

2022-BRF-1180 Talking points: Transforming recycling

Key messages (combined CRS and kerbside)

1. These proposals are a key component of the Government's commitment to a low-emissions, low-waste New Zealand. Improving household kerbside recycling is a Labour Party election commitment.
2. We know our waste and recycling systems need to improve to catch up with our international peers.¹ Local Government is calling for it, and so are the public.
3. Key issues with our current systems are litter, wasted resources, emissions and public frustration. People want to do the right thing but can't because the systems aren't set up right and are not easy to use.
4. The consultation document *Transforming recycling* sets out three initiatives:
 - a. Standardise household kerbside recycling and provide food scraps collections - to improve the quality and quantity of our recycling and reduce emissions
 - b. Separate business food scraps for recycling to reduce our emissions
 - c. A beverage container return scheme – to improve recycling rates and reduce litter, particularly for containers that are not captured by the kerbside system.
5. I propose an 8-week consultation to test the proposals, from early March to mid-May. I expect to report back on final proposals in the first quarter of the 2022/23 financial year.

Improving household kerbside recycling and the separation of business food waste

6. I am proposing that urban households across New Zealand can all recycle the same items and will all have access to food scraps collections. I am also proposing that businesses separate their food scraps to kickstart our emission reduction efforts.
7. The proposals expect to increase the amount households place in their kerbside recycling from 30% of their total waste to 50-70%, in line with international best practice.
8. The proposals to divert household and business food scraps from landfill are expected to reduce annual emissions by around 5cr0 kt CO₂e in 2030.

A Container Return Scheme for New Zealand

9. The proposed broad scope of container materials is likely to create a convenient and effective scheme for consumers and businesses and ensure a level playing field for beverage producers.²
10. The proposal for a 20 cent refundable deposit will provide sufficient incentive for consumers to return their containers, which will significantly increase recycling rates (85%-90%, over one billion additional containers recovered) and significantly reduce beverage container litter (60% reduction) which has resulted in broader behaviour change towards litter overseas.
11. The proposed network design seeks to leverage the convenience of supermarkets and other retailers for consumers who frequently visit these locations. Broader participation

¹ Approximately 50 CRS schemes operate overseas, with more expected by 2023. Every Australian state has, or is in the process of implementing, a CRS.

² Consumer NZ research in 2020 found that 64% of New Zealanders thought a NZ CRS should cover a broad scope of beverage materials, including plastic, glass and metal.

will also be enabled through the operation of depots for commercial volumes and through community fundraising for iwi/hapū, schools, charities and social enterprises.

12. To manage business and household costs, I am proposing to exempt fresh milk and enable the 'deposit model' which sees unclaimed deposits offset the scheme costs for consumers.

Questions and Answers

Q: *Why consult on a CRS and improving household kerbside recycling and business food