to respond to market fluctuations.⁸⁹
- The scheme must provide a cost-effective service as well as transparency on fee collection for liable parties.⁹⁰
- The definition of battery weight should align with international schemes to support original equipment manufacturers (OEMs).⁹¹
- Avoid loopholes, such as where large batteries could be attached to electrified farm machinery or earthmoving equipment, or used for energy storage, and not be able to be put into the stewardship scheme at point of first registration (as an electric vehicle could be).⁹²

⁸⁴ WasteMINZ Product Stewardship Sector Group and an anonymous local government submitter.

⁸⁵ NZ Association of Metal Recyclers.

⁸⁶ WasteMINZ Territorial Authorities' Officers Forum; Carterton, Masterton and South Wairarapa District Councils.

⁸⁷ Zero Waste Network.

⁸⁸ Motor Industry Association.

⁸⁹ Transpower New Zealand Ltd.

⁹⁰ Environment Canterbury and an anonymous local government submitter.

⁹¹ FUSO New Zealand Ltd.

⁹² Anonymous iwi submitter.

Balance with fossil fuel emissions fee

Some submitters supported a fee to run the battery scheme, but balanced clearly in favour of renewable energy.

To reduce the impact that this could have on the uptake of renewables, this fee should at the very least be implemented alongside an emissions fee on fossil fuels, or increase in the carbon price. At best, it would initially funded by a levy on fossil fuels, as it is a necessary part of the transition away from fossil fuels and towards EVs [electric vehicles] ... Fossil fuel prices do not currently (nor have they ever) reflect the damage caused by their use. Requiring EV batteries to do so creates an uneven playing field at a time when we need to tilt the scales the other way.⁹³

Impact on electric vehicle uptake

A few overall supporters did not want the fee level to discourage the uptake of electric vehicles.

Currently, the estimated increase in large battery costs for consumers associated with the product stewardships scheme is relatively minor (0.5% for a \$60K vehicle) and unlikely to affect consumer choice between EVs and internal combustion engine vehicles. It is important that this cost difference does not increase and create barriers for the switching to EVs.⁹⁴

Conversely, for a few submitters this was a reason to oppose the fee proposal.

Product design

Several submitters want to see a fee mechanism that focuses on the whole product life cycle rather than just end of life, and encourages the redesign of products for reuse and repair. See [Key issues](#).

Reasons for opposing the proposal

Reasons given by the five individuals and three businesses against the fee, in addition to those they gave for the other questions, were:

- Calculating it accurately was not possible due to the batteries' long lifespan and likely technological advances.⁹⁵
- Efforts should be made instead to ensure that batteries were better designed, such as by replacing lithium.⁹⁶

⁹³ Power Trip Ltd.

⁹⁴ Transpower New Zealand Ltd.

⁹⁵ solarZero Ltd.

⁹⁶ DME Ltd.

Fee collection entities

The proposed entities are: Waka Kotahi New Zealand Transport Agency (Waka Kotahi) and/or the accredited product stewardship organisation (PSO).

A slim majority of submitters supported the proposal for a mix of entities to collect the large battery stewardship fee (depending on feasibility of capturing market entry with tariff codes or vehicle registration):

- 64 to 68 per cent for those who answered the question
- 53 to 58 per cent of total submissions (figure 11, table 5).

Support was highest among individuals and local government. A small majority of business/industry were in support (46 to 56 per cent of those who answered).

The balance of submitters disagreed (14 to 18 per cent), were unsure (12 to 13 per cent) or did not answer (15 to 18 per cent).

Figure 11: Large batteries: Support for fee collection entities, by market entry point

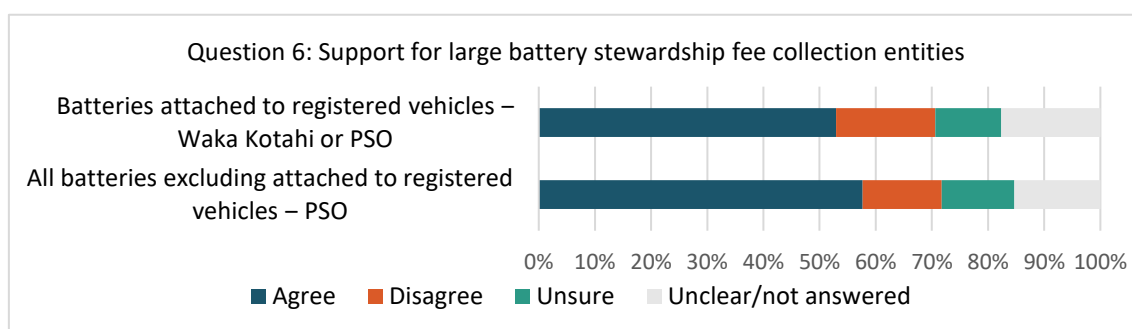


Table 5: Large batteries: Support for stewardship fee collection entities

Point of battery entry into market	Proposed fee collection entity	Agreement by those answering the question (per cent)	Agreement by total submitters (per cent)
Loose large batteries – at import	PSO	68	58
Large batteries attached to imported on-road vehicles – at import or first point of registration	Waka Kotahi or PSO	64	53
Large batteries attached to imported off-road vehicles – at import	PSO	68	58
Large batteries made in New Zealand	PSO	68	58

Comments and suggestions

Waka Kotahi

Five submitters agreed with the proposal but wanted the PSO, not Waka Kotahi, to collect the fee on large batteries attached to on-road vehicles at point of registration. Reasons included that this would follow the Battery Industry Group (B.I.G.) scheme design recommendation and avoid setting up multiple systems.⁹⁷

The co-design group itself was concerned that involving Waka Kotahi would mean the consumer bore the cost.

Applying the fee in this manner removes any obligation from importers to take an active involvement in the recovery process, taking product back, or favouring design or importation of product that attracts lower product stewardship fee (through eco-modulation). This would be an extremely disappointing outcome if it were to be implemented.⁹⁸

A sector group was concerned that this would not adequately anticipate blockchain functionality.

[T]he intent (at this stage) is to utilise a blockchain based system that can provide end-to-end visibility and management of batteries through their life cycle. If this is to be undertaken then all of the batteries imported in vehicles will need to be entered into this system anyway, and the use of the Waka Kotahi system is effectively redundant.⁹⁹

Several supporters wanted greater clarity or assurance. This included better information on the amount required for an information system upgrade for Waka Kotahi¹⁰⁰ and good information sharing between government fee-collecting agencies and the PSO.¹⁰¹

Customs as the collection entity

Three submitters wanted the New Zealand Customs Service (Customs) to be the collection entity. They believed Customs would be able to capture batteries at first point of import, and for electric vehicle importers, payment would be a one-stop shop for batteries and tyres.¹⁰² Another saw a more effective opportunity to capture fees:

Data should be via NZ Customs declaration as that presents the least risk of free riders (those importers who won't declare import of large batteries but will take advantage of the end-of-life management). However, acknowledge that the large battery scheme as proposed uses an eco-modulated fee model which doesn't fit with the fee collection opportunity with NZ Customs hence there needs to be a match between import data (actual names) and the ability to invoice for the fee.¹⁰³

⁹⁷ Napier City Council.

⁹⁸ Battery Industry Group.

⁹⁹ WasteMINZ Product Stewardship Sector Group.

¹⁰⁰ Motor Trade Association.

¹⁰¹ Ia Ara Aotearoa Transporting New Zealand.

¹⁰² Hurunui District Council.

¹⁰³ Auto Stewardship New Zealand.

Reasons for opposing or unsure about the proposal

One submitter did not support the PSO collecting the fee as it was an unnecessary complication when government agencies could capture the fee.¹⁰⁴

Four submitters disagreed with both proposals. The main reasons were:

- They did not support the idea of battery stewardship fee.¹⁰⁵
- It would add more costs on to a fledgling industry.¹⁰⁶
- They disputed the need for a battery stewardship scheme.

A significant group (28 to 30 per cent) of submitters either did not answer these two questions or were unsure of their view. Of those that gave reasons, the themes were:

- Do not have enough in-depth knowledge of the large battery situation to comment.
- Supportive of the fee but unsure which collection agency would be best.

Take-back and targets

The Government proposed minimum expectations over seven years, for the performance of tyre collection services, which are termed 'take-back services' under the WMA. For details, see [table 6 in the consultation document](#).

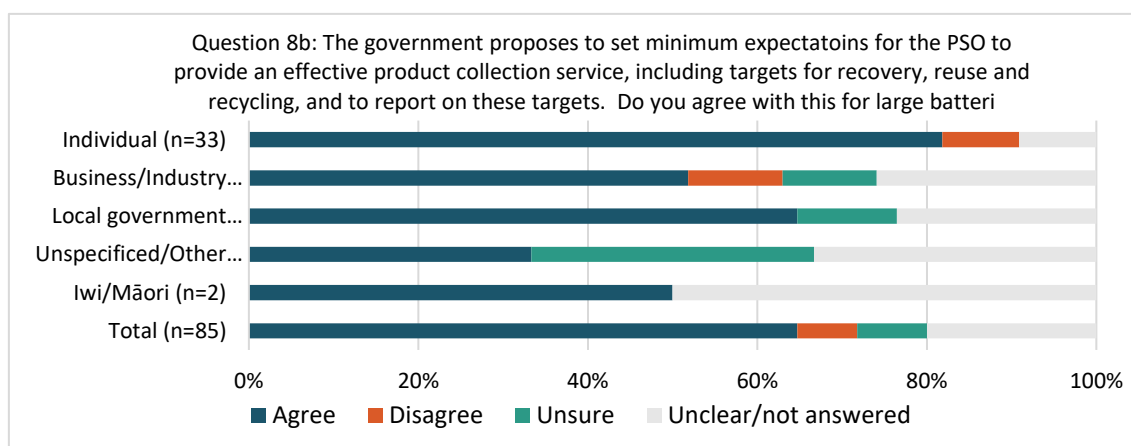
The majority of submitters supported take-back and targets for large batteries:

- 80 per cent of those who answered the question
- 65 per cent of total submitters.

Support was highest among individuals and local government (figure 12).

Two businesses and five individuals did not support the proposal.

Figure 12: Large batteries: Support for take-back and targets



¹⁰⁴ EnviroNZ.

¹⁰⁵ solarZero Ltd.

¹⁰⁶ The Electric Motor Vehicle Company Ltd.

Comments and suggestions

Monitoring and accountability

Key reasons for support were that targets and take-back will:

- hold the PSO and scheme participants accountable for delivering results
- give the Ministry data to monitor the effectiveness of the scheme.

Other comments included:

Setting targets and monitoring achievement against them is important to gauge and communicate the success of the scheme, as well as helping identify areas for improvement.¹⁰⁷

Targets

Two submitters noted that the proposed targets were fair and achievable.¹⁰⁸ Another recommended postponing them until data was improved.

Targets should be set but only once we have better data on battery volumes and end-of-life management. Currently, possible to determine the number of scrapped Nissan Leafs, but this doesn't include the number of batteries that have been sold on the second-hand market or stockpiled for example. Very little is known about hybrid batteries or where they currently end up at the end of their useful life.¹⁰⁹

Data and compliance

Several supporters commented on data and compliance:

- Capture and analyse good-quality data to inform continual improvement.¹¹⁰
- Ensure collectors of large batteries are registered with the PSO, so that compliance with standards and data collection is enforceable, and to protect the environment and human health.¹¹¹

Reasons for opposing or unsure about the proposal

One business noted that their staff would not have time to collate the required scheme data.¹¹²

Of the seven submitters that were unclear about their position, comments included:

- The critical issue is ensuring end-of-life solutions for the batteries.¹¹³
- More information is needed, such as who manages them, how they will be measured, and are timeframes achievable.¹¹⁴

¹⁰⁷ Manawatū District Council.

¹⁰⁸ Environment Canterbury; Tyremax LP.

¹⁰⁹ Hastings District Council, Napier City Council.

¹¹⁰ The Territorial Authority Waste Liaison Group

¹¹¹ Zero Waste Network.

¹¹² DME Ltd.

¹¹³ Palmerston North City Council.

¹¹⁴ WasteMINZ Product Stewardship Sector Group.

Quality standards for large batteries

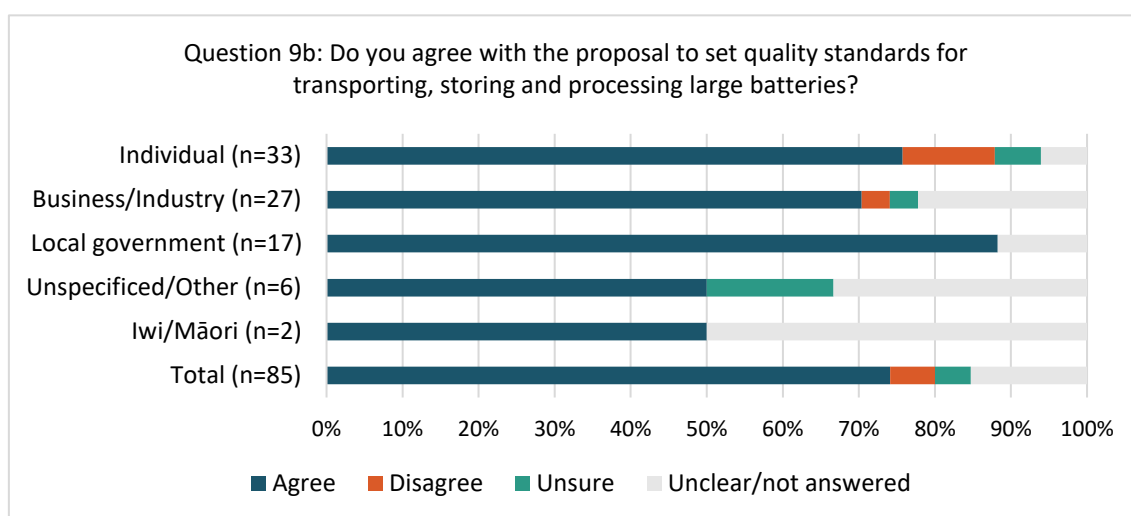
To ensure that best practice is followed to prevent harm, the Government proposes to set quality standards for transporting, storing and processing large batteries.

The majority of submitters agreed with the proposal:

- 88 per cent of those who answered the question
- 74 per cent of total submitters.

Support was highest among local government and business/industry (figure 13).

Figure 13: Large batteries: Support for quality standards



Comments and suggestions

Reasons for support mainly related to reducing risk of harm to the environment and human health when transporting, storing and processing large batteries.¹¹⁵

Wide coverage

- Standards need to be applicable for all of these activities even if the operator is not registered with the PSO as an approved entity.¹¹⁶
- Registered electricians need to adhere to any standards (for stationary storage systems).¹¹⁷
- Extend the standards to offshore service providers (or third parties) to ensure the integrity of the scheme.
- Expand the quality standards to apply to the PSO, such as ISO-37000 International Standard for Governance of Organisations.¹¹⁸

¹¹⁵ Hurunui District Council and 10 others.

¹¹⁶ Zero Waste Network.

¹¹⁷ Kāpiti Coast District Council and two others.

¹¹⁸ Auto Stewardship New Zealand.

Compliance

- The standards would need to be in place before an accredited recycler or other service provider received scheme payments.¹¹⁹
- There should be a register of companies approved to collect batteries – these will probably be the same businesses doing the recycling. Batteries can produce high currents and voltages, and must be handled by knowledgeable people.¹²⁰
- The sector will need infrastructure investment to meet the quality standards, so sufficient time and funding will be required to meet the standards.

Include design standards

- Design standards ensure large batteries can be cost effectively and conveniently repaired, reused or recovered.
- An anonymous iwi/Māori submitter noted the design implications for unsustainable materials and practices embodied in large batteries:

If we do not take comprehensive action to achieve true stewardship, we will continue to be culpable for the very negative environmental and social consequences of excessive and unsustainable extraction of cobalt and other minerals.

Reasons for opposing the proposals

Five submitters did not support the proposal. Reasons given included the following:¹²¹

- The market will address the risk of harm and regulation is not necessary.
- There will be a market demand for second-life repurposing.
- The proposed standards do not address the offshore environmental risk.
- There is existing legislation in place.

¹¹⁹ Napier City Council and WasteMINZ Territorial Authorities' Officers Forum.

¹²⁰ The Electric Motor Vehicle Company Ltd.

¹²¹ Southern Plumbing & Gasfitting Ltd and three individual submitters.

What we heard: Monitoring and enforcement

A number of submitters commented on the importance of a framework to enable effective compliance and desired outcomes.

Compliance, monitoring and enforcement are important to ensure the rules are being followed. Setting limits, clearly defining concepts and standards and creating transparency will help drive innovation and enable more strategic procurement.¹²²

The ideas behind how product stewardship schemes work can be complex, and for them to achieve their stated outcomes, it is vital that the public has confidence that they are being scrutinised and participants are doing what they should.

Enforcement of fee collection and compliance with quality standards was particularly mentioned. Submitters recommended focusing on, for example:

- ensuring that fee collection can be enforced¹²³
- the need for expectations to be set as to how to manage risks, and providers needing to be monitored to ensure they are complying.¹²⁴

Recovery of monitoring costs

The Government proposed that the Ministry recover the costs of monitoring the performance of the accredited scheme from the scheme manager.

This question had a low response rate (45 per cent of total submitters).

This proposal did not receive majority support from all submitters. Among those that answered the question, however, a clear majority was in support:

- 87 per cent of those who answered the question
- 39 per cent of total submitters.

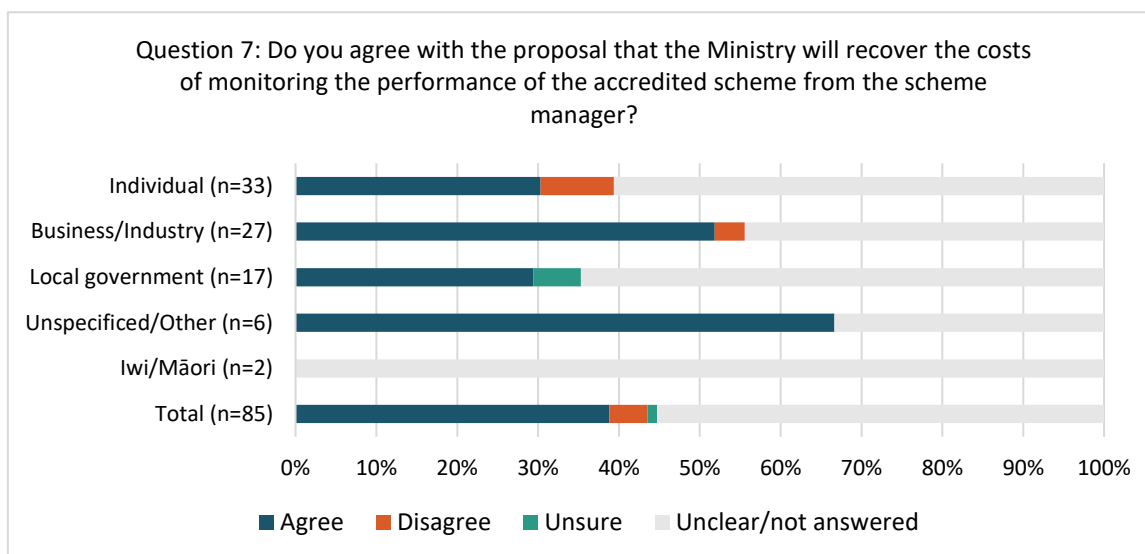
The highest support was from unspecified/other and business/industry (figure 14).

¹²² Transpower New Zealand Ltd.

¹²³ Tyremax LP.

¹²⁴ WasteMINZ Product Stewardship Sector Group.

Figure 14: Support for Ministry to recover scheme monitoring costs



Comments and suggestions

Scheme-funded monitoring

Submitters considered monitoring a key part of the scheme operation, therefore the costs should be fully funded from the scheme. Monitoring was also seen to be part of the end-of-life management of the products, which is more appropriate to be paid by the parties involved than the general taxpayer. One business/industry submitter noted:

The cost is directly connected with the operation of the scheme, and this seems a fair outcome where the cost is linked directly to the benefit derived from the scheme.¹²⁵

Government oversight

Submitters considered government oversight crucial to the scheme achieving its objectives. To enable this, the scheme should cover the cost as part of scheme operation. A number of local government submitters noted:

There definitely needs to be government oversight of the schemes, and this should be paid for by the scheme as [it] should cover all of its costs.¹²⁶

Transparent costs

Business/industry, local government and members of the public shared similar concerns. These included whether the costings were appropriate, what actions the costs would cover on the ground, and whether the functions were part of the normal operating costs of the scheme. The scheme co-design coordinator noted:

We have concerns with the level of costs identified for compliance activity in relation to large batteries by the Ministry for the Environment [MfE]. The consultation document

¹²⁵ Tyremax LP.

¹²⁶ Carterton, Masterton, and Wairarapa District Councils joint submission, Hastings District Council, Napier City Council and Waste MINZ Territorial Authorities' Officers Forum.

does not make clear what enforcement actions will be undertaken as part of this fee. We note that the level of fee for MfE to monitor the scheme and the fee for NZTA [Waka Kotahi New Zealand Transport Agency] to simply collect the fee are both higher than the fee for the PSO to operate the entire scheme. These costs seem out of proportion and require greater transparency.¹²⁷

Other comments

- There are cash flow implications for the scheme operator, where monitoring costs could be fixed but the revenue could fluctuate due to various market conditions.¹²⁸
- Only support this for the tyre scheme, and oppose a stewardship scheme for large batteries.¹²⁹

Reasons for opposing the proposal

Four respondents did not agree with the Ministry recovering the costs: three members of the public and one business/industry. The reasons were: there is no need to monitor the scheme, and the Ministry should bear the cost of independent monitoring as guardian of the system.

¹²⁷ Battery Industry Group.

¹²⁸ Auto Stewardship New Zealand.

¹²⁹ Two individual supporters.

What we heard: Key issues

This consultation was held in parallel with consultations on a new waste strategy and revision of the WMA. Below are the themes that connect to those wider issues and proposals, or relate to scheme design which goes beyond current WMA regulations.

Honour Te Tiriti o Waitangi

Two submissions were from iwi/Māori entities. Both stressed the need for urgent action consistent with the Treaty partnership between the Crown and Māori.

We strongly agree with the statements made in the consultation document that Māori are guaranteed protection and management of taonga under Te Tiriti o Waitangi, and that poor management of waste presents a risk to these taonga. Additionally, we believe that poor management of waste does not just carry the risk of *future* damage to taonga but that poor management of waste has also *already* caused harm. This damage represents a breach of Te Tiriti o Waitangi. Therefore, the focus must be not just on reducing future harm but also on remedying past harm.¹³⁰

[Our iwi authority] strongly supports the work the Government is doing to improve management of waste and eventually achieve a circular economy, including the establishment of a regulated framework and stewardship scheme for tyres and large batteries. The current situation with end-of-life tyres, has gone on for decades, with a similar issue coming with large batteries. It is not acceptable that 6.5 million tyres are imported into New Zealand, 70% of which are sent to landfill, illegally dumped, left in storage or stockpiled every year, or that an estimated 84,000 large batteries could reach end of use by 2030, with no plan as [to] how we will deal with them. A rigorous and reliable solution is now well overdue and needs to be finalised and implemented as soon as possible.¹³¹

The message was also clear that both the laws and the Treaty relationship need to be significantly improved to obtain desired outcomes.

...the current climate emergency poses enormous threat to communities, te taiao, and our survival as a species [and] radical change is now required to escape disastrous consequences ... proposals for the waste strategy and legislative reform were, as they are here: catastrophically inadequate. And we proposed a Crown-Māori partnership to lead a new Oranga Taiao national agency to operationalise waste and emissions reductions. We repeat [our previous] calls to action.¹³²

...retaining a seat for 'iwi' at the 'co-design' working group table alongside industry, recyclers and local government does not uphold the Crown's constitutional Tiriti responsibilities. Māori are not a 'stakeholder' in a similar way a tyre retailer or battery recycling centre might be, and iwi cannot represent the views of all hapū. Further, we note

¹³⁰ Para Kore Marae Incorporated.

¹³¹ Anonymous iwi submitter.

¹³² Para Kore Marae Incorporated. In December 2021, this group and 169 individuals and/or rūpū from across Aotearoa made a collective submission in response to the consultation on Ministry for the Environment. 2021. *Te kawe i te haepapa para | Taking responsibility for our waste: Proposals for a new waste strategy; Issues and options for new waste legislation*. Wellington: Ministry for the Environment. Retrieved from <https://environment.govt.nz/publications/taking-responsibility-for-our-waste-consultation-document> (May 2022).

the Crown cannot decide on behalf of Māori whether this is a ‘general risk rather than one specific to individual iwi or rohe’. This is for Māori to consider, decide and articulate.

...the Ministry confirms that ‘specialist iwi advisors have informed the product stewardship programme and scheme design’ and we applaud the Crown’s intention and commitment to including their Te Tiriti partners in the development of these proposals. However we find it of great concern that the ‘specialist iwi advisors’ referred to are not listed so we do not [know] who these people are, which iwi they affiliate to, what background they might have that allows them to be considered ‘specialist’ and what their full recommendations were to the government, and whether the government has taken on their recommendations in full, or not. It is important to note in relation to this point that hāpū and iwi are not always in agreement, and that an iwi representative does not always have authority to speak for, or over hapū. Hapū are distinct from iwi, able to speak and decide for themselves. Hapū were guaranteed the right to tino rangatiratanga in Te Tiriti o Waitangi and as it is the requirement of the Crown to uphold this aspect of the partnership agreement by creating space for hapū to contribute and be part of the decision-making process, as well as iwi.¹³³

Address the whole life cycle, not just end of life

This consultation focused on proposed regulations for two priority products under the WMA. A clear message from a number of submitters was that product stewardship regulations, and their legislative framework, should be much more ambitious.

Submitters were concerned that the stewardship schemes focused on managing end-of-life products rather than the full life cycle of the product.

This focus is out of step with global thinking and the universal policy goals framework. Future work on product stewardship needs to expand the thinking beyond ‘end of life’ product stewardship as it restricts thinking and action to a very small part of the supply use and recovery chain. This approach will not deliver the circular economy outcomes sought.¹³⁴

An anonymous iwi/Māori submitter noted:

Despite our support we see it as odd to talk about circularity and stewardship, but only talk about end of life. Stewardship encompasses the social and environmental footprint of the things we produce and consume in their entirety, from the cradle to the grave. It can only be achieved if we integrate all parts of the life cycle of products in our response; from extraction of raw materials from the ground, to design to enable efficient recycling and reuse, and finally assurance and control at end of life. Without this, we will not achieve a successful outcome and undesired social and environmental consequences arising from how we exploit the worlds resources remain unaddressed.

They also noted implications for solutions which integrate overseas supply chains, which:

...[should only be] provided for if we can ensure this is consistent with achieving a circular economy, our climate change response, and our duty to be socially and environmentally responsible at a global scale ... [we are] particularly concerned about the concept of shredding tyres for export as ‘high energy tyre-derived fuel’ for use in coal fired power plants overseas. This is not a true solution, and simply exports a problem to another community and environment. It does not support the achievement of a circular economy.

¹³³ Para Kore Marae Incorporated.

¹³⁴ Zero Waste Network.

Cover the whole life cycle

A key concern was that restricting stewardship to end of life would not achieve the desired outcomes. Comments included:

- Well-designed product stewardship needs to change the way a product is designed to avoid and/or reduce waste at the start, rather than focusing only on recycling and keeping materials in circulation.¹³⁵
- Stewardship should cover the whole chain of custody and encourage the design of longer lasting batteries that are easier to dismantle, repair and reuse.¹³⁶
- Prevention of waste should be an important part of any strategy to reduce waste. Government should regulate importation of batteries for maximum service life and ease of repair.¹³⁷
- Future stewardship schemes should deal with the harm caused by products, not just end-of-life products.¹³⁸

An anonymous iwi/Māori submitter noted:

Stewardship encompasses the social and environmental footprint of the things we produce and consume in their entirety from cradle to the grave. This can only be achieved if we integrate all parts of the life cycle of products in our response from extraction of raw materials from the ground, to design to enable efficient recycling and reuse, and finally assurance and quality controls at end of life.

Require better design

A number of submitters wanted regulation to reduce impacts over the product life cycle, in particular to require better product design to prevent waste.

Several submitters referred to the waste hierarchy. This is a pyramid framework ranking the preferred order of resource management, with designing out waste at the top, and disposal as the least preferable at the bottom.

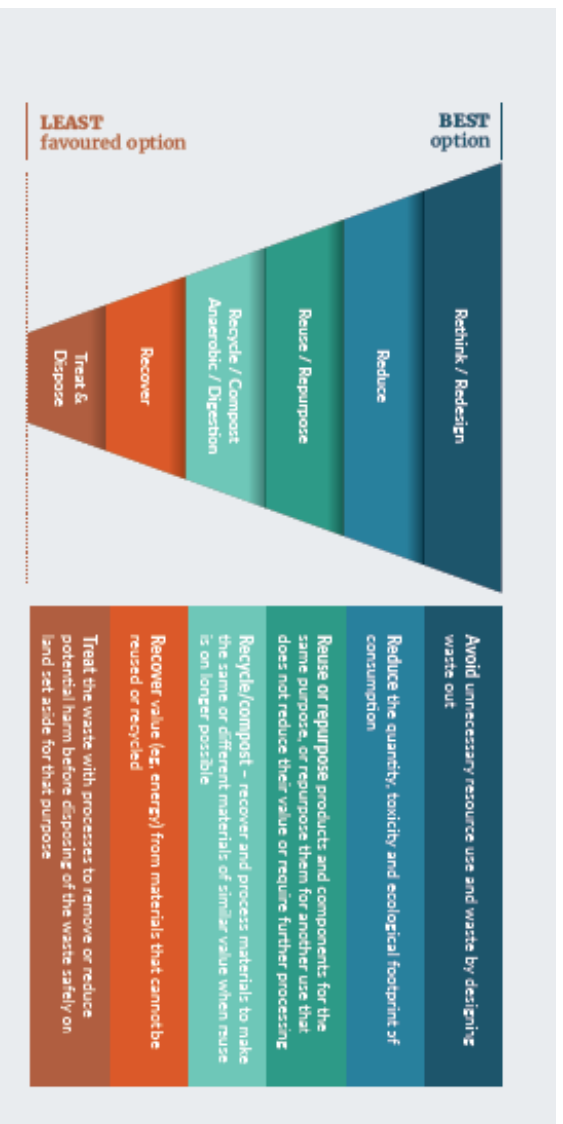
¹³⁵ Anonymous local authority submitter.

¹³⁶ Individual submitter.

¹³⁷ Environment Canterbury.

¹³⁸ WasteMINZ Product Stewardship Sector Group.

Figure 15: The waste hierarchy



Comments included:

- Products should be regulated for maximum service life and ease of repairs.¹³⁹
- Product designers should be encouraged to design products that can be easier to dismantle, improve ease of repair/reuse, recyclability, durability and use of recycled content.¹⁴⁰
- Targets should focus on the top of the waste hierarchy.¹⁴¹
- The Government should provide producer design guidelines to encourage product design for use and deconstruction.¹⁴²
- Regulate so that the stewardship fee cannot fully be passed on to consumers. This will send a price signal to the producer, encouraging them to design out waste from their products.¹⁴³

The stewardship should not be restricted to end-of-life tyres, it should cover the whole chain of custody and hence influence improvements in the handling of tyres targeted at the top of the waste hierarchy, influencing the design of longer lasting tyres and tyres that shed less toxic materials into our environment.¹⁴⁴

The focus needs to be at the top of the waste hierarchy to make tyres more durable, to reduce the toxic elements used, to reduce the volume of microplastics that slough off tyres during the use phase.¹⁴⁵

[The proposal] does not address the issue of having too many tyres due to our high private vehicle ownership and lack of retreading or other repair options for private vehicle tyres.¹⁴⁶

¹³⁹ Environment Canterbury.

¹⁴⁰ Individual submitter.

¹⁴¹ Hamilton City Council, Waikato Regional Council, and Zero Waste Network.

¹⁴² Hastings District Council.

¹⁴³ WasteMINZ Product Stewardship Sector Group.

¹⁴⁴ Individual submitter.

¹⁴⁵ Zero Waste Network.

¹⁴⁶ WasteMINZ Product Stewardship Sector Group.

Several submitters made recommendations on how to encourage manufacturers to design for durable and repairable tyres, and safer and easier to recycle large batteries, including through wider use of the proposed stewardship fees.¹⁴⁷

Suggestions included:

- Fee costs and allocations are too focused on the costs of the end-of-life management.¹⁴⁸
- Funding must be invested in the top tiers of the waste hierarchy, rather than on solutions in the bottom third.¹⁴⁹
- Introduce a fee structure that is eco-modulated.¹⁵⁰
- Set the fees at a level that allows for the transportation of end-of-life tyres and batteries to be undertaken by zero-emission vehicles, so that the scheme can positively contribute to meeting climate change targets.¹⁵¹
- Targets should also incorporate emissions from vehicles used to transport large batteries.¹⁵²
- The fee should also contribute to activities that encourage a shift to active transport or public transport and behaviour change around tyre maintenance.¹⁵³
- Require product ecolabels to enable consumer identification of products that are fit for purpose and have fewer life cycle impacts, such as required in the European Union for tyres.¹⁵⁴

Waste prevention research

In support of reducing harm from the whole product life cycle, submitters called for further research, such as:

- second- and third-life applications for large batteries¹⁵⁵
- how fee modulation could be used to influence product design and reduce mining of raw materials
- how tyres contribute to microplastics¹⁵⁶
- data to assess which brands and models of tyres perform the best in terms of their impact on the environment.¹⁵⁷

¹⁴⁷ Hastings District Council, Kāpiti Coast District Council and others.

¹⁴⁸ WasteMINZ Territorial Authorities' Officers Forum.

¹⁴⁹ Hamilton City Council.

¹⁵⁰ WasteMINZ Territorial Authorities' Officers Forum.

¹⁵¹ FUSO New Zealand Ltd.

¹⁵² Ibid.

¹⁵³ Zero Waste Network.

¹⁵⁴ Napier City Council; Carterton, Masterton and South Wairarapa District Councils; Hastings District Council.

¹⁵⁵ Iā Ara Aotearoa Transporting New Zealand.

¹⁵⁶ WasteMINZ Product Stewardship Sector Group.

¹⁵⁷ Zero Waste Network.

Other legislation or regulation

[T]his consultation focuses on the scheme design rather than the wider waste strategy that underpins the scheme. Although the proposed product stewardship scheme for tyres and large batteries was developed based on the current waste strategy it will work more effectively with support from the proposed waste strategy with its proposed circular intent and strengthened legislation.¹⁵⁸

Some submitters mentioned their submissions to the national waste strategy and legislation review,¹⁵⁹ proposing a range of new approaches.

- Enable flexible product stewardship fee structures such as eco-modulation.¹⁶⁰
- Set up an independent central government entity to manage waste (including regulated product stewardship schemes).¹⁶¹
- Require consumers by duty of care regulations to dispose of products at an accredited collection point.¹⁶²
- Strengthen local government enforcement powers for illegal dumping.¹⁶³
- Introduce a polluter pays tax or levy.¹⁶⁴

Other regulatory tools were recommended, some currently available under the WMA (landfill bans, product labelling) and some not (licensing operators and waste export bans to support efficient product stewardship schemes).

Scheme design and implementation

Others suggested changes relating to scheme design and implementation, including some generic points and others specific to a scheme.

- The schemes should be independently reviewed.¹⁶⁵
- Information technology systems need to consider data usage, storage and privacy issues.¹⁶⁶

Tyre scheme

- The tyre scheme should be established by March 2023 at the latest, rather than having that as an 'earliest possible start date', to reflect the urgency of the current situation.
- The focus of the scheme needs to be on market creation for uses higher up the waste hierarchy.

¹⁵⁸ NZ Association of Metal Recyclers.

¹⁵⁹ <https://environment.govt.nz/publications/taking-responsibility-for-our-waste-consultation-document/>

¹⁶⁰ Palmerston North City Council.

¹⁶¹ WasteMINZ Territorial Authorities' Officers Forum and one other.

¹⁶² Waikato Regional Council.

¹⁶³ Manawatū District Council.

¹⁶⁴ Anonymous local government submitter.

¹⁶⁵ Individual submitter.

¹⁶⁶ Environment Canterbury.

The concept that incineration is what is on offer from the market misses the essence of the whole-of-life systemic approach that underpins stewardship ... Tyres should be circulated back to primary production and not incineration.¹⁶⁷

...[use] incentives to encourage solutions to be developed that focus higher up the waste hierarchy is supported, to encourage solutions that don't use tyres as fuel.¹⁶⁸

- The scheme incentive payments should also apply to tyre retreading.

Retreading truck tyres is a modern efficient process and has a place in the circular economy.¹⁶⁹

- The people receiving the disposal money must be audited closely.¹⁷⁰
- Audit and issue a certificate of compliance for tyre management.

Currently the final disposal of the tyres is not being monitored. Due to improper disposal by several collectors shipping lines are refusing to carry this cargo. However, this issue can be resolved if the whole process of disposal of end-of-life tyres is audited and a certificate issued ... Surety on disposal in an environmentally friendly manner, cargo movement monitored and audited hence no room to damage the environment.¹⁷¹

- Funding will be required for tyre storage depots.

Sites need to be funded, need to meet minimum standards such as concrete floors security fencing and an office [and] facilities to clean soiled tyres ... Storage sites need to be minimum 3,000 square metres, and maximum 10,000 square metres in area. Need minimum 40 sites around the country.¹⁷²

- Collection facilities will need the capacity to manage large volumes of tyres that have been waiting to be processed. The scheme could be overrun on day one with legacy tyres.¹⁷³
- The scheme is too complex, with product, data and payments in multiple directions, and poor incentives for retailers.

It needs to be simplified and the status quo 'pay for service' market dynamics maintained ... This will be administratively burdensome and expensive to manage. We believe the Scheme could be simplified with more limited involvement by the Scheme Manager.¹⁷⁴

... tyre sellers/tyre fitters (Generators) are required to accept/collect the end-of-life tyres. They don't get paid by any party. In addition, they don't pay the Transporter to collect the stockpiled tyres and cart them away. The Transporter is paid by the Scheme. There needs to be an incentive for the Generators to perform their collection function compliantly ... [to ensure] normal market driven master servant relationships apply that will enhance safety, quality, cost effectiveness and service performance.¹⁷⁵

¹⁶⁷ Marlborough District Council.

¹⁶⁸ Zero Waste Network.

¹⁶⁹ Power Retreads.

¹⁷⁰ BG Marketing.

¹⁷¹ Individual submitter.

¹⁷² Anonymous business/industry submitter.

¹⁷³ Goodyear Dunlop Tyres NZ and Happy Valley Ventures.

¹⁷⁴ EnviroNZ.

¹⁷⁵ EnviroNZ.

Large battery scheme

- The large battery scheme should evolve to design out waste.
- The scheme should be independently reviewed.
- Large batteries should only be exported if they will be managed in line with circular economy principles.
- Tyre collection and storage sites could also be used for storing batteries.
- One anonymous local authority submitter asked for clarify on scheme payments with multiple opportunities for upcycling.

We request further clarification about whether multiple payments would be made to service providers for the same battery during the different phases of its multiple uses and end of life. We express our expectation that the scheme will not reduce the opportunity for income generation when selling a large battery for repurposing (i.e. bus operators will be able to sell reduced-charge batteries without additional charges or fees applied).

Cover both large and small batteries

- Ensure out-of-scope large batteries are covered by the wider e-waste scheme.
- Manage both large and small batteries, as repairers and recyclers will likely be handling both sizes.
- Focus first on small batteries and expand to large batteries later.
- Include batteries from e-bikes, e-scooters, drones and lawnmowers in the scheme, as recyclers were already handling these.

Onshore infrastructure

Submitters said New Zealand needed to build its own infrastructure for the schemes. This would reduce our reliance on offshore processing, and mitigate the challenges of international shipping and reduce risk of harm to other communities from the processing of our waste.

Another point was that managing and processing waste onshore would create jobs for New Zealanders, and maintain public confidence in our commitment to protecting the environment.

Identifying and filling infrastructure gaps would also need to be part of scheme design:

There needs to be a critical assessment done on what these markets are for tyre derived products, the economic stability of these markets and what is the infrastructure gap in the various regions of NZ. This should be a piece of research completed as part of a full life cycle assessment (LCA) prior to the introduction of the scheme.¹⁷⁶

¹⁷⁶ EnviroNZ.

Regulatory Impact Statement: Regulations to support product stewardship schemes for tyres

Coversheet

Advising agencies	Ministry for the Environment
Decision sought	Determine final policy for regulations to support product stewardship schemes for tyres
Proposing Ministers	Hon David Parker, Minister for the Environment

Summary: Problem and Proposed Approach

Problem Definition

What problem or opportunity does this proposal seek to address? Why is Government intervention required?

Tyres can cause significant environmental harm if not properly disposed. Currently, there are limited options for disposing of them in an environmentally safe way, and no product stewardship scheme is in place to address the environmental harm. International jurisdictions where regulated product stewardship schemes are in place have higher recovery and recycling rates than New Zealand.

The Government declared tyres as a priority product in July 2020 under section 9 of the Waste Minimisation Act (WMA). This created a statutory duty under section 10 of the WMA for priority product stewardship schemes to be designed and accredited as soon as practicable. The product stewardship scheme for tyres (Tyrewise scheme) was accredited in October 2020. This scheme is waiting on regulations to support it before it can be implemented.

Cabinet agreed to consult on proposed regulations for product stewardship schemes for tyres [DEV-21-MIN-0202 refers]. In addition, regulated product stewardship was a commitment in Labour Party 2020 Manifesto.

Summary of Preferred Option or Conclusion (if no preferred option)

How will the agency's preferred approach work to bring about the desired change? Why is this the preferred option? Why is it feasible? Is the preferred approach likely to be reflected in the Cabinet paper?

Regulations to support a product stewardship scheme for tyres

The Ministry proposes setting the following regulations to implement a product stewardship scheme for tyres:

- requirement for producers and sellers to participate in an accredited product stewardship scheme
- product stewardship fee to cover end-of-life product management
- requirement for product stewardship organisations to provide a product take-back service and to meet service expectations and targets
- quality standard for end-of-life product management
- cost recovery for applications and ongoing scheme monitoring
- information requirements to enforce the above.

Of the two options considered under current Waste Minimisation Act provisions, the option that has enhanced take-back and targets is preferred as it enables the Government to set enforceable expectations for service delivery. It also ensures that the consumer has access to free and convenient collection services. It will likely increase the number and availability of onshore

disposal services, removing barriers to the public accessing these services. The expected outcome is an increase in tyre recovery rate, compared to other options.

Summary

The Cabinet paper will reflect the preferred option, which is *Option B: Basic Foundation plus Take-back and Targets*. This option sets enforceable expectations on the Product Stewardship Organisation (PSO) to provide a take-back service and sets targets for the provision of that service.

Section B: Summary Impacts: Benefits and costs

Who are the main expected beneficiaries and what is the nature of the expected benefit?

The expected beneficiaries for the proposed option are the environment, local government ratepayers, taxpayers, tyre industry, and the public.

The proposals require the whole industry to participate and pay a product stewardship fee to fund the end-of-life management of tyres. It provides tyre take-back services to shift tyre disposal costs and responsibilities from local government ratepayers and taxpayers to industry and tyre consumers. Industry and the public are expected to benefit from increased access to tyre collection and disposal services, and information on safe disposal practices. Government can set enforceable expectations to oversee the scheme implementation and drive better take-back outcomes. It achieves circular resource use and reduces waste tyres that would otherwise cause harm to environment and people.

Where do the costs fall?

Product stewardship schemes will impose costs on product stewardship organisations (PSO), industry (importers, producers) and consumers. The PSO is the organisation which implements the accredited product stewardship scheme. The Ministry expects costs to be passed onto consumers through the product stewardship fee.

The cost drivers of the product stewardship scheme for tyres are:

- collection of the end-of-life tyres
- transportation of the end-of-life tyres
- disposal of the end-of-life tyres
- product stewardship fee administration
- compliance, monitoring and enforcement
- providing consumer information
- scheme incentive payments for processing end-of-life tyres.

For the product stewardship scheme for tyres, the total cost of the scheme will be around \$59.9 million per year.

The Government is proposing a product stewardship fee of \$6.65 per tyre equivalent passenger unit. Importers and onshore manufacturers must pay the product stewardship fee on imported and domestic manufactured tyres. Costs shifted to producers (i.e. importers and retailers) are expected to be passed on to consumers at least in part. The cost paid upfront covers the free disposal at its end of life. This is around the same amount as many consumers are currently paying retailers for tyre disposal (this is commonly known as a “environmental fee”).

This RIS includes key aspects of a Cost Recovery Impact Statement (CRIS) 1 and 2 for tyres.

What are the likely risks and unintended impacts? How significant are they and how will they be minimised or mitigated?

Product stewardship organisation role and service delivery

Introducing regulation that prohibits sale of a tyre, except in accordance with an accredited product stewardship scheme, enables an accredited product stewardship organisation (PSO) to set the terms of sale. This concentrates decision-making power with the accredited PSO.

To mitigate this risk, the co-design model has been used, which is industry and community-led and includes regular engagement with all key stakeholders.

The Minister had the final say on whether the scheme is accredited. Tyrewise demonstrated in their accreditation application how their scheme is consistent with the General Guidelines for Product Stewardship Schemes for Priority Products Notice 2020, and how they meet sections 14 and 15 WMA requirements.

The Ministry undertook a verification process to ensure the application was consistent with the General Guidelines, prior to giving advice on the Minister on accreditation.

The Ministry can hold the product stewardship organisation to account for delivering the services, as the Minister can revoke accreditation if WMA requirements are no longer met.

Waste Minimisation Act regulatory tools

A risk of suboptimal outcomes is posed by using WMA product stewardship regulatory tools for the first time, at least in the short to medium term. We will not know how fit for purpose the WMA options are until we use them. To mitigate this risk, we will engage in close monitoring, regular review and reporting of outcomes (including financial), enforcement as required, and encouraging continuous improvement by the accredited product stewardship organisation (PSO).

The Ministry will review the fee quantum every three years in line with New Zealand Treasury cost recovery guidance.

The General Guidelines set expectations that accredited schemes undertake annual independent audits on scheme performance and include this information in annual reports to the Ministry.

Ministry will audit PSO financial statements on an annual basis at a minimum to verify the fee revenue is being used on purposes allowed for under the regulations, and the scheme remains consistent with the guidelines.

Ministry's ability to monitor priority product schemes and ensure it delivers expected outcomes

Ministerial guidelines for priority product schemes

The Government published Ministerial guidelines (under section 12 of the WMA) for priority product schemes in 2020. These guidelines set out the product stewardship scheme expected effects and contents. For example:

- a. continuous improvement in minimising waste and harm, maximising benefit from the products at end of life, and product management higher up the waste hierarchy.
- b. investment in initiatives to improve circular resource use including reuse and new markets.
- c. education and feedback for participants (producers and consumers).
- d. provision of a take-back service that is free to consumers (no access or quality controls).
- e. publicly available annual reports on scheme outcomes, mass balances and finances.
- f. setting and reporting on targets including continuous improvement, performance against best practise, new market development and public awareness.

However, ensuring that accredited schemes implement the guidelines in practise is not easily enforceable under the WMA. The sanction available is complete revocation of scheme accreditation if reasonable attempts are not being made to implement the scheme or if objectives are unlikely to be met (section 18(1)(a)). This would pose a significant risk of unintended consequences until a new scheme could be put in place.

The Ministry has been undertaking work to improve the accreditation process and strengthen the Ministry oversight of scheme operations to minimise the risk. The Ministry is also mitigating this risk by proposing take-back regulations and recycling targets (under WMA 23(1)(c)) to support the product stewardship schemes. The product take-back and targets regulations would require the PSO to provide free and convenient product collection and recycling services that meet performance targets (such as a product recycling rate). This regulation would set clear expectations, while providing the PSO sufficient flexibility to meet the Ministry's expectations. PSO could also be liable to financial sanctions under WMA section 65(1)(c) if they failed to provide appropriate take-back service or meet the targets.

However, the PSO is a not-for-profit organisation and the fee collected is only designed to fund the scheme. Financial sanctions imposed upon the PSO could affect the ability for PSO to operate the scheme and lead to unintended consequences, such as inability to provide take back service or incentivise better reuse options.

To mitigate this, we will input into the upcoming Waste Minimisation Act review to address current barriers to effective product stewardship schemes.

Section C: Evidence certainty and quality assurance

Agency rating of evidence certainty?

The Ministry has assessed evidence on:

- The extent of environmental problems caused by tyres.
- The impacts of product stewardship approaches.

The extent of environmental problems caused by tyres

The Ministry has limited evidence on the extent of environmental problems caused by tyres due to current data collection practices. The rating of evidence certainty on the problem is low.

Details on insufficient data are elaborated under section 1.2 Key Limitations or Constraints on Analysis.

The impacts of product stewardship approaches

The Ministry currently has evidence sources available from:

- comparable product stewardship schemes in place internationally
- co-design reports produced by product stewardship working groups commissioned to recommend scheme designs
- monitoring data available from current voluntary product stewardship schemes for tyres.

As no regulated product stewardship schemes are in place in New Zealand, the Ministry has used comparable data internationally on similar product stewardship approaches to estimate policy impacts. This data demonstrates that New Zealand tyre collection rate is lower than comparable jurisdictions internationally operating similar regulated schemes.

Although there is strong evidence that comparable tyre product stewardship schemes internationally work more effectively, the rating of evidence certainty is low. This is due to the difference in legislative frameworks across countries, which increases the uncertainty of how the tyre scheme would work in New Zealand context.

The Ministry notes that this is the first-time priority products have been declared, and the regulatory powers under section 22(1)(a) used.

The Ministry has a limited ability to estimate and test the costs of establishing and operating product stewardship schemes, and subsequently set an advanced stewardship fee, as this is the first-time regulated product stewardship schemes have been established in New Zealand.

To be completed by quality assurers:

Quality Assurance Reviewing Agency:

The Ministry for the Environment Regulatory Impact Analysis Panel

Quality Assurance Assessment:

Meets quality assurance criteria

Reviewer Comments and Recommendations:

The Ministry for the Environment's Regulatory Impact Analysis Panel has reviewed the Impact Statement: Regulations to Support a Product Stewardship Scheme for Tyres as well as the Stage 1 and 2 Cost Recovery Impact Statement. The Panel noted that only regulatory options were available for consideration given the preceding decision of Cabinet to declare tyres one of six priority products under the Waste Minimisation Act 2008. The Panel also noted impact data to compare options and to inform the Cost Recovery Impact Statement were largely drawn from a single source, being the industry and officials group developing the framework for the scheme. Finally, given this will be New Zealand's first regulated product stewardship scheme, it is expected implementation and compliance elements will change and improve through experience. Overall, the Panel confirms that the information and analysis summarised in the Impact Statement meets the quality assessment criteria necessary for Ministers to make informed decisions.

Impact Statement: Regulations to support product stewardship schemes for tyres

Section 1: General information

1.1 Purpose

The Ministry for the Environment are solely responsible for the analysis and advice set out in this impact statement, except as otherwise explicitly indicated. This analysis and advice has been produced for the purpose of informing Cabinet decisions on policy options for regulations to give effect to product stewardship schemes for tyres.

1.2 Key Limitations or Constraints on Analysis

What issues are in and out of scope?

In July 2020, the Government declared six product types to be priority products under section 9 of the WMA ([CAB-20-MIN-0312](#) refers). The products are tyres, electrical and electronic products (e-waste, including large batteries), farm plastics, plastic packaging, agrichemicals and their containers, and refrigerants (and other synthetic greenhouse gases). The Minister also issued the General Guidelines for Priority Product Schemes, setting expectations for priority product stewardship schemes.

These products were selected from 24 waste streams using five criteria connected to the WMA and practical implementation factors (being risk of harm, resource efficiency opportunity, sufficiency of voluntary measures, industry readiness, and current products/producers).

Declaration of a priority product under the section 9 of the WMA triggers two steps. Firstly, a product stewardship scheme for the product must be developed and accreditation by the Minister obtained. And secondly, under section 22(1)(a), regulations may be used to require sellers and distributors of the priority product to do so in accordance with an accredited product stewardship scheme for that product.

Stakeholders have co-designed product stewardship schemes for four of the six priority products, and Cabinet has agreed that the schemes for tyres and large batteries are now ready to progress toward a regulatory framework with broad industry support.

In scope

This analysis is limited to regulatory options for the tyre product stewardship scheme. This analysis focuses on mechanisms to achieve the purpose of the Waste Minimisation Act 2008 Product Stewardship provisions in section 8:

Encourage (and, in certain circumstances, require) industry to share responsibility for:

- ensuring there is effective reduction, reuse, recycling, or recovery of the product, and
- managing the environmental harm arising from the product when it becomes waste.

Out of scope

The Ministry has limited the scope of this regulatory impact statement (RIS) to regulations to support a product stewardship scheme for tyres, as the co-design process has concluded, and the support level for a regulated framework from the consultation in late 2021 was high.

Other priority products are out of scope of this RIS.

What is the evidence of the problem?

There is limited evidence on waste to understand the extent of environmental problems of all priority products and the amount of costs borne by the wider community and future generations.

Currently, tyres are not tracked through the lifecycle, as no record-keeping requirements are set under existing data collection regime. This means the Ministry has limited data to estimate the impact and size of the environmental problem caused by waste tyres, and the economic and social benefits from a more circular use of waste tyres.

Instead, we based our understanding on the co-design report of the tyre product stewardship scheme that stated approximately 6.5 million tyres entered New Zealand annually, and this will increase in line with the increases in New Zealand population and number of vehicles imported each year.¹ It is estimated one third of end-of-life tyres are currently diverted from disposal, while the remaining 67 percent of end-of-life tyres had an unknown end use, including being exported (for reuse or for fuel or material recovery); disposed of to landfill; and a large number end up in storage and stockpiles.²

The extent of the environmental problem from these tyres is unclear, but anecdotal evidence is available, mostly in the form of media articles reporting on tyre fires. Costs to ratepayers to clean up tyre fires, including the fire service cost and the loss to businesses, are estimated to be 1.8 million per year.³

There is evidence available from monitoring the status quo for tyres (i.e. no product stewardship scheme). In 2019, only 30% of tyres in New Zealand were diverted from landfill. This data demonstrates that New Zealand tyre collection rates are lower than comparable jurisdictions internationally operating regulated schemes for tyres. The tyre diversion rates in Europe, Japan and the United States of America are over 80%, and Canada and South Korea are over 90%.

What are the range of options considered?

The Ministry has considered international product stewardship models and regulatory tools available under the current Waste Minimisation Act 2008 (WMA) to give timely effect to the Government's priority product decision. The Ministry considered the status quo (not introducing regulations), but this option was not considered feasible as it did not meet the policy objectives. The following two options are considered:

- **Option A:** Basic Foundation requires producers and sellers to participate in an accredited scheme, pay a product stewardship fee, provide the Ministry information to monitor and enforce the requirements, and sets quality standards for large batteries.
- **Option B:** Basic Foundation plus Take-back and Targets, which contains all Option A elements, as well as take-back service requirements and collection targets.

The Ministry proposes using these powers until improved options are available through WMA review or other legislation. If the WMA review occurs in time for the other priority products consultation round, adjustments can be made accordingly. For the time being, the current assessment criteria includes the ability to give effect to the options under existing legislation.

¹ Tyrewise (2020), Regulated Product Stewardship for End of Life Tyres, "Tyrewise 2.0" Updated Report, accessed at <https://110ppppax8b3fccwh3zobtwswpengine.netdna-ssl.com/wp-content/uploads/2020/07/Tyrewise-2.0-Master-Report-Final-Released-22July2020-with-disclaimer.pdf>

² Ibid, p.82

³ Tyrewise (2020), Cost Benefit Analysis, accessed at <https://www.tyrewise.co.nz/the-project/reports/>

What are the criteria used to assess options?

The Ministry have assessed Options A and B against these criteria:

<p>Effective Likely to support significant improvement in:</p> <ul style="list-style-type: none"> • resource cycling/waste minimisation • reduction of harm in relation to the products.
<p>Fair Likely to:</p> <ul style="list-style-type: none"> • move costs and responsibilities from communities to producers and product consumers • incentivise full sector participation.
<p>Efficient Able to be implemented:</p> <ul style="list-style-type: none"> • without placing undue costs on the community, business, or public funds • under existing legislation.

There were no weightings applied to the criteria. They are treated equally.

What are the assumptions underpinning the impact analysis?

Assumption	Explanation and impact on analysis
Accredited schemes will be designed to achieve Waste Minimisation Act outcomes.	<p>To be accredited a product stewardship scheme must demonstrate it will achieve significant reduction in harm, and/or benefits from the reuse, reduction and recycling of the product.</p> <p>The Minister must accredit a product stewardship scheme if it meets the Act requirements, including promoting waste minimisation or reducing environmental harm.</p> <p>The Ministry has assumed that if a regulation is made requiring industry & producer participation, accredited schemes will largely achieve targets and have similar outcomes to comparable international schemes.</p>
<p>Schemes will take approximately five years to operate at full capacity. This time length depends on:</p> <ul style="list-style-type: none"> • if an existing voluntary product stewardship scheme is in place; and • the quality of the co-design process, accreditation application, and existing product collection network is in place. 	<p>The recovery rate in the product stewardship model is set to align with comparable product stewardship schemes at year 6 to provide time for scheme implementation to take effect.</p>
Regulated product stewardship schemes, once operating at full capacity, will achieve comparable outcomes to international jurisdictions with similar policies.	<p>The Ministry has estimated recycling and recovery rate improvements, based on international jurisdictions with similar policies.</p>

What is the quality of data used for impact analysis?

Where possible, we have used available data and evidence to gauge possible impacts, but the resulting assessments have been hindered to an extent by a lack of data.

The data available is of varying quality:

- **High quality** – data is available from evaluation reports on international scheme designs. These sources inform a market gap analysis undertaken by Tyrewise⁴, identifying international measures necessary for an effective management system and whether New Zealand has these measures in place. The reports inform the overall impact assessment of introducing regulated product stewardship schemes.
- **Lower quality** – the working groups surveyed industry groups and key stakeholders on current practices to inform the problem definition and scheme impact. The data is largely anecdotal, however international examples verify anecdotal evidence.

The limitations and gaps in data include:

- **There is limited evidence on waste, including all priority products:** In 2019 the Ministry noted only 45 per cent of the waste disposed of in New Zealand goes to Class 1 municipal landfills (subjected to the waste levy)⁵, and that only comprehensive data on volumes of waste disposed of at these landfills was available. There is limited data available on waste disposed of at other types of landfills (and on recycling), as this information does not have to be reported to the Ministry. Although the waste levy amendments in 2020 will improve national landfill data in the future⁶, it will not improve the data on reuse, repair and recycling. Changes adopted as part of the expansion of the waste disposal levy to additional sites will start to improve the range of information we have available, but it is clear that our data, and research and evidence base for waste and resource efficiency still needs to further improve. The Waste Minimisation Act review will consider opportunities to develop tools to gather data and build an evidence base to understand and improve our performance.
- **Accredited product stewardship schemes will provide data for the chain of custody:** Accredited product stewardship schemes will be required to report to the Ministry on product collection and disposal pathways as part of reporting requirements to enforce the product take-back and targets regulations. Schemes must provide a transparent chain of custody for collected and processed materials, and publish mass balances (for example, weights) showing rates of reuse/recycling or environmentally sound disposal of priority products. Scheme reporting will help address deficiencies in priority product data available.
- **First time regulated product stewardship schemes developed:** as this is the first-time priority products have been declared and regulations proposed to require participation in an accredited scheme, limited data is available on the potential impact of regulated product stewardship schemes in New Zealand. The Ministry has used data available from evaluation reports on comparable product stewardship schemes internationally to estimate the impact of introducing regulated schemes.
- **Import data for tyres:** the Ministry used Customs import data and vehicle registration data to estimate total tyres imported to estimate product stewardship fees and total scheme impacts. The data quality is limited by the self-reporting accuracy rate, as importers self-declare tyres against tariff codes with high rates of inaccuracy. Currently there are no

⁴ Tyrewise is a regulated product stewardship programme which has been accredited by the Government.

⁵ Ministry for the Environment, 2019, Reducing Waste: A more effective landfill levy, accessed at <https://environment.govt.nz/publications/reducing-waste-a-more-effective-landfill-levy-consultation-document/>

⁶ in 2020 the Government amended the WMA waste levy provision to apply the levy to all classes of landfill (1-4) and improve data collection. However, data will not be immediately available as the waste levy expansion is being phased-in over the next three years and it will likely be five years before initial trends are known.

domestic tyre manufacturers, therefore import data and vehicle registration data cover the vast majority of eligible tyres brought into the country. Some vehicles do not need to be registered with Waka Kotahi, so will not be captured by data collection.

- **Schemes designed through a co-design process:** The Ministry is developing regulated product stewardship schemes through a co-design process with largely industry-led working groups. This impact assessment is informed by co-design reports, developed and published by these working groups. The information available is limited by the quality of these reports.

What limitations may there have been on consultation and testing?

Limitations	How the limitation will be addressed?
<p>Priority product declarations This is the first-time priority products have been declared, and regulations considered to give effect to the schemes. The Ministry has not tested many aspects of the proposals, and mechanisms used to give effect to the proposals.</p>	<p>The Ministry will monitor the efficacy of the schemes in meeting their objectives and will review the schemes on a regular time period.</p>
<p>Limited ability to test fee estimates As this is the first-time regulated product stewardship has been implemented in New Zealand, the Ministry must estimate the cost of establishing and operating regulated product stewardship schemes. It is possible scheme administration costs have been over or under-estimated.</p>	<p>The Ministry has estimated fees based on number of products imported, and industry’s estimated costs of operating a product stewardship scheme. If costs are over or under-estimated, the Ministry will review the product stewardship fee level and structure. Fee estimates include a reserve that is required to enable the product stewardship organisation to operate as a not-for-profit entity.</p>
<p>Quality of co-design process and reports The quality of evidence provided is influenced by the quality of co-design reports developed by working groups. Public involvement in the co-design process was limited.</p>	<p>The Ministry sought public input into the evidence base through the consultation process. The Ministry requested evidence on the impact of proposals on each sector through consultation questions.</p>
<p>Range of options considered The Ministry has only considered options available under the existing Waste Minimisation Act for product stewardship governance and funding.</p>	<p>The upcoming Waste Minimisation Act review will consider a broader range of regulatory options.</p>

1.3 Responsible Manager (signature and date):

Shaun Lewis
 Regulated Product Stewardship
 Waste and Resource Efficiency
 Ministry for the Environment
 2 June 2022

Section 2: Problem definition and objectives

2.1 What is the current state within which action is proposed?

Tyres

Actions to date towards end-of-life tyres (ELTs)

Product Stewardship Scheme

The voluntary Tyre Track scheme, co-sponsored by the Motor Trade Association and Ministry for the Environment (2004–09), fostered trading between registered tyre generators⁷ and collectors and tracked the fate of the registered tyres. By the end of the programme, about a third of waste tyres were registered but national rates of recycling and illegal dumping were not affected.⁸

Regulated product stewardship schemes are designed to address these challenges by requiring the whole industry to participate. Tyrewise is a regulated product stewardship programme for ELTs which was accredited by the Government in October 2020. This scheme is waiting on regulations to support it before it can be implemented.

Infrastructure enabling tyre-derived fuel use at Golden Bay Cement

The Waste Management Fund (WMF) provided \$16 million of the \$25 million needed to upgrade Golden Bay Cement's kiln to enable replacement of coal with tyre-derived fuel, resulting in a reduction of greenhouse gas emissions. The WMF also co-funded establishment of a major tyre shredding plant in Auckland to prepare tyre-derived fuel for Golden Bay Cement.

National Environmental Standard for Storing Tyres Outdoors

This Standard, in effect since 20 August 2021, provides nationally consistent rules that enable council enforcement of illegal tyre stockpiling.

Nature of the market

Tyres are characterised as being new, retread, end-of-life tyres (ELTs) or waste tyres. ELTs or waste tyres are used tyres that are not or cannot be reused for their originally intended purpose and are not retreaded.

The declaration of tyres as a priority product covers all pneumatic (air-filled) tyres and solid tyres for use on:

- motorised vehicles (for cars, trucks, buses, motorcycles, all-terrain vehicles, tractors, forklifts, aircraft, and off-road vehicles)
- bicycles (manual or motorised)
- non-motorised equipment.

In 2019, around 6.5 million tyres (or 93,000 tonnes of tyres) entered the New Zealand market. This is a significant increase in tyres imported since 2011 (estimated at 4.8 million tyres (units)).

The below table outlines the categories of tyres captured by the proposed Tyrewise scheme and estimated equivalent passenger unit (EPU) generated by new and used tyre imports.

⁷ A generator is an entity that generates tyres as a result of their operations.

⁸ Ministry for the Environment (2006), Product stewardship case study for end-of-life tyres, accessed at <https://environment.govt.nz/publications/product-stewardship-case-study-for-end-of-life-tyres/>

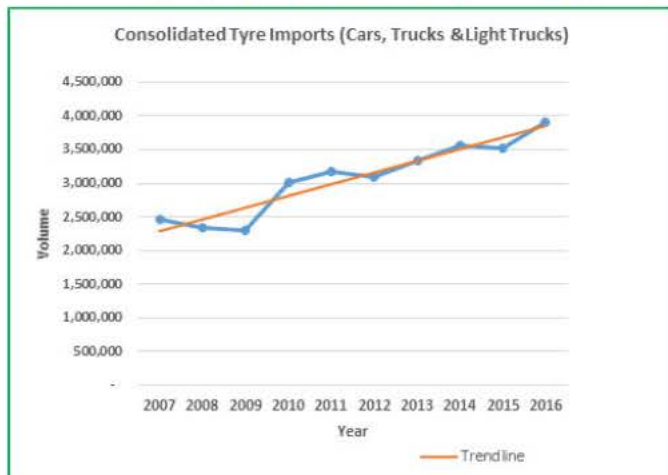
Table 1 Imported tyres by category, EPU and weights, conditions new and used

Table 12 Number of USED tyres and material composition by weights ²⁰												
Tyre type	Avg used weight (kg)	Material composition (percentage)			Volume of tyres (Units)				Material Weight - End of Life Tyre (tonnes)			
		Rubber	Steel	Textile	New tyres imported (2019 data set)	Used tyres imported (2019 data set)	Tyres on vehicles (2019 data set)	Total tyres (units)	Rubber	Steel	Textile	Total weight (tonnes)
Aircraft	1.6	70%	10%	20%	4,027	0	0	4,027	42.62	6.09	12	61
Construction/Industrial	4.2	70%	30%	0%	17,678	0	0	17,678	498.94	214	-	713
Light commercials /Industrial	1.7	69%	25%	6%	145,478	6,338	0	151,816	1,602.06	580.46	139	2,322
Motorbike	4.0	70%	18%	12%	120,795	0	22,010	142,805	398.85	102.56	68	570
Off road ATV	2.5	70%	18%	12%	49,163	0	0	49,163	86.72	22	15	124
Off road (earthmovers)	53.1	70%	30%	0%	10,213	0	0	10,213	3,609.22	1,547	-	5,156
Off Road (forestry)	3.7	70%	30%	0%	259,046	0	0	259,046	6,397.39	2,742	-	9,139
Off Road (graders)	19.5	70%	30%	0%	543	132	0	675	70.26	30	-	100
Passenger	0.8	72%	21%	7%	3,601,330	211,493	1,370,171	5,182,994	28,564.26	8,331.24	2,777	39,673
Solid industrial (forklift)	3.0	70%	30%	0%	24,222	0	0	24,222	484.25	207.53	-	692
Tractors - large	6.8	70%	30%	0%	19,346	0	6,032	25,378	1,149.01	492	-	1,641
Tractors - small	2.2	70%	30%	0%	13,610	0	6,032	19,642	288.74	124	-	412
Truck, Bus	3.5	68%	32%	0%	252,061	33,050	354,936	640,047	13,868.67	6,526	-	20,395
Total tonnes of TDP's annually					4,517,512	251,013	1,759,181	6,527,706	57,061	20,925	3,012	80,998
					Measurement			Units	Tonnes			

Current trends: Import

Tyre imports are increasing over time in line with increases in New Zealand population and number of vehicles imported (Figure 1).

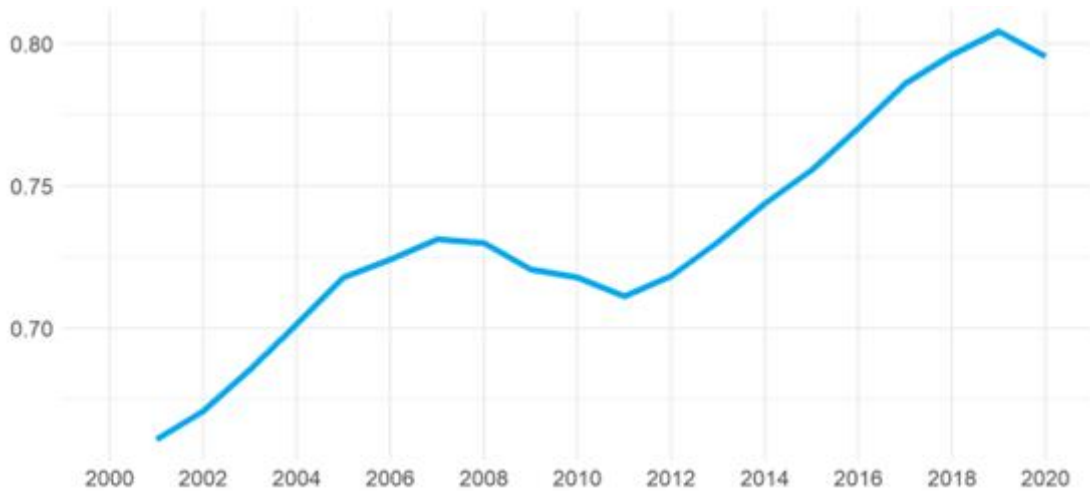
Figure 1: Consolidated Tyre Imports (based on Customs data)



Fleet analysis

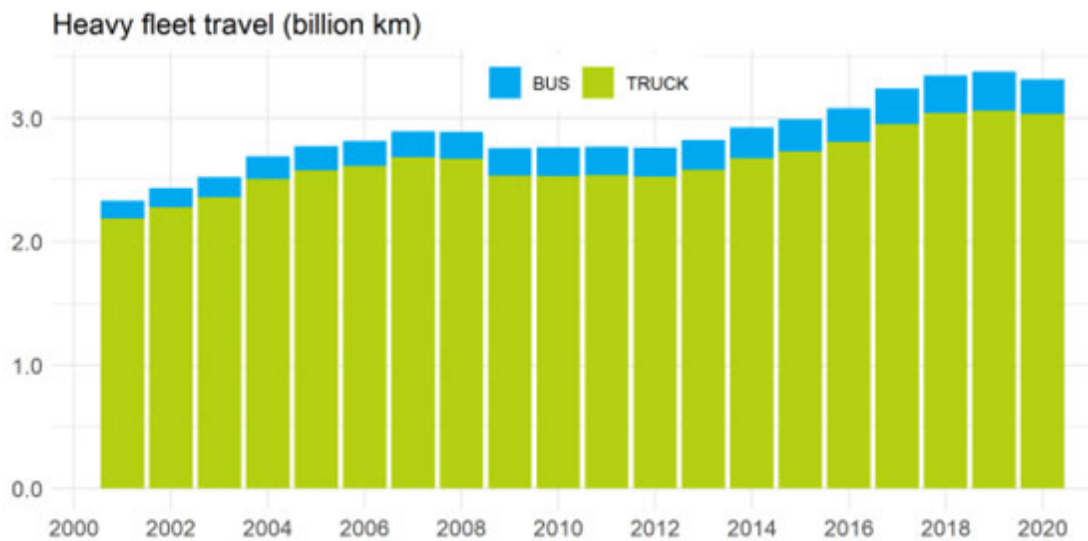
The Ministry of Transport vehicle fleet composition data shows that vehicle fleet numbers have been increasing constantly over the period 2011 to 2019.⁹ The vehicle fleet had a modest decline in 2020, likely due to the impact of COVID-19. The Ministry assumes that end-of-life tyres produced will increase in line with this trend, as the current vehicle fleet is retired.

Figure 2. Light fleet ownership per capita 2000-2020¹⁰



In 2020, over 167,000 heavy vehicles were registered in New Zealand. Trucks, carrying freight, are the major contributor of heavy vehicle travel.

Figure 3. Heavy fleet trends 2000 - 2020¹¹



⁹Te Manatu Waka, the Ministry of Transport (2020) Te tauranga rangai waka a tau 2020 | Annual fleet statistics 2020, accessed at <https://www.transport.govt.nz/assets/Uploads/Report/AnnualFleetStatistics.pdf>

¹⁰ ibid

¹¹ ibid

Golden Bay Cement

In February 2021 to January 2022, Golden Bay Cement (GBC) has consumed approximately 20,000 tonnes (or nearly 20 per cent out of 93,000 tonnes estimated in 2019) of Tyre Derived Fuel (TDF) product over the past 12 months. At full capacity, the facility has the potential to consume approximately 30,000 tonnes of TDF product annually. Reaching this target is dependent on GBC finding the right fuel mix for its cement kiln.

End-of-life tyres

At present, the market for end-of-life tyres in New Zealand remains relatively undeveloped (with the exception of Golden Bay Cement) and the total demand for end-of-life tyres is low.

The Ministry holds limited data on the exact disposal pathway. An estimated one third of end-of-life tyres are currently diverted from disposal (Tyrewise Working Group, 2012), including:

- an estimated 14 percent are exported whole for reuse and recovery.
- 13 per cent are processed onshore.
- 4 per cent are used as silage covers.
- 1 per cent are used in pyrolysis trials.

Tyrewise estimated that 67 percent of end-of-life tyres had an unknown end use (Tyrewise Working Group, 2012).

Environmental impact

The remaining tyres are exported; disposed of to landfill; and a large number end up in storage and stockpiles, which may cause the following harm:

Harm	Description
Environmental	<p>Tyre dumping and stockpiling can increase the risk of harm from fire and toxic materials entering air, soil and water.</p> <p>Disposal of tyres in landfill takes up valuable landfill space, as well as creating issues for landfill stability and management and the risk of toxic leachate.</p> <p>Large tyre fires have occurred in tyre stockpiles in New Zealand. Tyre fires create toxic smoke, are difficult to extinguish, and can create pollution to soil and waterways through oily effluent and run-off. The compounds found in the smoke from uncontrolled tyre fires can create significant acute (short-term) and chronic (long-term) health hazards to firefighters and nearby residents including respiratory effects, central nervous system depression, and cancer.</p>
Health	<p>Tyre stockpiles also hold water which can be a breeding ground for mosquitoes, which can create a human health risk if these mosquitoes carry diseases. Currently there are not many mosquitoes capable of carrying serious diseases in New Zealand, but if an establishment of a population occurred, all above-ground tyre piles near urban centres would of concern and spraying them against mosquitoes would be costly and ineffective.</p>
Economic	<p>It is also a missed opportunity to create further value from the resources in the tyres and to minimise waste. For example, from whole tyres used in civil engineering projects (eg, baled retaining walls, temporary roads, sea embankments). At present, benefits from tyre derived fuel over the next ten-year period is 14.4 million. It is estimated to become 113.6 million if there is an effective product stewardship scheme for tyres in place (Tyrewise, 2020).</p>

If no action is taken, the accumulation of end-of-life tyres is expected to grow, leading to an increase in environmental and health hazards and missed economic opportunities.

Social context

Apart from the environmental and health hazards, tyre stockpiling and dumping has negative effects on visual amenity and can impose costs on ratepayers and landowners. It is also an unproductive use of land.

Survey research found that New Zealanders were willing to pay an estimated \$2.22 per tyre for recycling.¹² These figures suggest that New Zealanders are willing to pay \$10.7 million annually to recycle tyres. This means New Zealanders are aware of the problem of end-of-life tyres and are willing to address it.

At present many tyre retailers charge fees to customers to dispose of tyres, sometimes called an 'environmental fee'. It ranges from \$2.50 up to \$16.00, depending on the size of the tyre from passenger tyres through to off road tyres. Surveys undertaken during 2019/20 showed that 50% of the existing ad-hoc 'disposal fee' is retained by retailers for administrative costs and the balance being passed on to the transporter for removal.¹³ This fee is not part of any scheme, and there is no accountability or transparency on how it is set or used. In practice, only part of the fee is spent on collection services, contributing to under-resourcing of collection and inappropriate disposal of tyres.

Industry structure

Tyre stakeholders include companies and organisations representing tyre importers and suppliers (including new and used car importers), tyre manufacturers, motor services, motorists and tyre transporters, processors and recyclers, as well as local government. Table 2 sets out the main categories of stakeholders, the nature of their interest, and how they are affected by proposals to introduce regulated product stewardship for tyres.

¹² Denne, Atreya and Robinson (2007), Recycling : cost benefit analysis. Prepared for Ministry for the Environment (Final report). covoc.

¹³ Tyrewise (2020), Regulated Product Stewardship for End of Life Tyres "Tyrewise 2.0" Updated Report, accessed at <https://www.tyrewise.co.nz/wp-content/uploads/2020/07/Tyrewise-2.0-Master-Report-Final-Released-22July2020-with-disclaimer.pdf>

Table 2. Stakeholder interest and impact

Stakeholder group	Stakeholders	Nature of interest	Effect of regulated product stewardship proposals
Importers and suppliers Tyres are predominately imported from Japan. Used tyres comprise a smaller proportion of the market.	Three significant tyre importers and distributors collectively account for 80 percent of the market: Bridgestone NZ Ltd, Goodyear, Dunlop Ltd, and Value Tyres.	Market access Scheme participants	Importers must comply with regulated product stewardship requirements, including the requirement to participate in an accredited product stewardship scheme.
Tyre manufacturers Currently, New Zealand has no tyre manufacturing companies.	Tyre manufacture ceased with the closure of the Bridgestone/Firestone factory at Papanui in 2010, and the earlier closure of the South Pacific Tyre factory in Upper Hutt in 2006.	Market access Scheme participants	If tyre manufacturing companies were established in New Zealand in future, they would have to comply with regulated product stewardship requirements.
Motor services	Motor services (for example, mechanics, repair shops, warrant of fitness and servicing stores). These services import and fit new tyres, and dispose of used tyres. Many charge a fee to dispose of used tyres.	Market access Cost and choice	Under the proposals, the disposal fee will be regulated ie, set at a fixed amount in legislation, and will be transparently displayed.
Motorists	The public are tyre consumers. Most of the public obtain new tyres through the above companies when a warrant of fitness is issued.	Cost and choice	Under the proposals, the product stewardship fee cost will be passed onto consumers.
Tyre transporters, processors and recyclers	Transporters/distributors; auto-dismantlers; retreaders; collectors; exporters; processors and recyclers; large vehicle operators; and farmers regularly store end-of-life tyres outdoors.	Market access Scheme participants	Many of these parties will participate in an accredited product stewardship scheme, either voluntarily or in response to regulation.
Local government	Local government develop and implement regional and district plans that have rules managing tyres. The plans also give effect to the National Environmental Standard (NES) for the outdoor storage of tyres.	Scheme participants	Local government may provide drop off locations for tyres and large batteries.

2.2 What regulatory system(s) are already in place?

Currently, the import, disposal, storage, use, and export of tyres is regulated under a range of legislation. The product stewardship proposals aim to complement existing legislation.

Legislation and agency	Relationship to tyres
The Litter Act 1979, administered by the Ministry for the Environment.	The Litter Act prohibits dumping of tyres on any property without the owner's permission. An individual can be fined \$1,000 and a body corporate can be fined up to \$20,000 for dumping tyres. However, research shows that the low penalty fines are insufficient to deter irresponsible tyre collectors from dumping tyres illegally.
National Environmental Standard for Outdoor Storage of Tyres, administered by the Ministry for the Environment.	The NES for tyres manages the risk of harm to the environment, human health, and local communities from outdoor tyre storage. The standards classify: <ul style="list-style-type: none"> • Outdoor tyre storage less than 20 cubic metres as a permitted activity. • Outdoor tyre storage 20 cubic metres or more, but less than 100 cubic metres as permitted activity, subject to compliance with general conditions that control the height of tyre storage, and proximity to sensitive areas through minimum setback distances. Non-compliance with the permitted activity conditions will require resource consent as a restricted discretionary activity. • Outdoor tyre storage 100 metres or more as a discretionary activity, meaning resource consent is required.
Imports and Exports (Restrictions) Act 1988, administered by the Ministry for Business, Innovation, and Employment	The Imports and Exports (Restrictions) Act 1988 controls the importation and exportation of tyres. The Act prohibits the importation, except with the Minister's consent, of tyres that do not meet a range of standards and specifications, such as relating to rim diameter and retreading.
Basel Convention – international obligation	New Zealand is a signatory to the Basel Convention on the Control of Transboundary Movements on Hazardous Wastes. The Basel Convention is an international agreement that aims to reduce the amount of waste produced by signatories and regulates international traffic in hazardous waste. The Environmental Protection Authority gives effect to the Basel Convention by issuing permits for the import and export of tyres.
Climate Change Response Act 2002 (CCRA), administered by the Ministry for the Environment	The CCRA, administered by the Ministry for the Environment, regulates certain activities relating to tyres through the emissions trading scheme. For instance, persons who combust used tyres for energy, such as Golden Bay Cement, are mandatory participants in the New Zealand emissions trading scheme and must report emissions and surrender emissions units.
Health and Safety at Work Act 2015 (HSW Act)	The HSW Act sets controls on the use of tyres in workplaces.

Product stewardship will be regulated under the Waste Minimisation Act

The Waste Minimisation Act 2008 aims to encourage waste minimisation and a decrease in waste disposal to protect the environment from harm, and provide environmental, social, economic, and cultural benefits. The Act:

- sets a levy on waste disposed of in landfills to generate funding to help local government, communities, and businesses reduce the amount of waste generated; and
- establishes a process for government accreditation of product stewardship schemes that recognise those businesses and organisations who take responsibility for managing the environmental impacts of their products.

Section 22 of the Act enables the Minister to declare a priority product, and make regulation prohibiting sale of the priority product, except in accordance with an accredited scheme. This regulation requires sellers and producers to participate in an accredited scheme.

The Government declared tyres as a priority product in July 2020 under section 9 of the Waste Minimisation Act. This created a statutory duty under section 10 of the WMA for a priority product stewardship scheme to be designed and accredited as soon as practicable.

The product stewardship scheme for tyres (Tyrewise scheme) was accredited in October 2020. The scheme is waiting on regulations to support it before it can be implemented.

Section 23 of the Act has several other tools available to encourage the effective management of products (refer to table of WMA tools to achieve outcomes under *Section 3: Option identification* for further details).

Has the overall fitness-for-purpose of the system as a whole been assessed? When and with what result? What interdependencies or connections are there to other existing issues or on-going work?

The overall fitness-for-purpose of the product stewardship system is currently being assessed as part of the Waste Minimisation Act and Resource Management Act reviews. The team working on product stewardship will input into the Waste Minimisation Act review to address current barriers to effective product stewardship schemes. If legislative change occurs because of the review, adjustments can be made to the pending proposals of regulations of product stewardship schemes for other priority products.

What other agencies, including local government and non-governmental organisations, have a role or other substantive interest in that system?

New Zealand Customs and Waka Kotahi have an interest in the system as they are potential agencies for collecting product stewardship fees.

Non-governmental agencies with a role or other substantive interest in the system include:

- The Waste Management Institute of New Zealand (WasteMINZ), who are the largest representative body of the waste and resource recovery sector both public and private. WasteMINZ work closely and collaboratively with MfE on advancing waste issues.
- Waste Management New Zealand, which received WMF funding for setting up a national collection network for shredding tyres, with bases in Auckland and Christchurch.
- 3R Group coordinated the co-design process for Tyrewise.

What interdependencies or connections are there to other existing issues or on-going work?

Work programme	Description of programme	Connection or interdependency to priority products
Waste Minimisation Fund	The Waste Minimisation Fund supports projects that increase the reuse, recovery and recycling of materials. This helps reduce waste to landfill, one-off use of materials and litter.	<p>WMF funding has been used to support many initiatives relating to priority products, such as e-waste (E-Day initiatives). The co-design processes for tyres and large batteries were supported by WMF funded.</p> <p>Golden Bay Cement’s manufacturing plant upgrade that uses waste tyres as fuel was partially funded through the WMF.</p>

2.3 What is the policy problem or opportunity?

Tyres risk harm to the environment and current environmental protection standards are insufficient

Tyres pose a risk to human health and the environment if they are inappropriately used, disposed, or stored. Refer to environmental state in *Section 2.1: What is the current state within which action is proposed* for full description.

The current environmental protection standards, including legislation, regional rules, and voluntary standards, are insufficient to manage environmental harm from tyres and large batteries. Many rules are inconsistent between regions. In addition, government has limited ability to enforce existing environmental controls, as products are not tracked through the lifecycle.

Many environmental safety standards, designed to achieve environmental outcomes, are voluntary and are not followed by all industry. Subsequently, there are limited barriers to disposing of products cheaply in ways that cause harm to the environment, resulting in dumping of tyres including in large piles, which poses risk of fire and pollution to air, soil and water.

Currently, voluntary product stewardship schemes are in place for some products (such as refrigerants), however they face many challenges outlined in Table 6.

Table 6. Key barriers to effective product stewardship performance and potential WMA or other statutory remedies

Current state	Impact
Limited producer responsibility for tyres at end of life	
Producers can easily opt out of current voluntary product stewardship scheme	Scheme participation and recovery rates low Cost of programme paid for by some companies but not sector Free-rider companies and their consumers can benefit from scheme but not pay their share for it.
Producers are free to leave costs of product resource recovery or harm mitigation to the community Producers are not incentivised to take into account the environmental costs of their products at end of life or design their products to generate net environmental benefits	Recycling services are not able to obtain fees needed for environmentally sound management of post-consumer products Recycling services need to charge user-pays fees which disincentivises participation Councils cover costs, so whole community pays disposal costs, not just producers and consumers of the product Inconvenient return systems incentivise illegal dumping/littering and landfill are incentivised Cost to recycle at end of life makes competition with virgin materials challenging
Producers are not required to provide convenient collection services, or achieve minimum product collection and material recovery rates	Collection facilities often inconvenient or locally unavailable Recovery rates low compared to target waste stream
Producers free to create (or import) products which are difficult to recycle or pose risk of harm at end of life	Disposal to landfill most commonly adopted New Zealand has one of the highest rates of landfill disposal in the OECD
Provision of information on material content/environmental risk/and how to recycle is ad hoc and inconsistent	Consumers unable to select more recyclable products or know how to get materials into re-use/recycling

Tyres have significant potential for environmental and economic benefits from circular resource use

Tyres also have significant potential for environmental and economic benefits from increased reuse, recovery, and or recycling. The product percentage recovered for recycling or treatment in New Zealand is very low, approximately 33 per cent for tyres.

This means the volume of tyres not being recycled or reused is high compared to overseas jurisdictions that have tyre product stewardship schemes. For example, the tyre diversion rates in Europe, Japan and the United States of America are over 80%, and Canada and South Korea are over 90%. The e-waste diversion rate in EU is 49%. These products contain significant energy and can be converted into other products with value.

New Zealand has the potential to gain significant financial benefits from expanding resource recovery systems. These will create new income streams and industry onshore.

There are a range of existing opportunities to minimise waste and create further value from end-of-life tyres. For example, end of life tyres can be re-purposed to other uses in civil engineering such as road embankments or coastal protection. Tyres also contain significant stored energy (greater than coal) and can be converted into tyre derived fuel and tyre derived materials. For example, 80% of waste tyres were converted to energy (61%) or products (19%) in South Korea in 2021, while 91% of materials were recovered from recycled tyres in Belgium.¹⁴

- *Tyre derived fuel* is used overseas by cement companies as an alternative energy source. In New Zealand, Golden Bay Cement uses shredded tyres in the fuel mix to reduce their cement plant's reliance on coal and reduce its carbon emissions. The benefits are expected to grow from \$14.4 million to \$113.6 million over the next ten-year if the scheme is in place.¹⁵
- *Tyre derived materials* include rubber granulate, crumb rubber, and powder which in turn can be manufactured into a range of products called *tyre derived products*. The most common uses of waste tyres overseas are tyre-derived fuel and products made with rubber crumb, such as roading, roofing and flooring. Emerging technologies include pyrolysis (extraction of liquid fuels, steel and carbon black) and de-vulcanisation (recovery of flexible rubber for new products).

Tyrewise estimated the creation of new recycling industry and employment to be \$326.7 million over a ten-year period.¹⁶

Regulation is required to support effective product stewardship schemes for tyres. The scheme will enable opportunities to achieve the above economic benefits and address environmental harm from tyres.

2.4 What do stakeholders think about the problem?

From 4 November to 16 December 2022, the Ministry for the Environment consulted on regulations to support product stewardship schemes for tyres. The Government received 85 submissions.

Overall support on regulations to support product stewardship schemes for tyres

The support level for the regulated framework for tyres was high.

Based on submitter type, 76 members of the public supported proposal to establish a regulated framework for tyres. This includes 23 business/industry, 30 individuals, 2 iwi/Māori, 15 local government organisations, and 6 Unspecified/Other.

70 members of the public supported the proposal to establish a regulated framework for large batteries. This includes 20 business/industry, 26 individuals, 2 iwi/Māori, 17 local government organisations, and 5 Unspecified/Other.

Key reasons for supporting the proposals include that:

- Producers and retailers should share responsibility for environmental impacts of their products.
- Regulated product stewardship will support transition to a circular economy.
- Poor status quo outcomes will be improved.

¹⁴ The Korea Tire Industry Association (KOTMA), Waste Tire Recycling Status, accessed at <http://www.kotma.or.kr/waste-tire-recycling/kotma-waste-tire-recycling/waste-tire-recycling-status>

¹⁵ Tyrewise (2020), Regulated Product Stewardship for End of Life Tyres "Tyrewise 2.0" Updated Report, accessed at <https://110ppppax8b3fccwh3zobtwswpengine.netdna-ssl.com/wp-content/uploads/2020/07/Tyrewise-2.0-Master-Report-Final-Released-22July2020-with-disclaimer.pdf>

¹⁶ Tyrewise (2020), Cost Benefit Analysis v.8

Did not support on regulations to the product stewardship scheme for tyres

Two submitters (both individuals) did not support the proposal for a regulated framework for tyres. They did not provide reasons for not supporting the proposal.

Potential impact of scheme on businesses

Submitters were asked to give feedback on the likely impact on their business if they had to take part in the proposed product stewardship schemes and some businesses and local authorities provided comments. For the tyre scheme:

- Tyre wholesalers and retailers and their industry associations noted likely net benefits. Tyre collectors expressed some concern and sought more information about the amount of incentive payment they would receive. Tyre Stewardship Australia expressed concerns about the design of the scheme and the potential impact on the Australian and Pacific markets for tyre-derived products.
- Local authorities noted likely benefits for tyre management in their communities and possible cost increases for council vehicle and bus fleets.

2.5 What are the objectives sought in relation to the identified problem?

The objective for introducing regulations to support product stewardship schemes for tyres is to achieve the purpose of the Waste Minimisation Act 2008 Product Stewardship provisions in section 8, which is to:

Encourage (and, in certain circumstances, require) the people and organisations involved in the life of a product to share responsibility for:

- ensuring there is effective reduction, reuse, recycling, or recovery of the product, and
- managing any environmental harm arising from the product when it becomes waste.

There are no trade-offs between the aims of managing environmental harm and ensuring effective reduction, reuse etc, and they are weighted equally.

Section 3: Option identification

3.1 What options are available to address the problem?

The Ministry has identified WMA tools available to support the co-designed product stewardship scheme for tyres in Table 7.

Table 7. Table of WMA tools to achieve outcomes

REGULATORY TOOLS	DESCRIPTION
Participation obligation WMA 22(1)(a)	This regulation prohibits sale of a priority product, except in accordance with an accredited scheme. This would require producers and sellers of a product to participate in an accredited scheme, which would level the industry playing field, and help achieve desired policy outcomes.
Product stewardship fee WMA 23(1)(d)	This regulation sets a product stewardship fee on all priority products imported and domestically manufactured. The advanced disposal fee will reflect the end-of-life waste management costs of the product and will be used to fund the provision of product stewardship services to industry and the public.
Take-back service + targets WMA 23(1)(c)	The product take-back and targets regulations would require product stewardship scheme to provide product collection and recycling services that meet minimum standards. Take-back standards are defined in terms of expected outcomes, enabling schemes to design cost-effective delivery methods to achieve outcomes.
Quality standard WMA 23	Some priority products are hazardous and require specialist management by trained personnel. A quality standard can be set under the WMA section 23(1)(g) and (h) to ensure that best practice is followed for management of priority products to prevent harm.
Information provision WMA 23(1)(i)	The Ministry will require accurate and timely information to monitor and enforce the above regulations. These regulations will require the product stewardship scheme to report to the Ministry on regulations made under section 23.
Import data from Customs WMA 24	The Ministry requires import data from Customs to monitor and enforce participation and fee payment. This regulation requires Customs to provide this information to the Ministry.
Deposit refund WMA 23	The product stewardship organisation charges a refundable deposit on the purchase of the product (for example, 10 cents on the sale of a glass bottle). The consumer can return the bottle to a designated collection point and receive a partial refund of the deposit (for example, a 5-cent refund).
Fee on disposal WMA 23	“Pay as you throw” schemes charge a fee at the point that the product is disposed.
Cost recovery	The Ministry can recover scheme monitoring costs from the scheme manager. Without this regulation, costs to monitor a scheme would be paid by the general taxpayer rather than the priority product supply chain.

Status Quo: Industry-led product stewardship schemes for tyres with full reliance on guidelines

Under this option, industry develop a product stewardship scheme for tyres, and submits the scheme to the Ministry for accreditation. If the scheme is consistent with the guidelines, the Minister accredits the scheme. Industry could choose to participate in a scheme on a voluntary basis and could voluntarily pay the advanced disposal fee.

The Government has committed to regulated product stewardship schemes by declaring tyres a priority product under section 9 of the WMA. Regulation requiring the sale of these tyres to be in accordance with an accredited scheme will be necessary to make participation in the scheme compulsory.

Without regulation, the scheme will not be able to enforce participation or sufficiently fund the safe disposal of tyres in New Zealand. This is the case with the accredited scheme (Tyrewise). They have been unable to level the playing field within tyre industries, as parties are not obligated to join the scheme nor bear the whole of life cost of tyres or take responsibility for mitigating the environmental impacts of tyres.

Under our assessment, this was not considered a feasible option, as it would not meet all the policy objectives. The accredited scheme (Tyrewise) requires regulation for all industry to participate.

Intervention options for regulated product stewardship for tyres

The Ministry has identified two options in scope, using combinations of the above WMA tools to support the accredited scheme of tyres (Tyrewise), which is implemented by Product Stewardship Organisation (PSO). The Ministry is responsible for monitoring the scheme in line with WMA section 20.

Option A: Basic Foundation is the minimal viable option that will achieve all the objectives. Option A contains discretionary components (such as the quality standard and cost recovery regulations) that are not analysed in depth but assist the option to achieve the objectives.

Participation obligation

The participation obligation will make organisations share responsibility for managing environmental harm and ensuring effective recovery by requiring participation through prohibiting the sale the tyres expect in accordance with the accredited tyre scheme. International schemes with regulated participation achieve higher tyre diversion rates, and Option A is expected to align New Zealand's tyre recovery rates with these schemes due to full participation from producers and sellers.

Product stewardship fee

The proposed tyre stewardship fee would cover the end-of-life tyre management costs and make collection services free-of-charge to the public.

It would be charged on first point of entry into the New Zealand market and be paid by tyre importers and domestic tyre manufacturers. Recovery services that charge a fee upfront report higher rates of product recycling and/or proper disposal than services with the fee charged at disposal. For instance, Japan charges for recovery of refrigerants contained in appliances at disposal, and in vehicles at import. Japan's vehicle recycling was successful, whereas the fees charged for proper appliance disposal at end-of-life resulted in non-compliance.¹⁷

¹⁷ Navigant Consulting (2014), Review of Refrigerant Management Programmes, accessed at https://www.ahrinet.org/App_Content/ahri/files/RESEARCH/Technical%20Results/AHRI_8018_Final_Report.pdf

The proposed fee may be fully or partially passed onto consumers, and in some cases, may be higher (or lower) than the fee consumers are currently paying. However, the revenue from the proposed fee will be wholly used to provide disposal services and there will be transparency in how the fee revenue is used. The Ministry will publish annual reports showing to which purposes the fee revenue has been applied.

Quality standard set

Tyre-derived products require adherence to best practice to minimise risk of harm when they are used. To ensure that best practice is followed, the Ministry proposes to prescribe quality standards for service providers to be eligible for tyre stewardship incentive payments and requires involvement of the PSO to ensure these are met. The tyre-derived products which require attention include the use of crumb rubber in sports fields and playground surfaces, and application of rubber-modified bitumen to road surfaces. International standards exist for these which can be used in New Zealand.

Information provision and Import data from Customs

Requiring information from Customs and PSO would help the Ministry to monitor and assess the performance of the accredited tyre scheme.

Limitations of Option A: Basic Foundation

Option A will achieve the objectives; however, the Ministry has fewer regulatory tools than Option B to ensure the accredited scheme achieves outcomes.

Firstly, under Option A, the PSO sets their own targets in the scheme application form. The Ministerial Guidelines set out an expectation that all schemes will set and report annually to the Ministry for the Environment on targets that include as a minimum:

- a. Significant, timely and continuous improvement in scheme performance
- b. Performance against best practice collection and recycling or treatment rates for the same product type in high-performing jurisdictions
- c. A clear time-bound and measurable path to attain best practice

The Ministry has no oversight or control over the target setting process, other than verifying that the application is consistent with the above guidelines.

The Ministry also has limited enforcement tools to ensure the PSO meets the targets listed in the application. The only sanction available is complete revocation of scheme accreditation if reasonable attempts are not being made to implement the scheme or if objectives are unlikely to be met (section 18(1)(a)). This would pose a significant risk of unintended consequences until a new scheme could be put in place.

Option B: Basic Foundation plus Take-back and Targets

Option B: Basic Foundation plus Take-back and Targets contains all Option A elements, as well as take-back service requirements and collection targets. The limitations of Option A will be overcome by including regulations for take-back and collection targets.

WMA Tools	Participation obligation WMA 22(1)(a) <i>sale only in accordance with accredited scheme</i>	Take-back service + targets WMA 23(1)(c)	Product stewardship fee set WMA 23(1)(d)	Quality standard set WMA 23(1)(g) and (h)	Information provision WMA 23(1)(i)	Import data from Customs WMA 24	Cost recovery WMA 22(1)(e)
B –Basic foundation plus take-back and targets	✓	✓	✓	✓	✓	✓	✓

Take-back service + targets

Under Option B, the Ministry would set product take-back and targets regulations under WMA section 23(1)(c) to require the PSO to provide product collection and recycling services that meet minimum standards.

The product take-back and targets regulations would require the PSO to provide product collection and recycling services that meet minimum standards. Take-back standards are defined in terms of expected outcomes (such as recycling rate), requiring schemes to design cost-effective delivery methods to achieve outcomes. This would enable Government to set enforceable expectations for service delivery and ensure that consumers have access to sufficient collection services. The PSO would face enforcement actions for non-compliance with regulations made under section 23(1)(c) if they failed to provide appropriate take-back service or meet the targets.

The take-back and target requirements will likely increase the number and availability of onshore collection services, removing barriers to the public accessing these services. The expected outcome is an increase in tyre recovery rate, compared to Option A.

WMA tools not included in toolkit

The Ministry does not recommend including the deposit refund or fee on disposal tools in the proposed toolkits. The deposit refund tool is used internationally in relation to bottle return schemes. The Ministry’s analysis is that this is unsuitable for tyres, as tyres are not easily identifiable. It is also difficult for retailers and other collection agencies to determine if tyres returned to them had a deposit paid on them when first imported.

3.2 What criteria, in addition to monetary costs and benefits have been used to assess the likely impacts of the options under consideration?

In this context and considering the general principles or regulatory decision-making, the following criteria are proposed to compare options to improve management of the end-of-life tyres:

- **Effective**

Likely to support significant improvement in:

- resource cycling/waste minimisation
- reduction of harm in relation to the products.

- **Fair**

Likely to:

- move costs and responsibilities from communities to producers and product consumers
- incentivise full sector participation.

- **Efficient**

Able to be implemented:

- without placing undue costs on the community, business, or public funds
- under existing legislation.

The above criteria have equal weighting.

3.3 What other options have been ruled out of scope, or not considered, and why?

The Ministry have considered a broader range of regulatory options, but we only consulted on options available under current Waste Minimisation Act.

Option C: Enhanced stewardship fee collection

This option contains the Option A (basic foundation) elements, plus change to the legislative framework governing Customs and Waka Kotahi to allow them to effectively capture and enforce collection of stewardship fees at product entry into market.

The tyres co-design group's preferred fee collection option is by Customs at import for bulk and loose tyres and by Waka Kotahi for tyres attached to vehicles at point of registration. This option was preferred in order to reduce transaction costs for the PSO and improve coverage and enforceability.

To put this option in place for Waka Kotahi would require legislative instruments in addition to WMA regulation. Customs could collect fees but without a legislation change or declaration of 'special product' under their legislation could not enforce compliance.

This option is not recommended as it would go beyond WMA regulation into new legislation and would not meet all of the assessment criteria. It could remain an option for the future if required.

Option D: Central Government Control of product stewardship schemes

This option would see the Ministry for the Environment collecting stewardship fees and contracting services, through accredited PSOs or others, to ensure desired waste minimisation and harm reduction for tyres. Collection convenience, recovery targets, harm reduction standards and potentially other aspects in the published guidelines would be set, monitored and enforced under contract.

This option is out of scope of the analysis as it requires WMA amendment and does not meet all of the assessment criteria. This could remain an option for consideration in the WMA review in due course if required.

Option E: Increased Cost method - Polluter pays tax or levy

Increased cost methods work by putting a cost on a good that was previously 'free' to the consumer. Methods include:

- requiring retailers to add a levy or charge at point of use, which is then:
 - remitted to a central government fund for environmental purposes, or
 - retained by the retailer, with an expectation that the retailer will donate it to good causes, with public reporting.
- taxing tyres at manufacture or import (before they reach the consumer) to disincentivise consumption.

This option is not recommended as it would go beyond WMA regulation, require new legislation, and does not meet all of the assessment criteria for progressing regulated product stewardship for tyres. It could remain an option for the future if required, including as an aspect of the pending WMA review.

Section 4: Impact Analysis

Marginal impact: How does each of the options identified in section 3.1 compare with taking no action under each of the criteria set out in section 3.2?

		No action	A – Basic foundation	B –Basic foundation plus take-back and targets
Effective Likely to support significant improvement in:	resource cycling/waste minimisation	0	+ Regulated schemes with mandated participation achieve better waste minimisation and resource cycling outcomes than status quo (no product stewardship scheme).	++ Government-set targets are based on international best practice for resource cycling and minimising environmental harm. Targets are enforceable and likely to increase product recovery rates.
	reduction of harm in relation to the products		+ As above	++ As above
Fair Likely to:	move costs and responsibilities to producers and product consumers	0	++ Product stewardship fee, set at point of purchase, shifts product disposal costs from councils and communities to producers and product consumers.	++ Take-back proposal shifts cost and responsibilities of providing product collection services from councils and ratepayers to industry-led PSO.
	incentivise full sector participation	0	++ All producers must participate in an accredited scheme and comply with safe stewardship requirements.	++ Industry (retailers) are likely to provide product collection points.
Efficient Able to be implemented:	without placing undue costs on the community, business, or public funds	0	0 Compliance cost to industry in meeting accredited scheme requirements (such as record-keeping). Cost to industry (and subsequently consumers) in paying product stewardship fee. Costs will shift from councils and the environment to product users.	- Cost to industry (and subsequently consumers) in complying with accredited scheme requirements, product stewardship fee, and quality standard. There is cost to industry in providing regulatory take-back services and to meet targets.
	under existing legislation	0	++ Enabled under WMA.	++ Enabled under WMA.
	Overall assessment	0	8	9

Key:

- ++** much better than doing nothing/the status quo
- +** better than doing nothing/the status quo
- 0** about the same as doing nothing/the status quo
- worse than doing nothing/the status quo
- much worse than doing nothing/the status quo

Section 5: Conclusions

5.1 What option, or combination of options is likely to best address the problem, meet the policy objectives and deliver the highest net benefits?

Option B: Basic foundation plus take-back and targets is the preferred option, as it is likely to better achieve objectives and outcomes. Option B requires producers and sellers to participate in an accredited scheme, pay a product stewardship fee, provide the Ministry information to monitor and enforce the requirements; sets quality standards for eligibility for tyre stewardship incentive payments; and sets take-back and target requirements for the PSO.

It will make industries and tyre users share responsibility for managing environmental harm caused by end-of-life tyres. This will be achieved by regulations such as requiring participation and product stewardship fee.

Option B is preferred over Option A as it enables the Government to set enforceable expectations for service delivery. This will ensure that the consumer has access to free and convenient collection services.

Regulated take-back requirements with targets make the industry-led PSO take responsibility for providing product collection and recycling services, and subsequently manage the environmental harm of the product.

The take-back and target requirements will likely increase the number and availability of onshore collection services, removing barriers to the public accessing these services. The expected outcome is an increase in tyre recovery rates, compared to Option A.

The Ministry expects the preferred option will align New Zealand with comparable international schemes with mandated participation that achieve a higher tyre diversion rate from landfill (NZ: 30 per cent, international: approx. 80 per cent). The accredited tyre scheme (Tyrewise) is based on these international schemes and industry best practice and are expected to achieve similar success rates at diverting end-of-life tyres from landfill and promote resource efficiency.

5.2 Summary table of costs and benefits of the preferred approach

Preferred option: Option B – Basic Foundation plus Take-Back and Targets

Priority products in general

Many costs relate to multiple priority products, as it is more cost-effective to implement systems to capture multiple products. The following table presents the additional costs of the preferred option when it applies to all priority products in general compared to taking no action.

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Regulators	<p>Regulation development Cost to develop new regulations under the Waste Minimisation Act. Cost includes public discussion document and advisory group for regulation development.</p> <p>Cost of annual regulation updates, such as fee changes. Cost of scheme accreditation audits</p> <p>Government administration for tyre product stewardship fee Cost to build IT systems to collect product stewardship fee, and ongoing monitoring of the scheme’s performance and administration for fee. Cost likely to be passed onto the end-user. The IT system cost for future priority products included in estimate.</p> <p>Compliance, monitoring, and enforcement of product stewardship requirements Cost to administer and enforce regulations. Two full-time equivalent staff (FTE) required in the CME team, and one FTE required for performance monitoring.</p>	<p>Waka Kotahi costs: \$207,221 per annum s 9(2)(j)</p>	Medium
Total monetised costs		\$1,445,159 per annum	
Non-monetised costs		Medium	Medium

Tyres

The analysis is largely based on the Cost-Benefit Analysis from Tyrewise report.

Additional costs of the preferred option when it applies to tyres

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Tyres			
Product stewardship organisation	<p>Tyrewise scheme administration The cost drivers of the product stewardship scheme for tyres are:</p> <ul style="list-style-type: none"> • collection of the end-of-life tyres • transportation of the end-of-life tyres • disposal of the end-of-life tyres • providing consumer information. 	<p>Tyrewise Product stewardship organisation setup costs \$1.2m Total cost of scheme administration: \$59,887,624 per year Tyre collection \$7,708,402 Tyre transportation \$19,498,239 Tyre processing / end markets \$23,342,127 Consumer information \$2,872,473</p>	Medium
Industry	<p>Product stewardship fee Cost to industry (importers, manufacturers, retailers) in paying product stewardship fee. The product stewardship fee cost will be passed on to consumers from the importer in the tyre price and included in the vehicle registration cost for tyres fitted to vehicles. Product stewardship fee set at \$6.65 per equivalent passenger unit (EPU).</p>	Average cost of \$59.9m per year for the first three years.	Medium
	<p>Participation in an accredited scheme Industry (importers, manufacturers, retailers) must participate in an accredited product stewardship scheme for tyres and comply with its requirements, which may incur costs (eg, record-keeping). Requirements will be determined by the accredited scheme.</p>	Medium	Low

<p>Tyre consumers</p>	<p>Product stewardship fee Cost to consumers in paying product stewardship fee</p> <p>Product stewardship fee set at \$6.65 per equivalent passenger unit (EPU).</p> <p>The cost may be higher or lower than what consumers currently are paying retailers for disposal (currently called as “environmental fee” and the fee ranging from \$2.50 up to \$16.00, depending on the size of the tyre from passenger tyres through to off road tyres). However, the cost is expected to be much cheaper than sending tyres into landfill. For example, in Southland, the cost to dispose tyres in landfill is a variable rate based on the weight of the tyres and a fixed fee depending on the size of the tyre.</p> <p>The cost can also be an additional cost for those who do not choose to pay retailers for disposal.</p>	<p>\$6.65 per equivalent passenger unit (EPU)</p>	<p>Medium</p>
<p>Total monetised costs</p>		<p>Set up costs of \$1.2m and ongoing costs of \$59.9m per year.</p>	<p>Low</p>
<p>Non-monetised costs</p>		<p>Medium</p>	<p>Low</p>

Expected benefits of the preferred option when it applies to tyres

Status quo costs of tyre management are outlined below. The scheme is expected to reduce these costs (in conjunction with other policies) by preventing the creation of more legacy and orphan tyres.

Affected groups	Comment	Impact	Evidence Certainty
Expected benefits of the preferred option compared to taking no action			
Tyres			
Industry	Reduction in business funded repairs, loss earnings, loss stock following fire.	Current cost of business funded repairs estimated at \$960,000 per annum.	Medium
Public, ratepayers	Reduction in council-funded plus privately-funded costs of clean-up of illegal dumping on private land	<p>Council-funded clean-up cost is expected to grow from \$586k to \$1.38million in the next ten years (scaled up to NZ population)</p> <p>Privately funded clean-up cost is expected to be \$6,600,000 in the next ten years</p> <p>In total, it costs \$15,944,496 over ten years (or \$1,594,450 per annum)</p>	Medium
Local Government	Reduced council-funded environmental clean-up costs from tyre fire (assuming one large fire per year).	Estimated \$8.8k per annum.	Low
Total monetised costs		Estimated \$1,699,250 per annum	Low
Non-monetised costs			

The following table presents the expected benefits of regulations to support a tyre stewardship scheme.

Affected groups	Comment	Impact	Evidence Certainty
Expected benefits of the preferred option compared to taking no action			
Tyres			
Regulators	End-of-life product management service costs shifted to consumers and producers. Accreditation will accelerate industry-led action on environmental challenges with tyres.	Medium	Medium
Wider government	Product collection services increase alternatives to council-operated waste services, such as landfills, and manage specialist waste. Likely to reduce overall demand for and cost of operating waste services.	Medium	Medium
Industry	Market Value of Tyre Derived Product Diverting tyres from landfill means the resource will become available for tyre collectors and processors to capture the economic market value of tyre derived products, including onshore services. For example, from whole tyres used in civil engineering projects (eg, baled retaining walls, temporary roads, sea embankments).	\$11,363,415 ¹⁸ per annum.	Medium
	Creation of new end-of-life tyre recycling industry. A significant proportion of the product stewardship fee paid by consumers to the Tyrewise Product Stewardship Organisation (PSO) will become incentive payment. This directly funds new business in New Zealand, in turn creating employment opportunities.	\$28,987,284 per annum	

¹⁸ Cost-Benefit Analysis from Tyrewise report

Environment	<p>The toolkit will increase number and quality of disposal services available and industry participation rates.</p> <p>Expected impacts are:</p> <ul style="list-style-type: none"> reduced rates of illegal disposal, such as littering and tyre stockpiling reduced risk of tyre fires reduced total waste to landfill through incentivising product design with higher recyclability <p>reduced reliance on raw materials through better availability of collection and recycling services.</p>	High	Low
Importers, suppliers, retailers, exporters, and New Zealand manufacturers	Level playing field – all importers contribute towards product stewardship scheme costs. The same rules for all mean no one is disadvantaged.	Medium	Medium
	Positive PR – ‘doing the right thing’.	Low	Medium
	If retailers and manufacturers opt to participate as a collection point, this may increase their customer base.	Low	Low
Recyclers, collectors, and disposal services	<p>Toolkit expected to create new recycling markets and increase demand for services.</p> <p>Accredited schemes are designed to increase circular resource use (reuse, recycling, and recovery).</p> <p>If recyclers, collectors, and disposal services contract with the PSO to provide services, this may greatly increase their customer base.</p> <p>Product stewardship fee cost incorporated into purchase price expected to incentivise recyclable product design.</p>	Medium	Low
Consumers	Take-back and target regulations will increase availability of product collection services.	High	Medium
Local Government	Better information on product disposal and recycling services available.	Medium	Medium
Total monetised benefits		\$40,350,699 per annum	Medium
Non-monetised benefits		High	Medium

5.3 What other impacts is this approach likely to have?

As this is the first-time a regulated product stewardship scheme has been established in New Zealand, the Ministry holds limited data on the impact of introducing regulations to support the tyre scheme in New Zealand.

The Ministry will monitor the efficacy of accredited schemes and require the scheme to record, and provide data on, scheme effectiveness (i.e., tyre collection rates) to the Ministry on a regular basis. The Ministry will then review the effectiveness of the take-back and targets toolkit as a policy approach.

Section 6: Implementation and operation

6.1 How will the new arrangements work in practice?

If Cabinet agrees to the proposed policy, regulations will be developed under sections 22 and 23 of the Waste Minimisation Act 2008. The Ministry will work with the Parliamentary Counsel Office in 2022 to draft regulations.

The Ministry will publish guidance on how to comply with the regulations on our website, including the requirements to act in accordance with an accredited scheme.

The Ministry for the Environment are responsible for enforcement of regulations under section 22 and 23 of the Waste Minimisation Act 2008. The Ministry is responsible for undertaking audits and investigating potential breaches of regulations.

The Ministry would require importers and the PSO to keep records of compliance and investigate where non-compliance is detected. Penalties in the WMA for non-compliance are summarised in Table 3: Summary of proposal.

The PSO will have a role in monitoring compliance of agreements with scheme participants. The PSO will set record-keeping requirements for participants to monitor for compliance. If participants do not comply with requirements, the PSO will escalate enforcement efforts to the Ministry.

Where alleged breaches or non-compliances are identified, various enforcement tools may be used to bring about positive behaviour change, and to deter future offences through appropriate penalties. Enforcement outcomes would be proportionate to the seriousness of the non-compliance following an investigation process.

s 6(a)

The Tyrewise scheme is already accredited. Preparation for scheme implementation on the ground is underway this year and the scheme will be able to go live in 2023 subject to Cabinet decisions on regulations.

The fee and monitoring cost recovery regulations are proposed to come into force six months before the scheme starts operating so the PSO can obtain a 'float' to start the scheme. The PSO's operating revenue would derive from the stewardship fee and there is no facility for Government or other parties to provide a float from the outset.

6.2 What are the implementation risks?

Financial implementation risks include:

- The costs of providing a product stewardship scheme may differ (i.e. an unexpected surplus or deficit) from those set out in the financial model, as this is the first-time priority products have been declared and regulations made to give effect to the scheme. This risk will be monitored through annual reporting requirements, as part of accreditation, and mitigated by regular reviews of the fee quantum.

Risks in relation to scheme performance include:

- The General Guidelines for Product Stewardship Schemes, which set out the expectations of accredited product stewardship schemes, are not enforceable. The sanction available is

complete revocation of scheme accreditation if reasonable attempts are not being made to implement the scheme or if objectives are unlikely to be met. The Government aims to mitigate this risk by setting regulations that require PSO to provide a take-back service that is free at point of deposit, and by setting targets.

- The public do not use the scheme and they landfill or illegally dump the tyres. This risk would be exacerbated if rural areas do not have access to take-back services. This will affect the ability of the scheme to achieve outcomes and targets. The Government will address this by introducing a take-back regulation to require the PSO to provide a free and convenient take-back service, including providing access to rural locations.
- There is a risk that tyre collectors will landfill or illegally dump tyres. The Ministry will mitigate this risk through specifying that tyres accepted by registered collectors of the accredited tyre scheme cannot be landfilled, except with written permission from the scheme.

Risks in relation to scheme administration include:

- Introducing regulation that prohibits sale of a tyre, except in accordance with an accredited product stewardship scheme, enables an accredited product stewardship organisation (PSO) to set the terms of sale. This concentrates decision-making power with the accredited PSO. To mitigate this risk, the accreditation applicant must disclose their proposed requirements for selling a product in accordance with an accredited scheme in the application form. The Ministry undertakes a verification process to ensure the applicant meets the WMA requirements, and to ensure the point-of-sale requirements are reasonable.
- The accredited scheme can ask for a variation of the scheme, and the variation may impact the regulations, such as the PSO withdraws from the scheme. This will be mitigated by the requiring the PSO to provide sufficient notice to the Ministry and will be monitored by the scheme performance.

Scheme monitoring risks include:

- The Ministry have a risk of inadequate data to implement and monitor the scheme, as fee collection, enforcement, and implementation are undertaken by different agencies.
- MfE and Waka Kotahi are the fee collection agencies; MfE are the enforcement agency; and the PSO are the scheme delivery agency. MfE requires an effective data sharing mechanism to enforce fee payment adequately. If this mechanism was not in place, the PSO's ability to implement the scheme, and MfE's ability to monitor the scheme would be impacted.
- The Ministry are mitigating this issue through developing data sharing arrangements with Customs, Waka Kotahi, and the PSO. The design requirements of the I.T. system take account of this risk.

Inconsistency with trade obligations:

- The Ministry will work closely with the Ministry of Foreign Affairs and Trade to ensure New Zealand's international trade obligations are considered and reflected in the scheme design, to ensure consistency with New Zealand's obligations.

Section 7: Monitoring, evaluation and review

7.1 How will the impact of the new arrangements be monitored?

Section 14 of the Act requires a scheme to “provide for assessing the scheme’s performance and for reporting on its performance to the Minister”. Section 20 enables the Secretary to monitor the performance of an accredited scheme and recover the costs of doing so from the scheme manager (on behalf of the scheme) as a charge in the prescribed manner.

Accredited tyre product stewardship schemes (Tyrewise) must provide the Ministry data on scheme performance as a condition of accreditation. For example, they must report to the Ministry on an annual basis on financial performance, environmental performance, measurement of outcomes, achievement of targets, and agreements with service providers. An independent Audit Committee is responsible for oversight of the financial reporting process, selection of the independent auditor, and receipt of audit results both internal and external. The Ministry will use this data to evaluate the efficacy of the scheme when it is established. As part of the monitoring, the Ministry will specify in the regulations that their financial statements to be prepared and audited according to generally accepted accounting practice to ensure its credibility

The Ministry will need to collect additional data on the effectiveness of the regulations to support the scheme for monitoring purposes. The Ministry recommends setting regulations under section 23(i) to require the product stewardship organisation and scheme participants to provide this information to the Ministry quarterly:

- PSO, importers and retailers to provide information on collecting and disbursing fees; and
- PSO to provide information (costs and outcomes) on achievement of targets (compliance).

7.2 When and how will the new arrangements be reviewed?

The Government proposes a maximum review period of three years. This review will cover the overall efficacy of the scheme and regulations.

Submissions highlighted the need for the fee to be flexible and reviewed regularly, as scheme costs are heavily dependent on a market which is still developing. As an independent not-for-profit entity, the product stewardship organisation will be sensitive to cash-flow. The financial risk of under or over recovering costs is a trigger to review the regulations.

A potential trigger to review the take-back service regulation would be the numbers of tyres being pulled through the scheme, in comparison to the number of tyres estimated to reach end-of-life. If the tyres are ending up in landfill or being illegally dumped, this would indicate the scheme is not achieving its objectives and trigger a review.

The Government will use the information provided by the PSO and scheme participants to review the effectiveness of the scheme, and to inform future reviews.

Legislative change at a national or international level could trigger a review of the product stewardship requirements. For example, the Resource Management Act 1991 and Waste Minimisation Act are currently being reviewed, and change has been indicated for the WMA.

The Ministry may have to review the existing regulatory arrangements if another scheme was accredited for tyres. For instance, if the new accredited scheme requests a change to the fee quantum, or requests additional supporting regulations.

Stage 1 and 2 Cost Recovery Impact Statement

Tyre stewardship fee and charge to recover the cost of monitoring the performance of the tyre stewardship scheme under the Waste Minimisation Act 2008

AGENCY DISCLOSURE STATEMENT

This Cost Recovery Impact Statement (CRIS) has been prepared by the Ministry for the Environment (the Ministry). It should be read in conjunction with the Regulatory Impact Statement for regulations to support the product stewardship scheme for tyres.

It provides an analysis of options to recover the cost of regulated product stewardship scheme for tyres.

PRODUCT STEWARDSHIP ORGANISATION AND CO-DESIGN

The delivery of the product stewardship scheme for tyres will be managed by a not-for-profit product stewardship organisation that is external to government. The Ministry is proposing to recover the product stewardship organisation's costs to deliver the scheme through a fee.

The Ministry is also proposing to recover its own costs through the fee, including its performance monitoring costs, which require a separate regulation.

The tyre stewardship scheme will be New Zealand's first regulated product stewardship scheme. There will inevitably be uncertainty associated with the cost estimates, as the scheme is not yet in operation.

The government-accredited product stewardship scheme for tyres is named Tyrewise. Tyrewise was designed by an industry-led codesign group, and later received Ministerial accreditation.

COST ESTIMATIONS

The fees are calculated from the average costs estimated in the first three years of the scheme.

The costs to the product stewardship organisation of managing the accredited tyre stewardship scheme have been estimated by the codesign group. These estimations are based on broad industry consultation, as well as information on international tyre stewardship schemes. To estimate the scheme costs, the codesign group considered factors including, but not limited to, the likely end-uses of tyres under the incentives structure, the likely distribution of end-of-life tyres, the cost of running a collection site and the cost of transporting tyres.

The government costs were calculated in consultation with Customs and Waka Kotahi. At this stage, the Ministry has not completed its requirements and design or procurement process for its IT system. The IT costs are estimates.

The cost model for the first three years of the scheme, upon which the fee is based, does not include inflation.

The fee amounts in this paper are exclusive of GST. GST will apply to the tyre stewardship fee.

ASSUMPTIONS IN THE CALCULATING THE UNITS

The fees are calculated based on the number of tyre units expected to enter New Zealand in the first three years of the scheme.

The financial model based on 2019 Customs import data and Waka Kotahi vehicle registration data. The financial model assumes that the number of tyres entering the New Zealand market in year 1 of the scheme will be equal to 2019. From there, the scheme assumes an increase of 2% per annum of

EPU's entering the market as loose tyres, and a decrease of 2% per year of tyres entering the market fixed to vehicles.

The fee model assumes that the scheme will be able to collect a fee on 8,999,117 equivalent passenger units (equal to 9.5kg of tyre) on average over the first three years of the scheme. This is 95% of the total EPU's expected to enter the New Zealand Market.

The average weights (in EPU's) of tyres in relation to tariff codes and vehicle registration categories was estimated by the codesign group with advice from technical experts.

GAPS

The codesign group did not produce data on the number of vehicles that are imported fixed to off-road vehicles that are not road registered.

There are gaps in Waka Kotahi's historic vehicle registration data, making it difficult to forecast the rate of increase in tyre imports.

We do not know the number of legacy tyres that currently exist in New Zealand. The codesign group stated that there is no way to know the number of stockpiled tyres that are no longer required for the purpose they were intended for, nor the number of tyres that have been abandoned.

DEPENDENCIES

The regulations are dependent on the implementation of the product stewardship organisation. This includes the implementation of the organisation itself, the IT system, a soft launch to test the systems and processes, a review of the level of the incentive payments within the agreed funding, the registration of scheme participants, and the establishment of contracts with collection sites.

Product stewardship for tyres is the last piece of the puzzle to solve the problem of end-of-life tyres, following on from the implementation of the National Environmental Standards for the outdoor storage of tyres and Government's infrastructure investment at Golden Bay Cement kiln. The outcomes of both of these initiatives depend on product stewardship for tyres being in place.

In July 2020, the Government declared six products as priority products, to enable use of regulated product stewardship tools under the WMA. These products are: tyres; electrical and electronic products (e-waste); agrichemicals and their containers; farm plastics; refrigerants and other synthetic greenhouse gases; and plastic packaging.

In addition to tyres, there are six other regulated product stewardship schemes. Some of these schemes, and voluntary product stewardship schemes, may also benefit from the upgrade of the Waka Kotahi IT system and the Ministry's IT architecture. It is not clear at this stage whether other product stewardship fees, such as fees for large batteries and refrigerants attached to vehicles, will be collected through Waka Kotahi. There is also some uncertainty over the timing of the implementation of the other schemes, which affects the allocation of costs.

The Ministry is currently reviewing the WMA. This is likely to impact the future legislative basis for this scheme and the other six schemes for current priority products.

FURTHER WORK REQUIRED PRIOR TO IMPLEMENTATION

The Ministry will need to work with the product stewardship organisation Auto Stewardship New Zealand on the implementation of the tyre stewardship scheme by November 2023.

The Ministry will need to propose an appropriation that will allow it to collect the fee revenue from The Ministry (based on New Zealand Customs Service (Customs) importation data) and Waka Kotahi New Zealand Transport Agency (Waka Kotahi) and to distribute a portion of that fee revenue to the product stewardship organisation for the management of the scheme.

Details of information sharing, protection of privacy, stewardship fee collection, accounting, transfer of funds, enforcement, and memoranda of agreement are currently being confirmed between the

Ministry, Customs, Waka Kotahi, The Treasury and the PSO to ensure robust and cost-effective operation.

The Ministry will need to procure IT architecture for product stewardship and Waka Kotahi will need to upgrade their IT systems. This will support the government's activities that form part of the service.

TYRE LIFECYCLES

There is a time delay between when tyre producers will start paying the proposed fee on imported and new tyres and when those tyres will be collected and processed under the scheme. Tyres typically reach their end of life three to four years after they have been imported. The product stewardship scheme has been designed to use this revenue to start managing the collection, transportation and processing of tyres that have reached their end of life in the first four years of the scheme, when the fee revenue is being collected.

The majority of the tyres that will be managed by the scheme in the first year will be tyres that are reaching their end of life in year 1. There is an upward trend in tyre imports, so we assume that these tyres will not cause an increase in the fee that the importers are paying. However, this creates a fiscal risk if tyre imports decrease or increase at a lower rate than forecast that will need to be mitigated.

There are an unknown number of stockpiled legacy tyres that are no longer required for the purpose they were intended for. There are also an unknown number of 'orphan' tyres that have been abandoned. These tyres will unavoidably enter the scheme and have been costed into the financial model to some extent. There is a risk that a larger number of stockpiled legacy or orphan tyres will enter the scheme than the financial modelling predicts. This creates a fiscal risk that will need to be mitigated.

TIMELINE

The product stewardship organisation will need a "float" before it can commence operations. The Ministry proposes that the product stewardship fee and the charge for recovering performance monitoring costs should come into effect six months before the scheme begins operations to accumulate this float.

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EXECUTIVE SUMMARY

The Ministry proposes to create regulations to support the product stewardship scheme for tyres, including:

- A tyre stewardship fee to recover the costs incurred by government and the costs incurred by the tyre stewardship organisation in managing the tyre stewardship scheme, this includes the cost of monitoring the performance of the tyre stewardship scheme
- A charge to enable government to recover its costs for monitoring the performance of the tyre stewardship scheme.

The proposed tyre stewardship fee is calculated based on a level of \$6.65 per equivalent passenger unit (EPU) and applied to tariff code descriptions and vehicle registration categories.

Of that \$6.65 per EPU, 0.48% relates to government's performance monitoring costs.

Sections 20(b) and 22(1)(e) of the WMA require government to create a further regulatory charge in order to recover the costs of monitoring the performance of the scheme. These costs will ultimately be recovered from the tyre consumer through the tyre stewardship fee. These costs are therefore contained in the "performance monitoring" line of CRIS Table 1 below. The proposed charge for recovering governments performance monitoring costs from the tyre stewardship organisation will be 1.11% of tyre stewardship fee revenue.

The Ministry proposes that the tyre stewardship fee and the performance monitoring charge come into force in November 2023.

STATUS QUO

The proposal is to create a new fee for product stewardship for tyres and a new charge for recovering the costs of monitoring the performance of the product stewardship scheme for tyres, that is ultimately passed on to consumers through the product stewardship fee.

Please see Section 2.1 of the Regulatory Impact Statement for regulations to support the product stewardship scheme for tyres, which sets out the current situation.

COST RECOVERY PRINCIPLES

Principles from section 8 of the Waste Minimisation Act 2008 (WMA)¹:

- **Product stewardship** - the people and organisations involved in the life of a product share responsibility for ensuring there is effective reduction, reuse, recycling, or recovery of the product; and for managing any environmental harm arising from the product when it becomes waste

Principles from the Office of the Auditor General's *Setting and administering fees and levies for cost recovery: Good practice guide*²:

- **Transparency** – costs are transparent
- **Justifiability** – costs can reasonably be attributed to the delivery of the service
- **Efficiency** – net benefits are maximised
- **Equity** – costs are distributed equitably between fee-payers as far as is practicable

POLICY RATIONALE: WHY A USER CHARGE? AND WHAT TYPE IS MOST APPROPRIATE?

Tyres are privately owned products, and they are often disposed of in a way that is harmful to the environment and harmful to human health. It is appropriate for people and companies who benefit from tyres to bear the cost of their disposal in a way that manages these harms. The tyre stewardship scheme offers the fee-payers a service to dispose of end-of-life tyres that is an alternative to landfill.

Part 2 of the Waste Minimisation Act 2008 (WMA) contains legislative provisions, including a fee-making power. Part 2 is designed so that the government can create regulations that ensure that people and organisations involved in the life of a product share responsibility for ensuring there is effective reduction, reuse, recycling, or recovery of the product; and for managing any environmental harm arising from the product when it becomes waste.

PRODUCT STEWARDSHIP FEE

Section 23(1)(d) of the WMA contains the power to set a fee for the management of a product. The Ministry proposes that the government sets a fee under this provision for the management of tyres. In line with the principle of product stewardship, we are proposing full cost recovery.

CHARGE FOR RECOVERING SCHEME PERFORMANCE MONITORING COSTS

Section 20 of the WMA states that the Secretary may recover the costs of monitoring the performance of an accredited product stewardship scheme from the scheme manager, on behalf of the accredited scheme. Section 22(1)(e) of the WMA contains the power to prescribe charges payable to the Secretary for the monitoring of an accredited product stewardship scheme. The Ministry proposes that the government sets a charge to recover the cost of monitoring the performance of the scheme.

These costs will be recovered from the tyre supply chain and consumers by the product stewardship organisation by way of the tyre stewardship fee. Government will then recover a percentage of the fee revenue that corresponds to the cost of monitoring the performance of the scheme from the product stewardship organisation.

ECONOMIC CHARACTERISATION OF THE SERVICE

Tyres are a private good. The use of tyres generates a negative externality in the form of environmental harm. This negative externality is not currently being appropriately managed, nor being priced into the cost of the purchase and disposal of tyres. In order to internalise the externality, and make sure that consumption of tyres has reduced environmental harm, it is appropriate for the users of the private good to pay for their disposal at full cost.

COST COMPONENTS

TABLE 1 – COSTS OF SCHEME OUTCOMES

Activity	Output	Cost per annum (based on three-year average of cost estimates)	Cost per Equivalent Passenger Unit (EPU)
Fee administration	§ 9(2)(j)		
	Waka Kotahi IT system costs	\$207,221	\$0.02
Compliance, monitoring and enforcement	§ 9(2)(j)		
	§ 9(2)(j)		
	PSO programme management costs	\$627,705	\$0.07
	PSO overheads	\$747,267	\$0.08
Performance monitoring	§ 9(2)(j)		
Scheme participant information	Providing informational material to scheme participants, point of sale material, information website	\$2,872,473	\$0.32
Tyre collection	PSO payments to collection sites	\$7,708,402	\$0.86
	PSO programme management costs	\$590,706	\$0.07
	PSO overheads	\$43,957	<\$0.01
Tyre transportation	PSO payments to transporters	\$19,498,239	\$2.17
	PSO programme management costs	\$590,706	\$0.07
	PSO overheads	\$43,957	<\$0.01
Tyre processing/ end markets	PSO payments to tyre processors/ end markets	\$21,485,295	\$2.39
	PSO grants for research and development	\$2,398,402	\$0.27
	Grants for market development through	\$1,200,694	\$0.13

	investment in community spaces		
	PSO programme management costs	\$590,706	\$0.07
	PSO overheads	\$43,957	<\$0.01
Total		\$59,887,624	\$6.65

Note that an equivalent passenger unit (EPU) is 9.5kg, the weight of an average passenger tyre. The cost per EPU has been included in the table to give a sense of scale.

IT COSTS

Some of the six other product stewardship schemes due to be implemented over the next few years may also benefit from the upgrade of the Waka Kotahi IT system and the Ministry's IT architecture. It is not clear at this stage whether other product stewardship fees will be collected through Waka Kotahi, this is an option for large batteries and refrigerants. There is also some uncertainty over the timing of the implementation of the other regulatory schemes. Voluntary product stewardship schemes may also benefit from the Ministry's IT investment, but this benefit is considered to be quite minor compared to the regulated schemes.

The Ministry proposes to recover the full costs of the Waka Kotahi and the Ministry's IT work through the tyre stewardship fee to minimise the risk that it will not recover its costs. The Ministry proposes to review the product stewardship fees at a later date to correct for any cross-subsidisation that may occur.

At this stage, the Ministry has not completed its requirements, design or procurement process for its IT system. It is likely that the necessary software may be procured as software as a service. The guidance in the current Treasury *Guidelines for Setting Charges in the Public Sector* is:

"As a starting point, we typically would expect all costs (including capital charge and depreciation of related assets) to be recovered so that users are paying the true and full cost. Where Government investment is initially required, such as to build a database or other asset to support a cost recovered activity, this investment will often be recovered through the depreciation expense incurred (and charged as a cost) over the life of the asset."

This CRIS assumes that the Ministry's IT costs can be depreciated and recovered through the fee.

THE LEVEL OF THE PROPOSED CHARGES

This section explores three sets of options that inform the proposed level for the tyre stewardship fee and the charge for performance monitoring.

- A. Options for collecting the tyre stewardship fee
- B. Options for the structure of the tyre stewardship fee
- C. Options for the proposed performance monitoring charge

A.1. OPTIONS FOR THE COLLECTION OF THE TYRE STEWARDSHIP FEE

1. Set a fee that is payable at the point of disposal
2. Set a fee that is payable at the point of entry to the New Zealand Market
 - a. Set a fee that can be collected by New Zealand Customs Service
 - b. Set a fee that can be collected by Waka Kotahi New Zealand Transport Agency
 - c. Set a fee that can be collected by the product stewardship organisation
 - d. Set a fee that can be collected by the Ministry for the Environment

A.2. ASSESSMENT OF OPTIONS FOR COLLECTION OF THE TYRE STEWARDSHIP FEE

1. SET A FEE THAT IS PAYABLE AT THE POINT OF DISPOSAL

If the fee is charged at point of import, all tyres already in circulation in NZ will benefit from disposal for free as once a tyre is in NZ, it isn't possible to differentiate between those that were imported subject to the fee and those that were already here. This creates cross-subsidisation, in a way that does not occur when a fee is charged at the point at which the service is delivered.

However, if the tyre stewardship fee were to be charged at the point of disposal, this would create a disincentive for tyres to be disposed of through the scheme. End-of-life tyres would likely continue to be disposed of in the same way that they have been historically, with tyres ending up illegally dumped or left in storage or stockpiles.

This would frustrate the intentions of the policy and the principle of product stewardship under the WMA. The people and organisations involved in the life of a product would not be sharing responsibility for ensuring there is effective reduction, reuse, recycling, or recovery of the product; and for managing any environmental harm arising from the product when it becomes waste.

Collecting the fee at the point of disposal is therefore not the preferred option.

2. SET A FEE THAT IS PAYABLE AT THE POINT OF ENTRY TO THE NEW ZEALAND MARKET

Charging a fee in advance will enable the tyre stewardship scheme to provide a collection service that is convenient to the end user or consumer and is free at the point of collection. This is in line with the Ministerial guidelines for product stewardship schemes for priority products made under s12 WMA³. It is important for the service to be free and convenient at the point of collection, to incentivise service uptake and to avoid illegal dumping or stockpiling of tyres. This is necessary for the product stewardship scheme to fulfil its purpose.

Collecting the fee at the point of import would amount to a lower administration cost than point of disposal as it means there will be fewer collection points with larger transactions.

a. SET A FEE THAT CAN BE COLLECTED BY NEW ZEALAND CUSTOMS SERVICE (CUSTOMS)

Customs already has the infrastructure in place to collect duties on imported goods. This means that there are cost savings associated with collecting the fee through Customs, making this option more efficient and justifiable.

Customs already has an existing point of contact with tyre producers, who pay duties on imported goods. This means that paying the fee through Customs will be less administratively burdensome for fee payers than establishing a new point of contact.

Tariff code descriptions for tyres that are imported loose give sufficient detail to enable a fee to be set that differentiates between larger and smaller types of tyre. This enables the fee structure to be designed in a way that is more equitable than charging a single fee per tyre, since tyre weights broadly correlate with the cost of managing the tyre at end-of-life.

Tariff code descriptions do not include the actual weight of the tyres imported. Attempting to charge a fee per kg of tyres would be fairer, but administratively impractical. It would add significantly to the cost of the service, making it difficult to justify and the service inefficient.

Customs already collects sufficient information on importers of loose tyres to enable government to monitor and enforce compliance with the fee regulation.

Tariff code descriptions for tyres that are imported fixed to vehicles are not a suitable basis for a fee structure for tyres.

The Ministry are not progressing this option, as Customs indicated they would not collect the fee unless it is declared a duty. The Ministry would need to amend primary legislation to declare the fee a duty, which is out of scope of this project.

b. SET A FEE THAT CAN BE COLLECTED BY WAKA KOTAHĪ NEW ZEALAND TRANSPORT AGENCY

Waka Kotahi already has the infrastructure in place to collect charges at the point of first vehicle registration. This means that there are cost savings associated with collecting the fee through Waka Kotahi, making this option more efficient and justifiable.

Waka Kotahi already has an existing point of contact for paying charges on road registered vehicles. This means that paying the fee through Customs will be less administratively burdensome for fee payers than establishing a new point of contact.

Waka Kotahi's vehicle registration categories enable a fee to be set that differentiates between larger and smaller categories of tyre. This enables the fee structure to be set in a way that is more equitable than charging a single fee per tyre, since tyre weights broadly correlate with the cost of managing the tyre at end of life.

Waka Kotahi does not count the number of tyres on vehicles that it registers. Requiring Waka Kotahi to count the number of tyres on vehicles would be fairer, but it would add significantly to the cost of the service, making the cost difficult to justify and the service inefficient.

Waka Kotahi will not be able to collect a fee on vehicles that are not road registered.

c. **SET A FEE THAT CAN BE COLLECTED BY THE PRODUCT STEWARDSHIP ORGANISATION**

The product stewardship organisation does not have access to the information that Customs or Waka Kotahi collect on tyre importers or those registering vehicles. It would therefore be more administratively complex and costly for the product stewardship organisation to collect the fee. This arrangement would also be more costly for government to enforce, and therefore less justifiable. This arrangement would also make the service less efficient.

Customs cannot charge a fee on tyres that are imported fixed to vehicles. Of those tyres, Waka Kotahi cannot charge a fee on tyres that are imported fixed to vehicles that are not road registered. The product stewardship organisation is therefore the only remaining option for collecting the fee on tyres that are imported fixed to vehicles that are not road registered.

Tyres are not currently manufactured in New Zealand. If tyres are manufactured in New Zealand, the manufacturer should be charged a fee that is equivalent to the fee paid by the importer. Tyres manufactured in New Zealand will not go through Customs.

d. **SET A FEE THAT CAN BE COLLECTED BY THE MINISTRY FOR THE ENVIRONMENT**

Under this option we would use s23(1)(d) to require certain classes or person to pay a fee for the purposes of “funding product stewardship of priority products through an accredited scheme”. We would use powers under s23(1)(j) to specify that the MfE should collect the fee and disburse the funds, less administration costs, to the PSO.

MfE’s core functions do not include fee collection, so MfE may not be best suited to this role, leading to inefficiencies. However, MfE have contracted fee collection services to external parties for other projects, so this model can be replicated for the product stewardship fee collection. Option D can be considered as an interim solution until a more suitable alternative is available to collect the fee.

A.3. PROPOSED APPROACH TO COLLECTION OF THE TYRE STEWARDSHIP FEE

TABLE 2 – PREFERRED OPTIONS FOR FEE COLLECTION

	The class or classes of person who must pay the fee	The stage in the life of the product when the fee must be paid	The payee
Tyres imported loose	The importer	At the point of import	The Ministry for the Environment
Tyres imported fixed to vehicles that are road registered	The first person to register the vehicle for road use	At the point of first vehicle registration	Waka Kotahi New Zealand Transport Agency
Tyres imported fixed to vehicles that are not road registered	The importer	The point at which the tyre enters the New Zealand Market	The Ministry for the Environment
Tyres manufactured in New Zealand	The manufacturer		

B.1. OPTIONS FOR THE STRUCTURE OF THE TYRE STEWARDSHIP FEE

1. Set a single fee rate for any tyre
2. Charge a fee that is based on the weight of each tyre
3. Set multiple fee rates based on average tyre size where possible
4. Set multiple fees based on the category of vehicle and the average number of tyres on that category of vehicle

B.2. ASSESSMENT OF OPTIONS FOR COLLECTION OF THE TYRE STEWARDSHIP FEE

1. SET A SINGLE FEE RATE FOR ANY TYRE

Tyres come in a wide range of sizes. Tyres for off-road earth movers are around 63.3 times the weight of an average passenger tyre. The costs of collecting and transporting a tyre are correlated with the weight of the tyre. The option to charge the same amount per tyre, regardless of the weight of the tyre would be inequitable.

2. CHARGE A FEE THAT IS BASED ON THE ACTUAL WEIGHT OF EACH TYRE

Weighing each tyre or collecting data on the weight of the tyre from manufacturers for the purpose of fee collection would be inefficient and the additional cost would be difficult to justify. This approach would also exclude the preferred fee collection entities Customs and Waka Kotahi from collecting the fee, as it would be impractical for them to do so, and it would result in significant cost increases.

3. SET MULTIPLE FEE RATES BASED ON AVERAGE TYRE WEIGHT

The industry-led co-design group proposed a fee structure that differentiated between different types of tyre based on weight. A standard unit of measurement in the tyre industry is an equivalent passenger unit (EPU) which is equivalent to the weight of an average passenger tyre; 9.5kg. The co-design group proposed 13 tyre categories and assigned each tyre category an EPU value based on average weight. Technical experts advised the co-design group on how these types of tyre align to tariff codes and vehicle registration categories.

This option is the most equitable, as it aligns the fee more directly to each fee payers actual use of the service.

It should be noted that none of these options distributes the cost of the service in a way that is entirely equitable. Although several of the cost components correlate with the weight of the tyre, the proposed community development grants and research and development grants that the scheme will distribute do not. These costs will not benefit all types of tyre in a uniform way. There is some unavoidable inequity in any fee structure.

4. SET MULTIPLE FEES BASED ON THE CATEGORY OF VEHICLE AND THE AVERAGE NUMBER OF TYRES ON THAT CATEGORY OF VEHICLE

The Ministry is proposing to collect the fee on tyres that are imported fixed to road registered vehicles through Waka Kotahi. If a fee could be set per tyre, then this would be more equitable to fee payers. The Ministry considers this efficient where there is significant variation in the number of tyres on a vehicle within one vehicle class.

B.3. PROPOSED STRUCTURE OF THE TYRE STEWARDSHIP FEE

The preferred option is to set multiple fee rates based on the average weight of tyres that are imported loose, imported fixed to non-road registered vehicles, and manufactured in New Zealand. The proposed fee structure is set out in Table 3.

The preferred option for tyres that are imported fixed to vehicles that are road registered is to set a fee per vehicle, based on the type of tyres on that vehicle and the average number of tyres for that vehicle. The proposed fee structure is set out in Table 4.

TABLE 3 – FEES PAYABLE FOR TYRES IMPORTED LOOSE, TYRES IMPORTED FIXED TO OFF-ROAD VEHICLES AND TYRES MANUFACTURED IN NEW ZEALAND

Type of tyre	Applicable tariff code description	Average weight of the tyre in EPU's	Fee per tyre (EPU's*\$6.65)
Off-road all-terrain vehicle	4011.70.00.39K	0.3	\$2.00
Motorbike	4011.40.00.00C	0.5	\$3.33
Passenger / light truck	4011.10, 4011.20.03.01C, 4011.20.03.09J, 4011.20.03.11L, 4011.20.03.19F, 4011.20.12.09H, 4011.20.12.11K, 4011.20.20.12.19E, 4012.11.11.00G, 4012.11.19.00H, 4012.20.01.01J	1.0	\$6.65
Aircraft	4011.30.00.00K, 4012.13.00.00D	1.9	\$12.64
Light commercial / industrial	4011.90.10, 4011.90.20, 4011.90.30, 4011.90.40, 4011.90.50, 4011.90.90.00L, 4012.19.11.00C, 4012.19.19.00D, 4012.19.29.00K, 4012.20.01.09D, 4012.20.09.00A, 4012.20.19.00G	2.0	\$13.30
Medium truck	4011.20.03.11L, 4011.20.03.19F, 4011.20.03.21H, 4011.20.03.29C, 4011.20.12.11K, 4011.20.12.19E, 4011.20.12.21G, 4011.20.12.29B	3.2	\$21.28
Tractor – small	4011.70.00.10A, 4011.70.00.23C	2.6	\$17.29
Solid or cushion tyres (forklift)	4012.90.00.01H, 4012.90.00.09C, 4012.90.00.19L	3.6	\$23.94
Heavy truck / bus	4011.20.07.01J, 4011.20.07.09D, 4011.20.12.01B, 4011.20.18.01L, 4011.20.18.09F, 4012.12.00.00K	4.2	\$27.93
Off-road (forestry)	4011.70.00.19E, 4011.70.00.21G, 4011.70.00.35G	4.4	\$29.26
Construction / industrial	4011.80.00	5.1	\$33.92
Tractor - large	4011.70.00.11K, 4011.70.00.25K	8.1	\$53.87
Off-road (graders)	4011.70.00.13F, 4011.70.00.29B	23.2	\$154.28
Off-road (earthmovers)	4011.70.00.15B, 4011.70.00.31D	63.6	\$422.94

FEES PAYABLE ON TYRES FIXED TO VEHICLES

The preferred option is to set fees for tyres fixed to vehicles based on the total equivalent passenger unit (EPU) value of the tyres per vehicle.

The Ministry proposes setting fees for tyres fixed to vehicles in two categories:

- *Category 1*: set a fee per vehicle for vehicle registration categories with a standard number of tyres (excluding medium and heavy trucks, trailers, and buses; large tractors; and special purpose vehicles (SPV))
- *Category 2*: set a fee per tyre for vehicle registration categories with a variable number of tyres (limited to medium and heavy trucks, trailers, and buses; large tractors; and special purpose vehicles (SPV)).

Category 2 includes these classes of vehicles¹⁹:

- *Trucks*: medium and large goods vehicles (EPU variation of 16.8 to 202.1)
- *Trailers*: medium and large (EPU variation of 16.8 to 201)
- *Buses*: medium and heavy omnibus (EPU variation of 5 to 75.1)
- *Tractors*: large tractors over 3.5 tonnes (EPU variation of 32.4 to 145.8)
- *Special purposes vehicles*: a self-propelled goods vehicle capable of normal highway speeds (e.g. road marker or street sweeper) that is incapable of carrying other goods (EPU variation of 5 to 67.2).

Category 1 includes all other vehicles.

The same fees would be payable on tyres affixed to imported or locally manufactured vehicles that are not registered for road use, collected by the Ministry.

¹⁹ The vehicle class is defined by NZTA under the vehicle equipment standards classifications accessed at: <https://www.nzta.govt.nz/vehicles/vehicle-types/vehicle-classes-and-standards/vehicle-classes/>

TABLE 4 – CATEGORY 1 FEES PAYABLE ON TYRES FIXED TO VEHICLES THAT ARE REGISTERED FOR ROAD USE

Waka Kotahi / New Zealand Transport Agency vehicle registration category	Average weight of each tyre in EPUs	Average number of tyres per vehicle	Fee per vehicle (average weight in EPU * \$6.65 * average number of tyres per vehicle)
Agricultural machines	4.4	4	\$117.04
All-terrain vehicles	0.3	4	\$7.98
Light omnibuses (categories MD1, MD2) Note: medium and heavy omnibuses MD3, MD4, ME category are excluded.	1.0	5	\$33.25
Cars	1.0	5	\$33.25
Mobile machines	5.1	4	\$135.66
Mopeds	0.5	2	\$6.65
Motor caravans	1.0	5	\$33.25
Motorcycles	0.5	2	\$6.65
Towed caravans	1.0	3	\$19.95
Tractors	8.1	4	\$215.46
Trailers (Category TA – Very light trailer)	1.0	2	\$13.30
Trailers (Category TB – Light trailer)	1.0	3	\$19.95
Small tractor (up to 3.5 tonne gross vehicle mass (GVM) ²⁰)	2.6	4	\$69.16
Light goods vehicle (category NA)	1.0	5	\$33.25

CATEGORY 2: PROPOSED FEE STRUCTURE FOR VEHICLE CATEGORIES WITH A VARIABLE NUMBER OF TYRES (CATEGORY 2)

The Ministry proposes setting a fee for the category 2 vehicles via this formula:

$$\text{Vehicle fee} = N * \text{EPU} * \$6.65$$

Where:

N is number of tyres per vehicle

EPU: Equivalent passenger unit value (1 EPU is the equivalent of a standard passenger car tyre of 9.5kg)

The effect of this formula will be to set a fee per tyre, based on size:

²⁰ Note – Gross Vehicle Mass (GVM) means the maximum safe operating mass for a vehicle (including the mass of any accessories, crew, passengers, or load) that is derived from the design, capabilities, and capacities of the vehicle's construction, systems, and components.

Table 3: Category 2 fees payable on tyres fixed to vehicle categories with a variable number of tyres

Tyre size	EPU	Fee
Small (S)	1.0	\$6.65
Medium (M)	3.2	\$21.28
Large (L)	4.2	\$27.93
Extra large (XL)	8.1	\$53.87

The legislation would then include the table 4 as guidance for the fee per vehicle. Table 4 sets out the estimated cost per vehicle, based on the vehicle classification and gross vehicle mass (GVM).

Table 4: Examples of Category 2 fees payable on tyres fixed to vehicle categories with a variable number of tyres

Note: a goods vehicle (i.e. truck) is defined as a motor vehicle constructed primarily for the carriage of goods, and either has at least four wheels or has three wheels and a gross vehicle mass (GVM) exceeding one tonne.

Class	Class description	Applicable GVM range	Number of tyres	Tyre size - EPU	Tyre fee	Estimated cost per vehicle
NB: Medium goods vehicle	A goods vehicle that has a GVM exceeding 3.5 tonnes but not exceeding 12 tonnes.	3.5 tonnes to 6 tonnes	5	S / 1 EPU	6.65	\$33.25
		Above 6 tonnes	5 or 7	M / 3.2 EPU	21.28	\$106.4 (5 tyre vehicle) \$148.29 (7 tyre vehicle)
NC: Heavy goods vehicle	A goods vehicle that has a GVM exceeding 12 tonnes.	Above 12 tonnes	4 -16	L / 4.2 EPU	27.93	Fee ranges from: \$111.72 (4 tyre vehicle) to \$446.88 (16 tyre vehicle)
TC: Medium trailer	A trailer that has a GVM exceeding 3.5 tonnes but not exceeding 10 tonnes.	3.5 tonnes to 6 tonnes	4 or 6	S / 1 EPU	6.65	\$26.60 (4 tyre vehicle) \$39.90 (6 tyre vehicle)
		Above 6 tonnes	4 or 6	M / 3.2 EPU	21.28	\$85.12 (4 tyre vehicle) \$127.68 (6 tyre vehicle)
TD: Heavy trailer	A trailer that has a GVM exceeding 10 tonnes.	Above 10 tonnes	4 – 32	L / 4.2 EPU	27.93	Fee ranges from: \$111.72 (4 tyre vehicle) to \$446.88 (16 tyre vehicle)

Class	Class description	Applicable GVM range	Number of tyres	Tyre size - EPU	Tyre fee	Estimated cost per vehicle
MD3: Medium omnibus	An omnibus with GVM exceeding 3.5 tonnes but not exceeding 4.5 tonnes	3.5 tonnes to 4.5 tonnes	5 or 7	S / 1 EPU	6.65	\$33.25 (5 tyre vehicle) \$46.55 (7 tyre vehicle)
MD4: Medium omnibus	An omnibus with GVM exceeding 4.5 tonnes but not exceeding 5 tonnes	4.5 tonnes to 5 tonnes	5 or 7	S / 1 EPU	6.65	\$33.25 (5 tyre vehicle) \$46.55 (7 tyre vehicle)
ME: Heavy omnibus	An omnibus that has a GVM exceeding 5 tonnes.	Above 5 tonnes	4 or 6 or 8	L / 4.2 EPU	27.93	\$111.72 (4 tyre vehicle) \$167.58 (6 tyre vehicle) \$223.44 (8 tyre vehicle)
Large tractor	A tractor that has a GVM exceeding 3.5 tonnes	Above 3.5 tonnes	4 or 6 or 18	XL / 8.1 EPU	53.87	\$215.48 (4 tyre vehicle) \$323.22 (6 tyre vehicle) \$969.57 (18 tyre vehicle)
SPV: Special Purpose Vehicles	A self-propelled goods vehicle capable of normal highway speeds (e.g. road marker or street sweeper) that is incapable of carrying other goods.	3.5 to 6	5 or 7	S / 1 EPU	6.65	\$33.25 (5 tyre vehicle) \$46.55 (7 tyre vehicle)
SPV: Special Purpose Vehicles		6 to 12	5 or 7	M / 3.2 EPU	21.28	\$106.4 (5 tyre vehicle) \$148.29 (7 tyre vehicle)
SPV: Special Purpose Vehicles		Above 12	4 - 16	L / 4.2 EPU	27.93	Fee ranges from: \$111.72 (4 tyre vehicle) to \$446.88 (16 tyre vehicle)

C.1. OPTIONS FOR THE PROPOSED PERFORMANCE MONITORING CHARGE

1. Recover $\text{\$ } 9(2)(j)$ per annum from the product stewardship organisation for government's costs to monitor the performance of the product stewardship scheme.
2. Recover 0.48% of fee revenue from the product stewardship organisation for government's costs to monitor the performance of the product stewardship scheme.

Note that the cost of government monitoring the performance of the scheme is considered to be part of the service as a whole, and as such this cost is recovered through tyre stewardship fee revenue from the tyre stewardship fee, paid by the tyre supply chain and consumers.

It is envisioned that government will retain the $\text{\$ } 9(2)(j)$ /0.48% of fee revenue and / or invoice the product stewardship organisation for this amount. In both cases, government will also be recovering Waka Kotahi's IT costs, the Ministry's fee administration costs, the Ministry's IT, compliance, monitoring and enforcement costs through tyre stewardship fee revenue.

C.2. ASSESSMENT OF OPTIONS FOR THE PROPOSED PERFORMANCE MONITORING CHARGE

1. RECOVER $\text{\$ } 9(2)(j)$ PER ANNUM FROM THE PRODUCT STEWARDSHIP ORGANISATION FOR GOVERNMENT'S COSTS TO MONITOR THE PERFORMANCE OF THE PRODUCT STEWARDSHIP SCHEME.

This option would ensure that government fully recovers the cost of monitoring the scheme's performance from the product stewardship organisation. However, the product stewardship organisation is a not-for-profit organisation, the fee revenue is intended to fully recover the cost of running the product stewardship scheme. If the fee revenue under-recovers the cost of running the scheme, there is a greater risk to government of the scheme being unable to deliver its outcomes.

2. RECOVER 0.48% OF FEE REVENUE FROM THE PRODUCT STEWARDSHIP ORGANISATION FOR GOVERNMENT'S COSTS TO MONITOR THE PERFORMANCE OF THE PRODUCT STEWARDSHIP SCHEME.

This option would mean that the risk of under-recovering these costs from tyre stewardship fee revenue would be shared between the government and the product stewardship organisation.

C.3. LEVEL OF THE PROPOSED PERFORMANCE MONITORING CHARGE

The preferred option is for government to charge the product stewardship organisation 0.48% of fee revenue to recover the costs of monitoring the performance of the scheme.

IMPACT ANALYSIS

Please see the full impact analysis for the tyre stewardship scheme provided in the Regulatory Impact Statement.

CONSULTATION

The Tyrewise scheme was designed by an industry-led co-design group. The scheme has been developed over the past decade. In 2019, the co-design group led a project to update the original 2012/13 project. The 2019 co-design group consulted widely with industry and with other stakeholders to design the scheme.

The Government consulted on proposed regulations to support the tyre stewardship scheme in late 2021²¹. The consultation included cost and fee structure proposals.⁴

The public were asked: *“Do you agree with the proposal to set a product stewardship fee or domestically manufactured products to cover the end-of-life management of tyres?”*

Of those who answered the questions, 97 per cent agreed with the proposal, this was 87 per cent of total submitters.

The public were asked whether they agreed with the proposed fee-collection entity 84 to 88 per cent of those who answered (or 62 to 71 per cent of total submitters) agreed with the proposals, depending on the entity.

The public were asked whether they agreed with the proposal to recover the cost of monitoring and performance of the tyre and large battery schemes. 87 per cent of those who answered (or 39 per cent of total submitters) agreed with the proposal.

A suggestion for improvement from a submitter has led to a revision of the approach to the fee for tyres fixed to road registered trucks. A fee of \$231 per truck had been proposed based on the assumption that a truck would have an average of 10 tyres at \$23.10 each. However, given the extent of the variation in axle numbers and tyre weights in trucks, this submitter recommended use of truck weights and axle numbers based on Waka Kotahi’s Road User Charges information. The recommendation is now to set a fees per tyre fixed to categories of road registered trucks, trailers, buses, and special purpose vehicles based on the \$6.65 per EPU fee.

21 Ministry for the Environment (2021), Proposed product stewardship regulations: Tyres and large batteries, accessed at [Proposed product stewardship regulations: Tyres and large batteries | Ministry for the Environment](#)

CONCLUSIONS AND RECOMMENDATIONS

The Ministry recommends that a tyre stewardship fee be paid at the point at which the tyre enters the New Zealand market. This fee should be collected by the Ministry for the Environment, Waka Kotahi and the product stewardship organisation as set out in Table 2.

The level of the fee should be calculated on the basis of \$6.65 per equivalent passenger unit and the schedule of fees should be set against tariff code descriptions and vehicle registration categories, as set out in Tables 3 and 4.

IMPLEMENTATION PLAN

Please see section 6 of the full Regulatory Impact Statement for the implementation plan.

MONITORING AND EVALUATION

Accredited schemes must provide the Ministry data on scheme performance as a condition of accreditation. For example, they must report to the Ministry on an annual basis on achievement of targets. The Ministry will use this data to evaluate the efficacy of the scheme.

The Ministry proposes setting regulations under section 23(i) to require the product stewardship organisation and scheme participants to provide information to the Ministry.

REVIEW

It is recommended that the tyre stewardship fee and the performance monitoring charge are reviewed every three years at a minimum, in line with Treasury's *Guidelines for Setting Charges in the Public Sector*⁵. It is also recommended that government should initiate a review if there is a material change in service delivery costs from those which are forecast, or a material change in market conditions, or if the accumulated surplus or deficit in the memorandum account is trending away from zero.

Appendix A: Overview of the Tyrewise product stewardship scheme for tyres

Co-design and accreditation

A working group to co-design a regulated product scheme for tyres was first established in 2012 with support from the Waste Minimisation Fund (WMF). The group represented major tyre importers and retailers, vehicle importers, vehicle fleet managers, the Motor Trade Association, the Automobile Association, local government and tyre recyclers. Their report to Government in 2013 proposed the 'Tyrewise' scheme. This was not progressed by Government in favour of other complementary measures which have since come into effect.

- A National Environmental Standard to provide nationally consistent rules for the responsible outdoor storage of tyres, in effect as of 20 August 2021.
- Infrastructure to enable onshore use of tyre-derived fuel use has been advanced through WMF funding \$16 million of the \$25 million project to upgrade a manufacturing plant that uses tyre-derived fuel to power Golden Bay Cement's kiln. A WMA regulated product stewardship framework is required for self-sustaining economics of collection and shredding.

In 2018, the Tyrewise co-design group was re-convened with WMF co-funding to update their 2013 report. This was published in final form in 2020.²²

Tyrewise is a not-for-profit entity established for the purposes of promoting product stewardship and environmentally sound waste management for end-of-life tyres. Accreditation has been granted for the Tyrewise scheme as updated in 2020.

The Tyrewise scheme cannot be given effect until regulations set the framework for industry participation and collection of tyre management fees.

Overview of the scheme

The proposed Tyrewise scheme is designed to be a push-pull model. Regulations are used to push end-of-life tyres away from landfill, stockpiling and illegal dumping to more environmentally sound pathways. The accredited product stewardship organisation Tyrewise will oversee and administer the payment of the tyre stewardship fee through incentives to collectors, processors and manufacturers to pull end-of-life tyres through to increased resource cycling. Incentive payments for tyre-derived products for ongoing use will be higher than delivery to tyre-derived fuel processors.

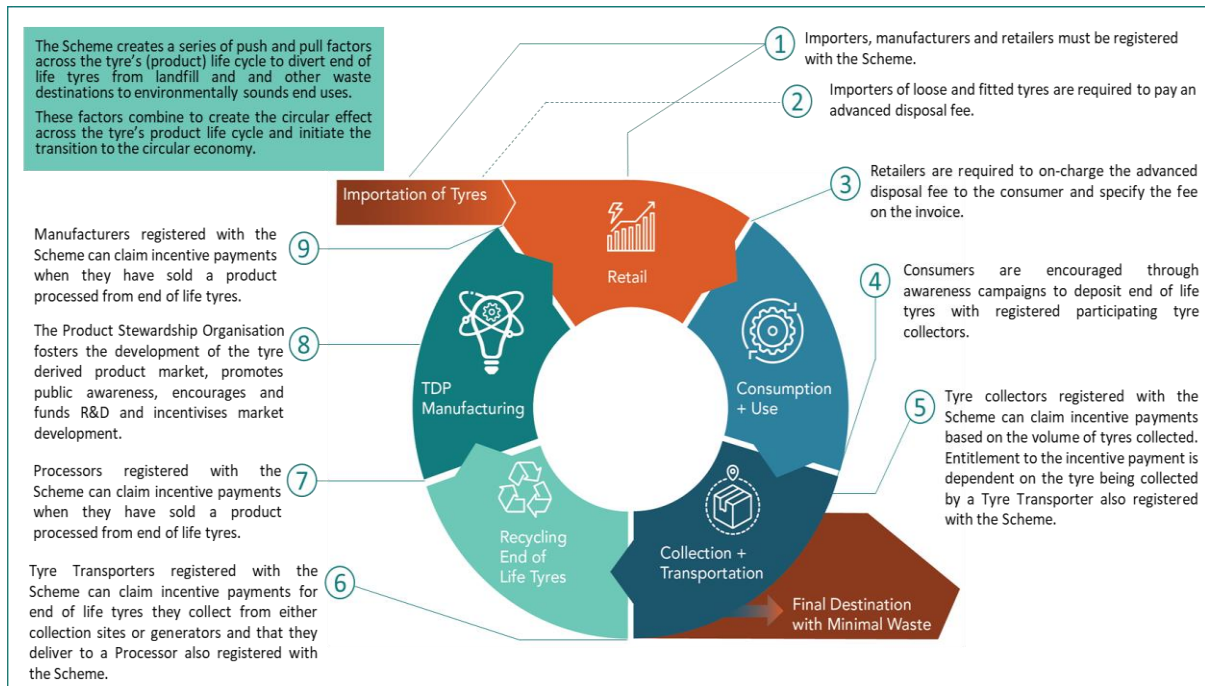
A disincentive for illegal tyre dumping would be created through replacing the previous ad-hoc tyre disposal fee charged by retailers and used in part to pay tyre collectors, with a new incentive payment from the tyre stewardship fee paid only to bona fide registered tyre collectors.

The level of the proposed fee is comparable to the current average price of the ad-hoc fee but is paid directly to more environmentally sound outcomes and allows a clear chain of custody. Tyrewise will report to the Ministry for the Environment on progress in diverting end of life tyres from waste toward improved destinations and will publish reports showing progress against targets.

A schematic of the scheme is in figure 4 and the roles and responsibilities of the key players set out in table 7.

²² 3R Group. 2020. *Regulated product stewardship for end-of-life tyres 'Tyrewise 2.0 updated report: Update on industry solution developed between 2012-2015 'Tyrewise 1.0'*. Prepared by the Tyrewise Project Managers, 3R Group Ltd, final released 22 July 2020. www.tyrewise.co.nz

Figure 4: Tyre product lifecycle under the proposed Tyrewise scheme



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Tyrewise (2020), Cost Benefit Analysis, accessed at <https://www.tyrewise.co.nz/the-project/reports/>

Tyrewise (2020), Regulated Product Stewardship for End of Life Tyres “Tyrewise 2.0” Updated Report, accessed at <https://110ppppax8b3fccwh3zobtws-wpengine.netdna-ssl.com/wp-content/uploads/2020/07/Tyrewise-2.0-Master-Report-Final-Released-22July2020-with-disclaimer.pdf>

Appendix 5: Proposed tyre stewardship fee levels

Table 1: Fees payable on loose imported tyres, tyres manufactured in New Zealand and tyres attached to off-road vehicles, collected by the Ministry for the Environment

Type of tyre	Fee per tyre	Tariff codes
Off-road ATV	\$2.00	4011.70.00.39K
Motorbike	\$3.33	4011.40.00.00C
Passenger / light truck	\$6.65	4011.10, 4011.20.03.01C, 4011.20.03.09J, 4011.20.12.01B, 4011.20.12.09H, 4012.11.11.00G, 4012.11.19.00H, 4012.20.01.01J
Aircraft	\$12.64	4011.30.00.00K, 4012.13.00.00D
Light commercial / industrial	\$13.30	4011.90.10, 4011.90.20, 4011.90.30, 4011.90.40, 4011.90.50, 4011.90.90.00L, 4012.19.11.00C, 4012.19.19.00D, 4012.19.29.00K, 4012.20.01.09D, 4012.20.09.00A, 4012.20.19.00G
Medium truck	\$21.28	4011.20.03.11L, 4011.20.03.19F, 4011.20.03.21H, 4011.20.03.29C, 4011.20.12.11K, 4011.20.12.19E, 4011.20.12.21G, 4011.20.12.29B
Tractor – small	\$17.29	4011.70.00.10A, 4011.70.00.23C
Solid or cushion tyres (forklift)	\$23.94	4012.90.00.01H, 4012.90.00.09C, 4012.90.00.19L
Heavy truck / bus	\$27.93	4011.20.07.01J, 4011.20.07.09D, 4011.20.18.01L, 4011.20.18.09F, 4012.12.00.00K
Off-road (forestry)	\$29.26	4011.70.00.19E, 4011.70.00.21G, 4011.70.00.35G
Construction / industrial	\$33.92	4011.80.00
Tractor – large	\$53.87	4011.70.00.11K, 4011.70.00.25K
Off-road (graders)	\$154.28	4011.70.00.13F, 4011.70.00.29B
Off-road (earthmovers)	\$422.94	4011.70.00.15B, 4011.70.00.31D

Fees payable on tyres fixed to vehicles registered for road use, collected by Waka Kotahi New Zealand Transport Agency

The Government proposes setting fees for tyres fixed to vehicles based on the total equivalent passenger unit (EPU) value of the tyres per vehicle. One EPU is the equivalent of a standard passenger car tyre (9.5kg of tyre).

The Government proposes setting fees for tyres fixed to vehicles in two categories:

- Category 1: set a fee per vehicle for vehicle registration categories with a standard number of tyres (excluding medium and heavy trucks, trailers, and buses; large tractors; and special purpose vehicles (SPV))
- Category 2: set a fee per tyre for vehicle registration categories with a variable number of tyres (limited to medium and heavy trucks, trailers, and buses; large tractors; and special purpose vehicles (SPV)).

Note: the same fees would be payable on tyres affixed to imported or locally manufactured vehicles that are not registered for road use, collected by the Ministry for the Environment.

Table 2: Category 1 Fees payable on tyres fixed to vehicle categories with a standard number of fixed tyres

Vehicle registration category	Fee per vehicle
Agricultural machines	\$117.04
ATVs	\$7.98
Light omnibuses (categories MD1, MD2) Note: medium and heavy omnibuses MD3, MD4, ME category are excluded.	\$33.25
Cars	\$33.25
Mobile machines	\$135.66
Mopeds	\$6.65
Motor caravans	\$33.25
Motorcycles	\$6.65
Towed caravans	\$19.95
Small tractors up to 3.5 tonne gross vehicle mass ¹	\$69.16
Trailers – (category TA very light)	\$13.30
Trailers – (category TB light)	\$19.95
Light goods vehicle (category NA)	\$33.25

¹ Note – Gross Vehicle Mass (GVM) means the maximum safe operating mass for a vehicle (including the mass of any accessories, crew, passengers, or load) that is derived from the design, capabilities, and capacities of the vehicle's construction, systems, and components.

Category 2: Fees payable on tyres fixed to vehicle categories with a variable number of tyres

Category 2 includes these classes of vehicles²

- a) *Trucks*: medium and large goods vehicles (EPU variation of 16.8 to 202.1)
- b) *Trailers*: medium and large (EPU variation of 16.8 to 201)
- c) *Buses*: medium and heavy omnibus (EPU variation of 5 to 75.1)
- d) *Tractors*: large tractors over 3.5 tonne GVM (EPU variation of 32.4 to 145.8)
- e) *Special purpose vehicle (SPV)*: A self-propelled goods vehicle capable of normal highway speeds (e.g. road marker or street sweeper) that is incapable of carrying other goods (EPU variation of 5 to 67.2)

The Government proposes setting a fee for the category 2 vehicles via this formula:

$$\text{Vehicle fee} = N * \text{EPU} * \$6.65$$

Where:

N is number of tyres per vehicle

EPU: Equivalent passenger unit value (1 EPU is the equivalent of a standard passenger car tyre of 9.5kg)

The effect of this formula will be to set a fee per tyre, based on size:

Table 3: Category 2 fees payable on tyres fixed to vehicle categories with a variable number of tyres

Tyre size	EPU	Fee
Small (S)	1.0	\$6.65
Medium (M)	3.2	\$21.28
Large (L)	4.2	\$27.93
Extra large (XL)	8.1	\$53.87

The legislation would then include the table 4 as guidance for the fee per vehicle. Table 4 sets out the estimated cost per vehicle, based on the vehicle classification and gross vehicle mass (GVM).

² The vehicle class is defined by NZTA under the vehicle equipment standards classifications accessed at: <https://www.nzta.govt.nz/vehicles/vehicle-types/vehicle-classes-and-standards/vehicle-classes/>

Table 4: Examples of Category 2 fees payable on tyres fixed to vehicle categories with a variable number of tyres

Class	Class description	Applicable GVM range	Number of tyres	Tyre size - EPU	Tyre fee	Estimated cost per vehicle
NB: Medium goods vehicle ³	A goods vehicle that has a GVM exceeding 3.5 tonnes but not exceeding 12 tonnes.	3.5 tonnes to 6 tonnes	5	S / 1 EPU	6.65	\$33.25
		Above 6 tonnes	5 or 7	M / 3.2 EPU	21.28	\$106.4 (5 tyre vehicle) \$148.29 (7 tyre vehicle)
NC: Heavy goods vehicle	A goods vehicle that has a GVM exceeding 12 tonnes.	Above 12 tonnes	4 -16	L / 4.2 EPU	27.93	Fee ranges from: \$111.72 (4 tyre vehicle) to \$446.88 (16 tyre vehicle)
TC: Medium trailer	A trailer that has a GVM exceeding 3.5 tonnes but not exceeding 10 tonnes.	3.5 tonnes to 6 tonnes	4 or 6	S / 1 EPU	6.65	\$26.60 (4 tyre vehicle) \$39.90 (6 tyre vehicle)
		Above 6 tonnes	4 or 6	M / 3.2 EPU	21.28	\$85.12 (4 tyre vehicle) \$127.68 (6 tyre vehicle)
TD: Heavy trailer	A trailer that has a GVM exceeding 10 tonnes.	Above 10 tonnes	4 – 32	L / 4.2 EPU	27.93	Fee ranges from: \$111.72 (4 tyre vehicle) to \$446.88 (16 tyre vehicle)
MD3: Medium omnibus	An omnibus with GVM exceeding 3.5 tonnes but not exceeding 4.5 tonnes	3.5 tonnes to 4.5 tonnes	5 or 7	S / 1 EPU	6.65	\$33.25 (5 tyre vehicle) \$46.55 (7 tyre vehicle)

³ Note: a goods vehicle (i.e. truck) is defined as a motor vehicle constructed primarily for the carriage of goods, and either has at least four wheels or has three wheels and a gross vehicle mass (GVM) exceeding one tonne.

Class	Class description	Applicable GVM range	Number of tyres	Tyre size - EPU	Tyre fee	Estimated cost per vehicle
MD4: Medium omnibus	An omnibus with GVM exceeding 4.5 tonnes but not exceeding 5 tonnes	4.5 tonnes to 5 tonnes	5 or 7	S / 1 EPU	6.65	\$33.25 (5 tyre vehicle) \$46.55 (7 tyre vehicle)
ME: Heavy omnibus	An omnibus that has a GVM exceeding 5 tonnes.	Above 5 tonnes	4 or 6 or 8	L / 4.2 EPU	27.93	\$111.72 (4 tyre vehicle) \$167.58 (6 tyre vehicle) \$223.44 (8 tyre vehicle)
Large tractor	A tractor that has a GVM exceeding 3.5 tonnes	Above 3.5 tonnes	4 or 6 or 18	XL / 8.1 EPU	53.87	\$215.48 (4 tyre vehicle) \$323.22 (6 tyre vehicle) \$969.57 (18 tyre vehicle)
SPV: Special Purpose Vehicles	A self-propelled goods vehicle capable of normal highway speeds (e.g. road marker or street sweeper) that is incapable of carrying other goods.	3.5 to 6	5 or 7	S / 1 EPU	6.65	\$33.25 (5 tyre vehicle) \$46.55 (7 tyre vehicle)
SPV: Special Purpose Vehicles		6 to 12	5 or 7	M / 3.2 EPU	21.28	\$106.4 (5 tyre vehicle) \$148.29 (7 tyre vehicle)
SPV: Special Purpose Vehicles		Above 12	4 - 16	L / 4.2 EPU	27.93	Fee ranges from: \$111.72 (4 tyre vehicle) to \$446.88 (16 tyre vehicle)

Appendix 6: Proposed tyre stewardship scheme take-back targets

Table 1: Targets for take-back systems for tyre stewardship scheme

Category	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Tracking system	Established						
Scheme awareness	Launch scheme	60%	70%	80%		90%	95%
Take-back system audit compliance	70%	80%	80%+	90%	90%+	90%+	90%+
Capacity to manage projected 72,000 tonnes	Build network	60%		80%		90%+	90%+
Percentage of total tyre stewardship fee paid out to different processing steps	Establishment payment incentive percentage system: Collection 11% Processing: 51%	60%		80%		90%+	90%+



Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Proposals to Regulate Product Stewardship for Tyres and Update on Large Batteries Stewardship Scheme

Portfolio Environment

On 7 December 2022, the Cabinet Economic Development Committee (DEV):

Background

- 1 **noted** that:
 - 1.1 regulated product stewardship is a key tool to reduce waste and transition to a low-carbon circular economy;
 - 1.2 tyres and large batteries are the first of six declared priority products to be progressed toward regulation under the Waste Minimisation Act 2008;
- 2 **noted** that in 20 October 2021, DEV agreed to the release of a consultation document on proposed product stewardship regulations for tyres and large batteries [DEV-21-MIN-0202];
- 3 **noted** that there was majority support from submitters for the proposed regulatory framework, and that suggestions for improvement were also received and have informed the current proposals;
- 4 **noted** that for large batteries, the Ministry for the Environment and the Energy Efficiency and Conservation Authority are undertaking further work with stakeholders to progress the necessary scheme and stewardship fee details, which will be brought back to Cabinet by May 2023;

Tyre stewardship scheme

- 5 **agreed** that the regulations be developed under the Waste Minimisation Act 2008 to establish an effective, easily monitored and enforced regime to support accredited tyre stewardship schemes, as follows:

Proposed In-effect Timeframes	Description
Tranche 1	Set stewardship fee will be charged on all tyres as products enter the market and require information relating to collection of the fee
	Require the accredited tyre stewardship scheme manager to pay the Secretary 0.48 percent of fee revenue for the monitoring of the accredited tyre scheme
	Sale only in accordance with accredited scheme
Tranche 2	Take-back and recycling targets and information relating to these requirements
	Set a quality standard for use of tyre-derived products in playing surfaces to protect human health

- 6 **agreed** that Tranche 1 will commence 6 months prior to Tranche 2;
- 7 **noted** that the requirements of sections 22(2), 23(3)(b)(ii), and 23(3)(b)(ii) of the Waste Minimisation Act have been satisfied, and that the requirements of section 23(3)(b) have been satisfied apart from 23(3)(b)(iii) relating to international obligations, which is subject to further policy work;

Participation obligation

- 8 **noted** that setting regulation to require the participation of obligated parties is expected to significantly increase the beneficial diversion of tyres away from landfill, illegally dumped or left in storage or stockpiled, and reduce the 'free-rider' issues experienced by voluntary product stewardship schemes;
- 9 **noted** that all pneumatic and solid tyres for use on motorised vehicles, bicycles and non-motorised equipment were declared a priority product in Gazette Notice 2020-go-4533;
- 10 **agreed** to prohibit the sale of all pneumatic and solid tyres for use on motorised vehicles, except in accordance with an accredited product stewardship scheme;
- 11 **noted** that all pneumatic and solid tyres for use on bicycles and/or non-motorised equipment will not fall within the scheme at this time;

Tyre stewardship fee, categories and collection entities

- 12 **noted** that until such time as the Waste Minimisation Act 2008 is revised, the only funding option for an accredited tyre stewardship scheme is fee setting by regulation;
- 13 **agreed** to a tyre stewardship fee of \$6.65 per passenger tyre equivalent (9.5 kg of tyre);
- 14 **noted** that the tyre stewardship fee will be subject to GST;
- 15 **noted** that minor changes to the tyre stewardship categories may be required to refine the fee categories for trucks, trailers, buses, tractors, agricultural machines, off-road vehicles, mobile machines and special purpose vehicles;

- 16 **authorised** the Minister for the Environment to amend the fee categories as per the scope of paragraph 15 above;
- 17 **agreed** that the following people must pay the tyre stewardship fee:
- 17.1 any person who imports a loose tyre, or a tyre affixed to an off-road vehicle, into New Zealand, must pay the fee to the Ministry for the Environment after import;
 - 17.2 any person who registers a tyre affixed to a vehicle registered for on-road use must pay the fee to Waka Kotahi New Zealand Transport Agency at the point of first vehicle registration;
 - 17.3 any person who manufactures a tyre in New Zealand must pay the fee to the Ministry for the Environment at the point of entry into the market;
- 18 **agreed** that the tyre stewardship fee will apply to different categories of tyres as specified in the Tables 1, 2, and 3 in Appendix 5 of the paper under DEV-22-SUB-0302;
- 19 **agreed** that the fees will be transferred by the Crown to the accredited scheme(s) for tyres, and must be used for management of the scheme, tyre collection services, incentive payments for processing and tyre-derived product manufacture, and research and development grants, with a weighting toward onshore market development;
- 20 **agreed** to set the proportion of the fee payable to the Secretary for the Environment at 0.48 percent of fee revenue for the monitoring of the accredited scheme;
- 21 **agreed** that the Crown be the owner of the revenue from the tyre stewardship fee;
- 22 **noted** that regular reviews of the fee will be needed to accommodate inflation and evolving scheme costs as the market develops, and that a maximum review period of three years is proposed;
- 23 **authorised** the Minister for the Environment to finalise the details of the tyre stewardship fee collection and associated management of the fee revenue, following agreement between the Ministry for the Environment, New Zealand Customs Service, Waka Kotahi New Zealand Transport Agency and the accredited tyre product stewardship organisation;
- 24 **noted** that:
- 24.1 a legislative amendment is required to enable the New Zealand Customs Service to cost-effectively collect the product stewardship fee on loose tyres as if it were a duty under the Customs and Excise Act 2018;
 - 24.2 the Ministry for the Environment is s 9(2)(f)(iv) [REDACTED];

Financial implications

- 25 **agreed** that:
- 25.1 the scheme operate financially on the basis of expenses (tyre stewardship fee disbursements) equalling revenue (product stewardship fees and performance monitoring charges) over time; but
 - 25.2 initially the scheme can run an accumulated deficit of up to \$6 million by 30 June 2030, provided this accumulated deficit is reduced to zero by 30 June 2033;

- 26 **noted** that the scheme carries a fiscal risk to government due to legacy and orphan tyres;
- 27 **directed** the Ministry for the Environment to provide six-monthly reporting on the operating and financial performance of the Tyres Product Stewardship scheme to the Minister of Finance and the Minister for the Environment;
- 28 **noted** that if the scheme is likely to accrue a cumulative deficit higher than \$6 million before 30 June 2030, Cabinet approval would be sought to increase the upper limit on the cumulative deficit;
- 29 **agreed** to increase spending to provide for costs associated with the policy decision in paragraph 25 above, with the following impacts on the operating balance and net debt:

	\$m - increase/(decrease)				
	2022/23	2023/2024	2024/25	2025/26	2026/27
Operating Balance Impact and Net Core Crown Debt Impact	-	-	2.668	5.442	3.961
Operating Balance Impact Only	-	-	-	-	-
Net Core Crown Debt Impact Only	-	(17.654)	-	-	-
No Impact	-	14.006	55.721	60.168	63.228
Total	-	(3.648)	58.389	65.610	67.189
	2027/28	2028/29	2029/30	2030/31	2031/32
Operating Balance Impact and Net Core Crown Debt Impact	3.999	1.675	1.167	-	-
Operating Balance Impact Only	-	-	-	-	-
Net Core Crown Debt Impact Only	-	-	-	(0.629)	(2.440)
No Impact	65.976	67.975	70.049	71.624	72.709
Total	69.975	69.650	71.216	70.995	70.269
	2032/33				
Operating Balance Impact and Net Core Crown Debt Impact	1.705				
Operating Balance Impact Only	-				
Net Core Crown Debt Impact Only	-				
No Impact	77.805				
Total	79.510				

- 30 **noted** that the fiscal impacts on operating deficit before gains and losses (OBEGAL) and net debt are specified in paragraph 29 above, and that these impacts are fiscally neutral over a ten-year period;
- 31 **noted** that the Minister of Finance has approved the establishment of a new multi-category appropriation 'Product Stewardship' in Vote Environment, to be administered by the Ministry for the Environment and with the Minister for the Environment as the appropriation Minister;
- 32 **noted** that the Minister of Finance has agreed that the single overarching purpose of this appropriation is to encourage redesign, reduction, reuse, recycling, recovery or appropriate treatment and disposal to manage the environmental harm arising from priority products through product stewardship;

33 **noted** that the Minister of Finance and the Minister for the Environment have agreed that the categories for this appropriation be as follows:

Title	Type	Scope
Product stewardship administration	Departmental Output Expense	This category is limited to administering, implementing, monitoring, and enforcing the product stewardship scheme
Tyre stewardship fee disbursements	Non-departmental Output Expense	This category is limited to the management and operation by non-government organisations of accredited tyre stewardship schemes

34 **approved** the following changes to appropriations to provide for the new multi-category appropriation described in paragraphs 31, 32, and 33 above:

	\$m - increase/(decrease)				
	2022/23	2023/2024	2024/25	2025/26	2026/27
Multi-Category Expenses: Product Stewardship MCA Departmental Output Expense					
Product Stewardship administration (funded by Revenue Crown)	-	1.267	1.047	1.154	1.185
Non-Departmental Output Expenses	-	12.739	57.342	64.456	66.004
Tyre stewardship fee disbursements					
Total Operating	-	14.006	58.389	65.610	67.189
	2027/28	2028/29	2029/30	2030/31	2031/32
Multi-Category Expenses: Product Stewardship MCA Departmental Output Expense					
Product Stewardship administration (funded by Revenue Crown)	1.215	1.245	1.276	1.307	1.340
Non-Departmental Output Expenses	68.760	68.405	69.940	70.317	71.369
Tyre stewardship fee disbursements					
Total	69.975	69.650	71.216	71.624	72.709
	2032/33				
Multi-Category Expenses: Product Stewardship MCA Departmental Output Expense					
Product Stewardship administration (funded by Revenue Crown)	1.373				
Non-Departmental Output Expenses	78.137				
Tyre stewardship fee disbursements					
Total	79.510				

35 **approved** the following changes to appropriations to provide for the new multi-category revenue appropriation described in paragraphs 25 and 26 above:

	\$m - increase/(decrease)				
	2022/23	2023/2024	2024/25	2025/26	2026/27
Non-Departmental Non-Tax Revenue: Product Stewardship fees and performance monitoring charges	-	31.660	55.721	60.168	63.228
	2027/28	2028/29	2029/30	2030/31	2031/32
Non-Departmental Non-Tax Revenue: Product Stewardship fees and performance monitoring charges	65.976	67.975	70.049	72.254	75.149
	2032/33				
Non-Departmental Non-Tax Revenue: Product Stewardship fees and performance monitoring charges	77.805				

36 **noted** that any costs to prepare for the tyre scheme in 2022/23 will be met within baselines;

37 **authorised** the Minister of Finance and the Minister for the Environment jointly to approve increases or decreases in the amount of the multicategory appropriation consistent with forecast changes in revenue and the upper limit on the accumulated deficit (in paragraph 25 above);

Take-back and recycling targets

38 **agreed** that the manager of an accredited product stewardship scheme for tyres be required to:

38.1 operate a take-back service for end-of-life tyres through providers registered under the scheme, which is funded by the tyre stewardship fee; and

38.2 be available to public and commercial users presenting tyres that meet published acceptance criteria;

39 **agreed** that the take-back service must meet scheme targets for tyre collection as specified in Appendix 6 of the paper under DEV-22-SUB-0302 and collect and provide information to the Secretary for the Environment about the operation of the scheme;

40 **agreed** that tyre collection and processing incentive payments will only be paid to entities that meet tyre management criteria published by the scheme and are currently registered with the scheme;

Quality standards

41 **agreed** that:

- 41.1 parties may not receive tyre processing incentive payments from the accredited product stewardship scheme for manufacturing tyre-derived products designed for use in playing surfaces unless they first provide documentation of meeting quality standards to protect human health under section 23(1)(h) of the Waste Minimisation Act 2008, of no more than 20 mg/kg (0.002 percent by weight) of all listed polycyclic-aromatic hydrocarbons (PAH);
- 41.2 the accredited product stewardship scheme must provide information to the Secretary for the Environment about enforcing this requirement;

s 9(2)(h)

42 s 9(2)(h)

43 s 9(2)(h)

44 s 9(2)(h)

45 s 9(2)(h)

46 s 9(2)(h)

Other matters

- 47 **agreed** to circulate an exposure draft of the tyre regulations for targeted consultation with Auto Stewardship New Zealand, the tyre industry (including an importer, generator, collection site, transporter, processor and two manufacturers), Tyre Stewardship Australia, and Waka Kotahi New Zealand Transport Agency;
- 48 **agreed** to the release of the summary of submissions entitled *Proposed Product Stewardship Regulations: Tyres and Large Batteries: Summary of Submissions*, attached as Appendix 3 to the paper under DEV-22-SUB-0302, subject to any minor or editorial changes that may be approved by the Minister for the Environment before its release;
- 49 **invited** the Minister for the Environment to issue drafting instructions to the Parliamentary Counsel Office to draft regulations for tyres under sections 22 and 23 of the Waste Minimisation Act 2008;

- 50 **invited** the Minister for the Environment to report back to LEG by May 2023 seeking approval to the final tyre regulations;
- 51 **invited** the Minister for the Environment to report back to DEV by May 2023 on proposed policy decisions and the regulatory impact statement for large batteries;
- 52 **authorised** the Minister for the Environment to approve minor policy changes during drafting of the regulations, in line with the policy decisions agreed by Cabinet.

Jenny Vickers
Committee Secretary

Present:

Hon Grant Robertson
Hon Dr Megan Woods
Hon Nanaia Mahuta
Hon Damien O'Connor
Hon Stuart Nash
Hon Michael Wood
Hon Dr David Clark
Hon Dr Ayesha Verrall
Hon Priyanca Radhakrishnan
Hon Meka Whaitiri
Hon Phil Twyford
Rino Tirikatene MP
Dr Deborah Russell MP

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet
Officials Committee for DEV
Office of the Chair of DEV

Office of the Associate Minister for the Environment

Chair – Cabinet Economic Development Committee

Regulated product stewardship for tyres – Imprest supply approval

Proposal

- 1 This paper seeks Cabinet agreement to a minor supplementary proposal regarding appropriation and imprest supply for the product stewardship scheme for tyres, under the Waste Minimisation Act 2008 (WMA) [CAB-22-MIN-0564 refers]. The recommendation in this paper is a technical amendment omitted from the previous paper.

Relation to government priorities

- 2 Regulated product stewardship is a key tool to reduce waste and transition to a low-carbon circular economy.¹ This will reduce pollution, and support protecting our environment, an agreed cooperation area between the Labour and Green Parties.² The proposed regulations for tyres agreed in December 2022 [CAB-22-MIN-0564 refers] help implement the Labour Party 2020 election manifesto goal to improve our economy by preventing, reducing and recycling waste.

Executive Summary

- 3 In December 2022, the Minister for the Environment presented a paper to Cabinet seeking to establish an accredited scheme for tyres. Cabinet agreed to introduce regulations to require industry to participate in an accredited scheme for tyres and agreed to set a product stewardship fee for tyres to fund the accredited scheme, Tyrewise [CAB-22-MIN-0564 refers].
- 4 Cabinet also approved funding for the financial year 2023/24 and outyears for costs associated with the Tyrewise scheme [CAB-22-MIN-0564 refers]. At that time, in error, authority was not sought to incur expenditure or seek imprest supply and inclusion in supplementary estimates, because there was no impact for Year 0 (financial year 2022/2023) of the Tyrewise scheme. The purpose of this paper is to remedy that error.
- 5 The scheme fees will pay for the scheme in the long term, including any approved deficits. In the short term, fee collection is expected to begin in February/March 2024, with the scheme becoming fully operational six months later. In the 2023/24 financial year, scheme expenses will need to be incurred from the (previously approved) scheme deficit, before the scheme revenue is sufficient to cover the scheme's operational costs.
- 6 I am now seeking supplementary agreement to include the changes to the appropriation for 2023/24 in the 2023/24 Supplementary Estimates and that, in the interim, the increase be met from imprest supply. This will enable the regulated product

¹ A low-carbon circular economy is an outcome of Government's September 2019 Economic Plan for a productive, sustainable and inclusive society; <https://www.mbie.govt.nz/assets/economic-plan.pdf>

² https://www.labour.org.nz/news-labour_2020_manifesto, page 18; https://d3n8a8pro7vhmx.cloudfront.net/nzlabour/pages/18779/attachments/original/1604183807/Labour_Greens_Cooperation_Agreement.pdf?1604183807, section 14.

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stewardship Tyrewise scheme to be implemented in the coming months, before fees can be collected beginning February/March 2024.

Background

Regulated product stewardship scheme for tyres (Tyrewise)

- 7 In July 2020, Government declared six priority products under the WMA as part of a longer-term goal of moving towards a low-carbon circular economy [CAB-20-MIN-0312 refers].
- 8 From 4 November to 16 December 2021, the Ministry for the Environment (the Ministry) consulted on proposed regulations under the WMA for priority product stewardship schemes for tyres and large batteries.

Relevant financial decisions for regulated product stewardship for tyres (Tyrewise)

- 9 In December 2022, Cabinet [CAB-22-MIN-0564 refers]:
 - 9.1 agreed to introduce regulations to require industry to participate in an accredited scheme for tyres and agreed to set a product stewardship fee for tyres to fund the accredited scheme, Tyrewise;
 - 9.2 agreed the scheme to operate financially on the basis of expenses (tyre stewardship fee disbursements) equalling revenue (product stewardship fees and performance monitoring charges) over time; but
 - 9.3 agreed that initially the scheme can run an accumulated deficit of up to \$6 million by 30 June 2030, provided this accumulated deficit is reduced to zero by 30 June 2033;
 - 9.4 noted that the scheme carries a fiscal risk to government of the scheme being underfunded, due to legacy and orphan tyres;³
 - 9.5 noted that if the scheme is likely to accrue a cumulative deficit higher than \$6 million before 30 June 2030, Cabinet approval would be sought to increase the upper limit on the cumulative deficit;
 - 9.6 agreed to increase spending to provide for costs associated with the policy decision in paragraphs 9.2 and 9.3 above;
 - 9.7 noted that the fiscal impacts on operating deficit before gains and losses (OBEGAL) and net debt (please refer DEV-22-MIN-0302, paragraph 29 for full table showing impacts on the operating balance and net debt), and that these impacts are fiscally neutral over a ten-year period;
 - 9.8 approved funding for the financial year 2023/24 and outyears for costs associated with the tyres policy decision (refer paragraphs 3 and 9.1).

³ This is because the fee revenue is collected on tyres as they enter the market, and the scheme costs in any given year are determined by the number of tyres that reach their end-of-life that year. The risk is therefore that scheme costs exceed fee revenue.

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Multicategory appropriation for Product Stewardship

- 10 In June 2022, the Minister of Finance agreed to establish a new multicategory appropriation “Product Stewardship” in Vote Environment, to be administered by the Ministry for the Environment, beginning 1 July 2022.
- 11 In December 2022, Cabinet [CAB-22-MIN-0564 refers]:
- 11.1 noted that the Minister of Finance agreed that the single overarching purpose of this appropriation is to encourage redesign, reduction, reuse, recycling, recovery or appropriate treatment and disposal to manage the environmental harm arising from priority products through product stewardship.
- 11.2 noted that the Minister of Finance and the Minister for the Environment have agreed that the categories for this appropriation be as follows (refer table 1 below):

Table 1: Categories and scope for Product Stewardship appropriation

Title	Type	Scope
Product stewardship administration	Departmental Output Expense	This category is limited to administering, implementing, monitoring, and enforcing the product stewardship scheme
Tyre stewardship fee disbursements	Non-departmental Output Expense	This category is limited to the management and operation by non-government organisations of accredited tyre stewardship schemes

- 11.3 authorised the Minister of Finance and the Minister for the Environment to jointly approve increases or decreases in the amount of the multicategory appropriation consistent with forecasted changes in revenue and the upper limit on the accumulated deficit (refer paragraphs 9.3 and 9.4);
- 11.4 approved changes to appropriations to provide for the new multicategory appropriations (outlined above) for costs associated with the tyres policy decision. (Please refer DEV-22-MIN-0302, paragraph 34 for full table showing changes to appropriations);
- 11.5 approved changes to appropriations to provide for the new multicategory revenue appropriation (refer paragraphs 11.1 - 11.3 above), as a result of decisions 9.1 – 9.4 above. (Please refer DEV-22-MIN-0302, paragraph 35 for full table showing changes to appropriations for multicategory revenue appropriation).

Financial Implications

Agreement sought: Imprest supply required

- 12 Supplementary to the previous Cabinet paper [CAB-22-MIN-0564 refers] and, as outlined in the background section of this paper, imprest supply is required to enable the Tyrewise scheme to be implemented.

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- 13 The scheme fees will pay for the scheme in the long term. Fee collection is expected to begin in February/March 2024, with the scheme becoming fully operational six months later. In the 2023/24 financial year, scheme expenses will need to be incurred from the (previously approved) scheme deficit, before the scheme revenue is sufficient to cover the scheme's operational costs.
- 14 I propose that the changes to appropriations for 2023/24 (outlined in paragraphs 11.4 and 11.5 above) be included in the 2023/24 Supplementary Estimates and that, in the interim, the increase be met from imprest supply.

Legislative Implications

- 15 Regulations required to implement the new regulations for tyres are outlined in the previous paper seeking Cabinet's agreement to regulate product stewardship for tyres [CAB-22-MIN-0564 refers].

Impact Analysis

Regulatory Impact Statement

- 16 A regulatory impact statement is attached to the previous Cabinet paper [CAB-22-MIN-0564 refers].

Climate Implications of Policy Assessment

- 17 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to the tyres proposal as the threshold for significance is not met [CAB-22-MIN-0564 refers].

Population Implications

- 18 Population implications associated with regulated product stewardship scheme for tyres are set out in the previous Cabinet paper [CAB-22-MIN-0564 refers].

Human Rights

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

Consultation

- 20 Full agency consultation was undertaken for the previous Cabinet paper [CAB-22-MIN-0564 refers]. This imprest supply paper was circulated to the same agency contacts. Treasury has been consulted in the development of this paper. The Department of Prime Minister and Cabinet has been informed.

Communications

- 21 I intend to announce any policy decisions of the tyres scheme mid-late this year. Details and timing of an announcement will be confirmed in consultation with the Prime Minister. The Summary of Submissions document *Product stewardship regulations: Tyres and large batteries* is expected to be published on the Ministry's website in mid-late 2023 as well.

Proactive Release

- 22 I intend to proactively release this Cabinet paper, alongside the previous Cabinet paper and Summary of Submissions document, mid-late this year. Documents will be redacted as appropriate under the Official Information Act 1982.

I N C O N F I D E N C E

Recommendations

The Associate Minister for the Environment recommends that the Committee:

In relation to relevant financial decisions for regulated product stewardship for tyres

- 1 **note** that in December 2022 Cabinet [CAB-22-MIN-0564 refers]:
 - 1.1 agreed to introduce regulations to require industry to participate in an accredited scheme for tyres and agreed to set a product stewardship fee for tyres to fund the accredited scheme, Tyrewise;
 - 1.2 agreed the scheme to operate financially on the basis of expenses (tyre stewardship fee disbursements) equalling revenue (product stewardship fees and performance monitoring charges) over time; but
 - 1.3 agreed that initially the scheme can run an accumulated deficit of up to \$6 million by 30 June 2030, provided this accumulated deficit is reduced to zero by 30 June 2033;
 - 1.4 noted that the scheme carries a fiscal risk to government of the scheme being underfunded, due to legacy and orphan tyres;
 - 1.5 noted that if the scheme is likely to accrue a cumulative deficit higher than \$6 million before 30 June 2030, Cabinet approval would be sought to increase the upper limit on the cumulative deficit;
 - 1.6 agreed to increase spending to provide for costs associated with the Tyrewise policy decision (refer recommendation 1.1), with the following impacts on the operating balance and net debt:

Table 1: Forecasted impacts on operating balance and net debt for Tyrewise scheme

	\$m – Increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28
Vote Minister for the Environment					
Operating Balance Impact and Net Core Crown Debt Impact	-	2.668	5.442	3.961	3.999
Operating Balance Impact Only	-	-	-	-	-
Net Core Crown Debt Impact Only	(17.654)	-	-	-	-
No Impact	14.006	55.721	60.168	63.228	65.976
Total	(3.648)	58.389	65.610	67.189	69.975

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	\$m – Increase/(decrease)				
	2028/29	2029/30	2030/31	2031/32	2032/33
Vote Minister for the Environment					
Operating Balance Impact and Net Core Crown Debt Impact	1.675	1.167	-	-	1.705
Operating Balance Impact Only	-	-	-	-	-
Net Core Crown Debt Impact Only	67.975	70.049	(0.629)	(2.440)	-
No Impact					
Total Operating	69.650	71.216	70.995	70.269	79.510

1.7 noted that the fiscal impacts on operating deficit before gains and losses (OBEGAL) and net debt are specified in recommendation 1.6 (and in the table above), and that these impacts are fiscally neutral over a ten-year period;

1.8 approved funding for the financial year 2023/24 and outyears for costs associated with the tyres policy decision above (refer recommendations 1.1 – 1.4);

In relation to multicategory appropriation for Product Stewardship

2 **note** that in December 2022, Cabinet [CAB-22-MIN-0564 refers]:

2.1 approved the following changes to appropriations to provide for the new multicategory appropriations (outlined above) for costs associated with the tyres policy decision (refer recommendations 1.1 – 1.4):

Table 2: Appropriation expenses forecast for Tyrewise scheme

	\$m – Increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28
Vote Minister for the Environment					

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Multi-Category Expenses: Product Stewardship MCA Departmental Output Expenses Product stewardship administration (funded by Revenue Crown)	1.267	1.047	1.154	1.185	1.215
Non-Departmental Output Expenses Tyre stewardship fee disbursements	12.739	57.342	64.456	66.004	68.760
Total Operating	14.006	58.389	65.610	67.189	69.975
	2028/29	2029/30	2030/31	2031/32	2032/33
Vote Environment Minister for the Environment					
Multi-Category Expenses: Product Stewardship MCA Departmental Output Expenses Product stewardship administration (funded by Revenue Crown)	1.245	1.276	1.307	1.340	1.373
Non-Departmental Output Expenses Tyre stewardship fee disbursements	68.405	69.940	70.317	71.369	78.137
Total Operating	69.650	71.216	71.624	72.709	79.510

2.2 approved the following changes to appropriations to provide for new multicategory revenue appropriation, as a result of the tyres policy decision (refer recommendations 1.1 – 1.4):

Table 3: Revenue forecast for Tyrewise scheme

	\$m – Increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28
Vote Environment Minister for the Environment					

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Non-Departmental Non-Tax Revenue: Product stewardship fees and performance monitoring charges	31.660	55.721	60.168	63.228	65.976
	2028/29	2029/30	2030/31	2031/32	2032/33
Vote Environment Minister for the Environment					
Non-Departmental Non-Tax Revenue: Product stewardship fees and performance monitoring charges	67.975	70.049	72.254	75.149	77.805

- 3 **agree** that the changes to appropriations for 2023/24, previously agreed in December 2022 (refer recommendations 2.1 and 2.2 above), be included in the 2023/24 Supplementary Estimates and that, in the interim, the increase be met from imprest supply.

Authorised for lodgement

Hon Rachel Brooking

Associate Minister for the Environment



Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Regulated Product Stewardship for Tyres: Imprest Supply Approval

Portfolio **Environment**

On 16 August 2023, the Cabinet Economic Development Committee (DEV):

In relation to relevant financial decisions for regulated product stewardship for tyres

- 1 **noted** that in December 2022, DEV [DEV-22-MIN-0302]:
 - 1.1 agreed to introduce regulations to require industry to participate in an accredited scheme for tyres, and agreed to set a product stewardship fee for tyres to fund the accredited scheme, Tyrewise;
 - 1.2 agreed that the scheme be operated financially on the basis of expenses (tyre stewardship fee disbursements) equalling revenue (product stewardship fees and performance monitoring charges) over time; but
 - 1.3 agreed that initially the scheme can run an accumulated deficit of up to \$6 million by 30 June 2030, provided this accumulated deficit is reduced to zero by 30 June 2033;
 - 1.4 noted that the scheme carries a fiscal risk to government of the scheme being underfunded, due to legacy and orphan tyres;
 - 1.5 noted that if the scheme is likely to accrue a cumulative deficit higher than \$6 million before 30 June 2030, Cabinet approval would be sought to increase the upper limit on the cumulative deficit;
 - 1.6 agreed to increase spending to provide for costs associated with the Tyrewise policy decision, with the following impacts on the operating balance and net debt:

Vote Environment Minister for the Environment	\$m – Increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28
Operating Balance Impact and Net Core Crown Debt Impact	-	2.668	5.442	3.961	3.999
Operating Balance Impact Only	(17.654)	-	-	-	-
Net Core Crown Debt Impact Only	14.006	55.721	60.168	63.228	65.976
No Impact					
Total	(3.648)	58.389	65.610	67.189	69.975

	\$m – Increase/(decrease)				
Vote Environment	2023/24	2024/25	2025/26	2026/27	2027/28
Minister for the Environment					
Operating Balance Impact and Net Core Crown Debt Impact	-	2.668	5.442	3.961	3.999
	-	-	-	-	-
Operating Balance Impact Only	(17.654)	-	-	-	-
Net Core Crown Debt Impact Only	14.006	55.721	60.168	63.228	65.976
No Impact					
Total	(3.648)	58.389	65.610	67.189	69.975

1.7 noted that the fiscal impacts on operating deficit before gains and losses (OBEGAL) and net debt are specified in paragraph 1.6 above, and that these impacts are fiscally neutral over a ten-year period;

1.8 approved funding for the financial year 2023/24 and outyears for costs associated with the tyres policy decisions above;

In relation to multicategory appropriation for Product Stewardship

2 note that in December 2022, DEV [DEV-22-MIN-0302]:

2.1 approved the following changes to appropriations to provide for the new multicategory appropriations outlined above for costs associated with the tyres policy decisions above:

	\$m – Increase/(decrease)				
Vote Environment	2023/24	2024/25	2025/26	2026/27	2027/28
Minister for the Environment					
Multi-Category Expenses: Product Stewardship MCA					
Departmental Output Expenses: Product stewardship administration (funded by Revenue Crown)	1.267	1.047	1.154	1.185	1.215
Non-Departmental Output Expenses: Tyre stewardship fee disbursements	12.739	57.342	64.456	66.004	68.760
Total Operating	14.006	58.389	65.610	67.189	69.975

Vote Environment	2028/29	2029/30	2030/31	2031/32	2032/33
Minister for the Environment					
Multi-Category Expenses: Product Stewardship MCA					
Departmental Output Expenses: Product stewardship administration (funded by Revenue Crown)	1.245	1.276	1.307	1.340	1.373
Non-Departmental Output Expenses: Tyre stewardship fee disbursements	68.405	69.940	70.317	71.369	78.137
Total Operating	69.650	71.216	71.624	72.709	79.510

2.2 approved the following changes to appropriations to provide for new multicategory revenue appropriation, as a result of the tyres policy decisions above:

	\$m – Increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28
Vote Environment					
Minister for the Environment					
Non-Departmental Non-Tax Revenue:					
Product stewardship fees and performance monitoring charges	31.660	55.721	60.168	63.228	65.976
Vote Environment	2028/29	2029/30	2030/31	2031/32	2032/33
Minister for the Environment					
Non-Departmental Non-Tax Revenue:					
Product stewardship fees and performance monitoring charges	67.975	70.049	72.254	75.149	77.805

3 agree that the changes to appropriations for 2023/24, previously agreed in December 2022 as noted in paragraphs 2.1 and 2.2 above, be included in the 2023/24 Supplementary Estimates and that, in the interim, the increase be met from imprest supply.

Janine Harvey
Committee Secretary

Present: (see over)

Present:

Hon Dr Ayesha Verrall
Hon Damien O'Connor
Hon Andrew Little
Hon David Parker (Chair)
Hon Peeni Henare
Hon Kieran McAnulty
Hon Ginny Andersen
Hon Dr Deborah Russell
Hon Rachel Brooking
Hon Jo Luxton

Officials present from:

Office of the Prime Minister
Officials Committee for DEV

In Confidence

Office of the Associate Minister for the Environment

Chair, Cabinet Business Committee

Waste Minimisation (Tyres) regulations

Proposal

- 1 I seek agreement to authorise submission of the Waste Minimisation (Tyres) Regulations 2023 under sections 22 and 23 of the Waste Minimisation Act 2008 (WMA) to the Executive Council.
- 2 Most policy decisions in the Waste Minimisation (Tyres) Regulations were agreed by Cabinet on 7 December 2022 (DEV-22-MIN-0302 and CAB-22-MIN-0564 refer). This paper reports back on some minor and technical decisions to address additional matters and changed circumstances, together with decisions in accordance with authorisation from Cabinet on specific matters.

Relation to government priorities

- 3 Regulated product stewardship is a key tool to reduce waste and transition to a low-carbon circular economy.¹ The proposed regulations for tyres will help implement the Labour Party 2020 election manifesto goal to improve our economy by preventing, reducing, and recycling waste. This will also help to reduce pollution and support protecting our environment, an agreed cooperation area between Labour and Green Parties.²
- 4 In July 2020, the Government declared six priority products, including tyres, under the WMA as part of a longer-term goal of moving to a low-carbon circular economy (CAB-20-MIN-0312 refers).

Executive Summary

- 5 Tyres are a problematic waste stream. Over 6.5 million tyres enter the waste stream every year in New Zealand and 70 per cent are estimated to go to a form of land disposal (consented or otherwise). Illegal tyre dumping and stockpiling can impose costs on ratepayers and landowners, detract from visual amenity, and pose risk of environmental harm from fire and toxic materials leaching into soil and water.
- 6 On 7 December 2022, the Economic Development Committee agreed to decisions on proposed regulations under sections 22 and 23 of the Waste

¹ A low-carbon circular economy is an outcome in Government's September 2019 Economic Plan for a productive, sustainable and inclusive society: <https://www.mbie.govt.nz/assets/economic-plan.pdf>

² https://www.labour.org.nz/news-labour_2020_manifesto_page_18;
https://d3n8a8pro7vhmx.cloudfront.net/nzlabour/pages/18779/attachments/original/1604183807/Labour_Greens_Cooperation_Agreement.pdf?1604183807 section 14

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Minimisation Act 2008 to regulate the product stewardship scheme for tyres (DEV-22-MIN-0302 and CAB-22-MIN-0564 refer).

- 7 Following further development of policy during the drafting process, officials have identified a number of minor amendments to the agreed overarching policy. I therefore seek agreement to these minor changes.
- 8 I seek agreement to authorise submission of the Waste Minimisation (Tyres) Regulations 2023 to the Executive Council, and to have Tranche 1 come into effect on 1 March 2024, and Tranche 2 to come into effect on 1 September 2024.

Policy

Background

- 9 Currently, end-of-life product management costs largely fall on communities, local government, and the environment. Regulated product stewardship can ensure those in the supply chain take responsibility to minimise waste and harm from products.
- 10 Regulated product stewardship is part of a comprehensive waste minimisation work programme to support the goal of moving to a low-carbon circular economy (CAB-20-MIN-0312 refers).³ In July 2020 Government declared six priority products for which product stewardship schemes must be developed and accredited.⁴ Priority products and accredited schemes can be regulated in a number of ways under the WMA, including by prohibiting sale of a priority product except in accordance with an accredited scheme.
- 11 The Tyrewise scheme was originally developed by a stakeholder working group in 2013 and updated by them in 2020. The accreditation is held by Auto Stewardship New Zealand, a not-for-profit product stewardship organisation. Changes to the scheme accreditation will be required to align with the proposed regulatory requirements. Officials are supporting Auto Stewardship New Zealand to seek re-accreditation of the Tyrewise scheme prior to the regulations taking effect.
- 12 The Tyrewise scheme will be ready to launch once regulations are in place. The proposed regulations include requirements for tyres to be sold only in accordance with an accredited scheme and the setting of a tyre stewardship fee.
- 13 The proposed regulations for tyres are designed to enable collection of a tyre stewardship fee as tyres enter the market. The fee will then be allocated by the accredited scheme to pay incentives to collectors, processors, and manufacturers of tyre-derived products. This is intended to ensure good

³ Complementary projects have included kerbside standardisation, investment in recycling infrastructure and phase-outs of certain hard-to-recycle plastics and single-use items.

⁴ The six priority products are tyres, refrigerants and other synthetic greenhouse gases, agrichemicals and their containers, electrical and electronic products (e-waste including batteries), farm plastics and plastic packaging.

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practice collection and accountability for collectors and improve the market value of tyre-derived products. The aim is to facilitate a higher recycling rate and reduced incentive for illegal dumping.

- 14 The proposed tyre stewardship fee will formalise a fee collection system, replacing what is currently a voluntary ad-hoc tyre collection fee charged by tyre retailers to pay for collection and disposal. This ad-hoc fee cannot currently be linked to legal or environmentally sound tyre disposal and anecdotal evidence suggests it in part or largely contributes to tyre retailer income.
- 15 Operational requirements for the accredited scheme that support the regulations will be set out through the revised scheme terms and conditions. In addition, a Deed of Funding with Tyrewise will be in place to support operation of the scheme. Having enforceable conditions in a contract will enable greater oversight and enforceability than mechanisms available under accreditation.

Cabinet Decision

- 16 On 12 December 2022 Cabinet agreed to the key policy for proposed product stewardship regulations under section 22 and section 23 of the WMA. The Minister for the Environment was granted authorisation to approve minor and technical decisions and to issue drafting instructions to the Parliamentary Counsel Office (PCO) to give effect to the policy intent agreed by Cabinet. (CAB-22-MIN-0564 and DEV-22-MIN-0302 refer). On 1 May 2023 the Minister for the Environment delegated responsibility for all matters related to waste minimisation to me as Associate Minister for the Environment. The regulations and minor technical additions are included in Table 1 below

Table 1. Proposed tyre product stewardship regulations under the Waste Minimisation Act 2008

Proposed In-effect Timing	WMA section	Description
Tranche 1 March 2024	23(1)(d) and (i)	Set stewardship fee to be charged on all tyres as products enter the market and require information relating to collection of the fee
	22(1)(e)	Require the accredited tyre stewardship scheme manager to pay the Secretary 0.48% of fee revenue for the monitoring of the accredited tyre scheme
	22(1)(a)	Sale only in accordance with an accredited scheme
<i>Minor technical additions</i>	23(1)(d)(iii)	Clarifying that fee income transferred to the accredited scheme must be applied for certain specified purposes

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	20(b), 22(1)(e), 22(3)	Clarifying the transfer of fees received by Waka Kotahi and the retention and recovery of fees by the Secretary for the Environment
Tranche 2 September 2024	23(1)(c) and (i)	Take-back and recycling targets and information relating to these requirements
	23(1)(j)	Limit eligibility for incentive payments

- 17 The PCO has drafted the necessary regulations outlined in Table 1.
- 18 In line with the timeframes agreed by Cabinet in December 2022, I propose that the regulations for Tranche 1 come into force on 1 March 2024, and those for Tranche 2 come into force on 1 September 2024.

Decisions following stakeholder and agency feedback

- 19 I have made minor and technical decisions to give effect to the policy intent agreed by Cabinet, and decisions in accordance with authorisation from Cabinet on specific matters.

Fee collection entity

- 20 Cabinet authorised the Minister for the Environment to finalise the details of the tyre stewardship fee collection and associated management of the fee revenue following agreement between the Ministry for the Environment (the Ministry) and the New Zealand Customs Service (Customs) (DEV-22-MIN-0302 refers).
- 21 Cost-effective collection of the tyre stewardship fee on imported loose tyres by Customs requires the tyre stewardship fee to be treated as a duty under the Customs and Excise Act 2018 (CEA), ^{s 9(2)(f)(iv)} [REDACTED]
- 22 In order to allow collection of the fee on imported loose tyres in the meantime, I propose that the Ministry for the Environment is specified in the regulations as the fee collection agent. If a primary legislative amendment is progressed, the regulations can be amended to replace Customs as the fee collector.
- 23 To be able to invoice liable parties, the Ministry would need to obtain Customs data under CEA section 316. To enable this, the Minister of Customs and I have agreed in principle to a written agreement between our organisations. Consultation with the Privacy Commissioner is underway, and I expect the agreement to be in place before the proposed regulations are in effect. This will avoid further delay to the implementation of the accredited tyre stewardship scheme.
- 24 The draft regulations would require any person who imports a loose tyre, or a tyre attached to an off-road vehicle that is not road registered, or who

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manufactures a tyre in New Zealand to pay the fee to the Secretary for the Environment after import or other point of first entry into the market. The requirement will be triggered by whichever of these activities happen first.

No fee payable on imports in low value consignments

- 25 The policy agreement in December 2022 did not distinguish between large and small value imports of loose tyres. The data available from Customs for import consignments that have a Customs value equal to or less than \$1,000 will not always be specific enough to enable the Ministry to charge the tyre stewardship fee consistently and accurately on any tyres in the consignment. Inconsistent application of tyre stewardship fees could contribute to unbalanced competition and regulatory avoidance.
- 26 Providing for an exemption for tyre stewardship fees on tyre imports in consignments equal to or less than \$1,000 will not substantially impact the policy intent as potential fee revenue is estimated to be less than four per cent of the total.
- 27 Customs generally does not collect levies on consignments that have a Customs value equal to or less than \$1000, including goods subject to the Synthetic Greenhouse Gas levy. Applying a consistent threshold to the tyre stewardship fee would enable a smooth transition for traders and brokers in the event Customs starts collecting the fee on imported loose tyres in the future.
- 28 I propose that there is no tyre stewardship fee payable on tyres imported in consignments that have a Customs value equal to or less than \$1,000, established under s 23(d) of the WMA.

Tyre stewardship fee category refinements

- 29 Cabinet previously noted that minor changes to the tyre stewardship fee categories may be required for trucks, trailers, buses, tractors, agricultural machines, off-road vehicles, mobile machines and special purpose vehicles (DEV-22-MIN-0302 refers).
- 30 Some minor changes have been proposed to certain fee categories after further consultations with Waka Kotahi, Customs, and Tyrewise. These changes will in all cases increase the accuracy of charging, and in some cases will increase or decrease the amount of tyre stewardship fees payable. These changes are outlined in Appendix 1.


Scheme targets

- 31 Cabinet agreed that the manager of an accredited product stewardship scheme for tyres be required to:
 - 31.1 operate a take-back service for end-of-life tyres through providers registered under the scheme, which is funded by the tyre stewardship fee;

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- 31.2 ensure the collection network is available to the public and commercial users presenting tyres that meet published acceptance criteria;
 - 31.3 meet the take-back service scheme targets over a period of seven years; including a tracking system, scheme awareness, take-back system audit compliance, capacity to manage a projected 72,000 tonnes, and tracking the percentage of total tyre stewardship fee paid out to different processing steps;
 - 31.4 collect and provide information to the Secretary for the Environment about the operation of the scheme.
- 32 Based on further policy work to improve effectiveness of targets, I propose a minor revision to remove 'scheme awareness' as a regulated target, because it is difficult to define and measure. This will be managed instead, under scheme accreditation.

Incentive payments for exported products

- 33 Consistency with international obligations is a prerequisite to the making of the proposed regulations.
- 34 Two principles of international trade law pertain to the proposed tyre regulations. The first is that imports and domestically manufactured goods should be treated equally. This principle is integral to the proposed tyre stewardship fee framework. The second is that export subsidies should be avoided.
- 35 In December 2022 Cabinet agreed that ^{s 9(2)(h)}  Cabinet invited the Minister for the Environment to report back on the policy changes to satisfy international obligations (DEV-22-MIN-0302 paragraphs 42-46 refer).

36 ^{s 9(2)(h)} 

37 ^{s 9(2)(h)} 

38

s 9(2)(h)



39

s 9(2)(h)



40 It is a priority to get the overall regulations and updated scheme in place now to begin the transition into a new product stewardship system for consistent and more environmentally sound management of end-of-life tyres.

Timing

41 I propose that Tranche 1 (Table 1) regulations come into force on 1 March 2024 and Tranche 2 come into force on 1 September 2024. This allows time for businesses to adapt and provides certainty around the date that regulations will be in force.

Clarifying that fees not payable on certain retreaded tyres

42 Retreaded tyres made from tyres on which a tyre stewardship fee has already been paid should not be charged another fee. Clarification has been added to remove the risk of double charging for domestic manufacturers of retreaded tyres and for imported loose aircraft tyres that can be demonstrated as retreads of tyres that have had a fee paid on them at earlier import.

WMA requirements for recommending the making of regulations

43 The proposed regulations will be made under several empowering provisions in the WMA. This includes section 22(1) and 23(1)(c), (d), and (i).

44 Before recommending the making of these regulations, I must consider the requirements of WMA sections 22(2) and 23(3). I confirm that:

44.1 I have obtained and considered the advice of the Waste Advisory Board on the consulted proposals, as required by WMA s 22(2)(a) and 23(3)(a), and did not seek further advice as there are no substantive policy changes;

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- 44.2 I am satisfied that there has been adequate consultation with parties who may be significantly affected, as required by WMA sections 22(2)(b)(i) and 23(3)(b)(i);
- 44.3 I am satisfied that benefits from implementing these regulations are likely to outweigh their costs, as required by WMA sections 22(2)(b)(iii) and 23(3)(b)(ii);
- 44.4 I am satisfied that the regulations are consistent with New Zealand's international obligations as required by WMA sections 22(2)(b)(iv) and 23(3)(b)(iii);
- 44.5 I am satisfied that without the regulations it is likely that the objectives of any relevant accredited scheme cannot be met as per WMA section 22(2)(b)(ii).

Compliance

- 45 The regulations comply with:
 - 45.1 advice from the Treaty Provisions Officials Group on any Treaty of Waitangi provisions;
 - 45.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993;
 - 45.3 the principles and guidelines set out in the Privacy Act 2020;
 - 45.4 relevant international standards and obligations;
 - 45.5 the Legislation Guidelines (2021 edition).

Regulations Review Committee

- 46 I do not consider there are grounds for the Regulations Review Committee to draw the Regulations to the attention of the House under Standing Order 327.

Certification by Parliamentary Counsel

- 47 The draft regulations have been certified by the PCO as being in order for submission to Cabinet.

Impact Analysis

- 48 The Regulatory Impact Statement was submitted with the December 2022 Cabinet paper (DEV-22-MIN-0302 refers). The Ministry's Regulatory Impact Analysis Panel reviewed the draft *Regulatory Impact Statement Proposed regulations for priority product stewardship schemes for tyres*. The panel considers the document meets the quality assurance criteria for regulatory impact analysis.

Cost of Living Implications

- 49 People on low incomes may find product stewardship fees, no matter how small a percentage of the purchase price, to be an additional burden or constraint to access. For tyres, this may relate to access to transport.
- 50 The proposed tyre stewardship fee is based on the weight of the tyre and collection and processing costs. This does not take into consideration factors such as driving performance and wear resistance. In the same tyre weight category, all buyers will be charged the same tyre stewardship fee, but at the low end of the tyre price scale the fee will be a higher proportion of the final cost.
- 51 For passenger tyres, the tyre stewardship fee will replace an existing ad hoc tyre disposal fee, which is on average \$5.50 compared to \$6.65 for the tyre stewardship fee in this category. In contrast, for heavy truck/bus tyres, the existing disposal costs are borne by companies replacing their tyres and this cost will be reduced through payments of tyre stewardship fee funds for tyre collection.
- 52 The range of average net price increase from the tyre stewardship fee, based on a sample of current tyre prices plus fitting and balancing of the new tyre, is estimated for passenger tyres to be 0.2% for high-end tyres and 0.8% for low-end tyres. For heavy truck/bus tyres, average price increase from the tyre stewardship fee based on average tyre weight is estimated to be 2.6% for high-end tyres and 12.1% for low-end tyres. This will be mitigated by Tyrewise incentive payments to offset current large tyre disposal costs.

Use of External Resources

- 53 External contractors have contributed to aspects of this work. The majority of the work has been completed by internal staff.

Consultation

- 54 In June 2023, the Ministry sought feedback on a draft policy summary, because the exposure draft was not available due to other drafting priorities. The groups consulted included Auto Stewardship New Zealand (and 3R Group Limited their Tyrewise scheme manager), Tyre Stewardship Australia, Department of Internal Affairs, Department of Conservation, Environmental Protection Authority, Ministry of Cultural Heritage, Ministry for Primary Industries, Ministry of Business Innovation and Employment, Ministry of Foreign Affairs and Trade, Ministry of Transport, New Zealand Customs Service, Waka Kotahi New Zealand Transport Agency, Te Puni Kōkiri, WorkSafe New Zealand, Inland Revenue, and the Department of Prime Minister and Cabinet.
- 55 In August 2023, an exposure draft of the regulations was shared with priority stakeholders (with constrained timeframes for feedback) including Auto Stewardship New Zealand, New Zealand Customs Service, Ministry of Transport, Waka Kotahi New Zealand Transport Agency, and the Ministry of Foreign Affairs and Trade.

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56 The feedback received through these consultation processes has been considered and reflected in the proposed regulations (Appendix 1 refers).

Publicity

57 Officials will ensure the new regulations are communicated to regulated parties through a range of communications and any press releases as appropriate.

Proactive Release


58 This paper will be proactively released within 30 business days of this decision. Proactive release is subject to redaction as appropriate under the Official Information Act 1982.

Recommendations

I recommend that the Cabinet Legislation Committee:

- 1 **note** that on 7 December 2022 the Cabinet Economic Development Committee agreed to policy decisions relating to Waste Minimisation (Tyre) Regulations (DEV-22-MIN-0302 refers);
- 2 **note** that the tyre regulations are part of a wider waste reduction work programme and support the Government's vision under the proposed new national waste strategy of a low-emissions, low-waste, circular economy for Aotearoa New Zealand;
- 3 **note** that the proposed regulations relate to the Cooperation Agreement between Labour and the Green party, in particular commitments to take action to minimise waste;
- 4 **note** that Tranche 1 of the Waste Minimisation (Tyres) Regulations will come into force on 1 March 2024, and Tranche 2 will come into force on 1 September 2024;

Decisions based on stakeholder feedback

- 5 **note** that Cabinet authorised the Minister for the Environment to make final policy decisions and issue drafting instructions to the Parliamentary Counsel Office to give effect to those policy decisions;
- 6 **agree** to the proposed minor and technical changes for the Waste Minimisation (Tyre) Regulations related to:
 - 6.1 the Ministry collecting the tyre stewardship fees on loose tyre ^{s 9(2)(f)} _(iv)

 - 6.2 no tyre stewardship fee payable on imported consignments of goods including loose tyres that have a Customs value equal to or less than \$1,000;

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- 6.3 minor changes to the tyre stewardship categories required to refine the fee categories for trucks, trailers, buses, tractors, agricultural machines, off-road vehicles, mobile machines and special purpose vehicles outlined in Appendix 1;
- 6.4 changes to the scheme targets, removing 'scheme awareness' as a target category;
- 6.5 an exclusion has been added for tracked re-entry of retreaded tyres that have had a fee paid on them at earlier import.

7 s 9(2)(h) [REDACTED];

8 **agree** no incentive payment will be available for products intended for export;

9 **note** officials will continue work to determine if another regulatory or non-regulatory solution is available to achieve the policy intent of the incentive payments for export;

Proposed regulations

10 **note** that the Parliamentary Counsel Office has drafted the necessary regulations:

10.1 Tranche 1, planned to be in effect by 1 March 2024:

10.1.1 set stewardship fee will be charged on all tyres as products enter the market and require information relating to collection of the fee;

10.1.2 require the accredited tyre stewardship scheme manager to pay the Secretary 0.48% of fee revenue for the monitoring of the accredited tyre scheme;

10.1.3 sale only in accordance with accredited scheme;

10.1.4 fee income transferred to the accredited scheme must be applied for certain specified purposes;

10.1.5 the transfer of fees received by Waka Kotahi and the retention and recovery of fees by the Secretary for the Environment;

10.2 Tranche 2, planned to be in effect by 1 September 2024:

10.2.1 take-back and recycling targets and information relating to these requirements;

10.2.2 set eligibility requirements for incentive payments;

11 **note** that section 22(2) and 23(3) of the Waste Minimisation Act 2008 require that before recommending the making of regulations under sections 22 or 23 the Minister must:

I N C O N F I D E N C E

- 11.1 obtain and consider the advice of the Waste Advisory Board;
 - 11.2 be satisfied that there has been adequate consultation with persons or organisations who may be significantly affected by the regulations;
 - 11.3 be satisfied the benefits expected from implementing the regulations exceed the costs;
 - 11.4 be satisfied the regulations are consistent with New Zealand's international obligations; and
 - 11.5 under section 22(2) only, be satisfied that without the regulations it is likely that either the objectives of any relevant accredited scheme cannot be met or any guidelines published that include matters referred to in s 12(3)(b) or (d) cannot be met;
- 12 **note** that I consider that the requirements outlined above have been met;
- 13 **authorise** the submission to the Executive Council of the Waste Minimisation (Tyres) Regulations.

Authorised for lodgement

Hon Rachel Brooking

Associate Minister for the Environment

Appendix 1

Further details on minor and technical changes to fee categories following stakeholder and agency feedback

Change	Reason	Impact on fees
Fees payable on loose imported tyres, tyres manufactured in New Zealand, and tyres fixed to vehicles not subsequently road registered, collected by the Ministry for the Environment		
'Motorbike' Equivalent Passenger Units (EPU) changed from 0.1 to 0.5	An EPU of 0.1 was an error. It has been corrected to 0.5	Likely to increase fees but improve accuracy of charging
Tariff code 4012.20.19.00 (rubber; used pneumatic tyres of a kind used on vehicles (other than motor cars or light commercial vehicles)) changed from light commercial/industrial to construction/industrial.	Stakeholder feedback advised that this category was incorrectly labelled	Likely to increase fees but increase accuracy
Category 1: fees payable on tyres fixed to vehicle classes with an average number of fixed tyres, collected by Waka Kotahi		
'Agricultural machines' and 'Mobile machines' categories have been moved to category 3, group 2.	Large agricultural machines and mobile machines have a variable number of tyres and fit best within category 3. The EPU/tyre have been adjusted to reflect the Gross Vehicle Mass (GVM) range	Likely to increase fees, but will improve accuracy of charging
'All-Terrain Vehicles (ATVs)' category moved to Category 3, Group 1.	ATVs have a variable number of tyres and fit best within category 3. They are moved into their own subgroup, 'group 1', due to ATVs having a standard number of tyres, smaller tyre sizes resulting in a lower EPU per tyre than applies to other Registration Category vehicles	No change to fees, because the proposed fee per tyre has not changed. The total fee is based on a fixed number of tyres on the vehicle.
'Motorcycles' category split into 3 separate categories.	Category was split into 'Class LC', 'Class LD' and 'Class LE (up to 1 tonne)' to recognise variable numbers of tyres	No change to per tyre fee; fee at registration is based on fixed number of tyres for motorcycle
'Moped' category split into two separate categories	Category was split into 'Class LA' and 'Class LB' to recognise variable numbers of tyres	No change to per tyre fee; fee at registration is based on fixed number of tyres for moped
Addition of Category 3, Group 1 and Group 2	Vehicles included in group 3 can vary greatly, from forklifts (Gross Vehicle Mass 3.5 tonnes) to very large mining machines (GVM 50+tonnes). They have purposes that are different from vehicles that regularly drive on roads, and often have tyres that include considerably more rubber than a typical road tyre. The fees are determined by a calculation in three tonne increments that takes into account the tougher (thicker) tyres that these vehicles use, and within each weight range an average of the tyre weights. This weight is then converted to an EPU equivalent.	Likely to increase fees, but will improve accuracy of charging
'Towed caravans' and 'Motor caravans'	These categories are covered in 'Category 2, fees payable on tyres fixed to vehicle categories with a variable number of tyres' under vehicle classes	May increase fee for some motor caravans/towed caravans, particularly larger

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Change	Reason	Impact on fees
removed from category 1.	M and N. This will account for variable tyres, with better accounting for tyres based on axle configuration	ones. The fee is based on the vehicle class that applies to the size of the trailer. Will improve accuracy of charging.
'Small tractors up to 3.5 tonne gross' removed, and moved to 'Category 3 Group 2' Registration categories	<p>Vehicles included in group 3 can vary greatly, from forklifts (GVM) 3.5 Tonnes) to extra large mining machines (GVM 50+Tonnes). They have purposes that are different from vehicles that regularly drive on roads, and often have tyres that include considerably more rubber than a typical road tyre.</p> <p>The fees are determined by a calculation in three tonne increments that takes into account the tougher (thicker) tyres that these vehicles use, and within each weight range an average of the tyre weights. This weight is then converted to an EPU equivalent.</p>	Likely to increase fees, but will improve accuracy of charging and equity.
Category 2: fees payable on tyres fixed to vehicle categories with a variable number of tyres		
'NB: Medium good vehicle (3.5-6 tonnes)' changed from S/1 EPU to S/2EPU.	Changed to be consistent with the number of spare tyres. The fee for this category is subsequently changed from 6.65 to 13.30.	Likely to increase fees, but will improve accuracy of charging
'NB: Medium good vehicle (3.5-6 tonnes)' Applicable GVM range changed from 'Above 6 tonnes' to '6 to 9 tonnes'.	Range added for increased accuracy.	Unlikely to impact fees
Addition of '9 to 12 tonnes' category for 'Applicable GVM range' for 'NB: Medium Goods Vehicles' category.	New category added for increased accuracy.	Will increase fees, but will improve accuracy of charging
'TC: Medium Trailer+ (3.5 tonnes to 6 tonnes)' changed from 1 EPU to 2 EPU	Fee updated accordingly to 13.30	Likely to increase fees, but will improve accuracy of charging
'MD3: Medium omnibus (3.5 tonnes to 4.5 tonnes)' changed from 1 EPU to 2 EPU	Fee updated accordingly to 13.30	Likely to increase fees, but will improve accuracy of charging
'MD4: Medium omnibus' changed from 1 EPU to 2 EPU	Fee updated accordingly to 13.30	Likely to increase fees, but will improve accuracy of charging
Removal of 'Large tractor, SPV: Special purpose vehicles'	This category is accounted for in 'Category 3, group 2'. This will account for variable tyres, with better accounting for tyres based on axle configuration	Will increase fees for tractors over 6 tonnes. Fees for some 'special purpose vehicles' are likely to decrease, while fees for other special purpose vehicles are likely to increase because the fees are based on the size of the vehicle and amount of rubber in the tyres. Overall, it will improve accuracy of charging.

Appendix 2 – Waste Minimisation (Tyres) Regulations 2023



Cabinet Legislation Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Waste Minimisation (Tyres) Regulations 2023

Portfolio Associate Environment (Hon Rachel Brooking)

On 18 September 2023, the Cabinet Legislation Committee:

Background

- 1 **noted** that on 7 December 2022, the Cabinet Economic Development Committee (DEV) agreed to policy decisions relating to Waste Minimisation (Tyre) Regulations [DEV-22-MIN-0302];
- 2 **noted** that the tyre regulations are part of a wider waste reduction work programme and support the government's vision under the proposed new national waste strategy of a low-emissions, low-waste, circular economy for Aotearoa New Zealand;
- 3 **noted** that the proposed regulations relate to the Cooperation Agreement between Labour and the Green party, in particular commitments to take action to minimise waste;
- 4 **noted** that Tranche 1 of the Waste Minimisation (Tyres) Regulations 2023 will come into force on 1 March 2024, and Tranche 2 will come into force on 1 September 2024;

Decisions based on stakeholder feedback

- 5 **noted** that DEV authorised the Minister for the Environment to make final policy decisions and issue drafting instructions to the Parliamentary Counsel Office to give effect to those policy decisions;
- 6 **agreed** to the proposed minor and technical changes for the Waste Minimisation (Tyre) Regulations related to:
 - 6.1 the Ministry collecting the tyre stewardship fees on loose tyres ^{s 9(2)(f)(iv)} [REDACTED]
 - 6.2 no tyre stewardship fee payable on imported consignments of goods including loose tyres that have a Customs value equal to or less than \$1,000;
 - 6.3 minor changes to the tyre stewardship categories required to refine the fee categories for trucks, trailers, buses, tractors, agricultural machines, off-road vehicles, mobile machines and special purpose vehicles outlined in Appendix 1 to the paper under LEG-23-SUB-0197;

- 6.4 changes to the scheme targets, removing 'scheme awareness' as a target category;
- 6.5 an exclusion has been added for tracked re-entry of retreaded tyres that have had a fee paid on them at earlier import;

7 s 9(2)(h)

- 8 **agreed** no incentive payment will be available for products intended for export;
- 9 **noted** that officials will continue work to determine if another regulatory or non-regulatory solution is available to achieve the policy intent of the incentive payments for export;

Proposed regulations

- 10 **noted** that the Parliamentary Counsel Office has drafted the necessary regulations:
 - 10.1 Tranche 1, planned to be in effect by 1 March 2024:
 - 10.1.1 set stewardship fee will be charged on all tyres as products enter the market and require information relating to collection of the fee;
 - 10.1.2 require the accredited tyre stewardship scheme manager to pay the Secretary 0.48 percent of fee revenue for the monitoring of the accredited tyre scheme;
 - 10.1.3 sale only in accordance with accredited scheme;
 - 10.1.4 fee income transferred to the accredited scheme must be applied for certain specified purposes;
 - 10.1.5 the transfer of fees received by Waka Kotahi and the retention and recovery of fees by the Secretary for the Environment;
 - 10.2 Tranche 2, planned to be in effect by 1 September 2024:
 - 10.2.1 take-back and recycling targets and information relating to these requirements;
 - 10.2.2 set eligibility requirements for incentive payments;
- 11 **noted** that section 22(2) and 23(3) of the Waste Minimisation Act 2008 require that before recommending the making of regulations under sections 22 or 23 the Minister must:
 - 11.1 obtain and consider the advice of the Waste Advisory Board;
 - 11.2 be satisfied that there has been adequate consultation with persons or organisations who may be significantly affected by the regulations;
 - 11.3 be satisfied the benefits expected from implementing the regulations exceed the costs;
 - 11.4 be satisfied the regulations are consistent with New Zealand's international obligations;

- 11.5 under section 22(2) only, be satisfied that without the regulations it is likely that either the objectives of any relevant accredited scheme cannot be met or any guidelines published that include matters referred to in s 12(3)(b) or (d) cannot be met;
- 12 **noted** that the Associate Minister for the Environment considers that the requirements outlined above have been met;
- 13 **authorised** the submission to the Executive Council of the Waste Minimisation (Tyres) Regulations 2023 [PCO 24754/9.0].

Sam Moffett
Committee Secretary

Present:

Hon Grant Robertson (Chair)
Hon Damien O'Connor
Hon Andrew Little
Hon Kieran McAnulty
Hon Ginny Andersen
Hon Barbara Edmonds
Hon Willow-Jean Prime
Hon Rachel Brooking
Hon James Shaw
Tangi Utikere, MP

Officials present from:

Office of the Prime Minister
Officials Committee for LEG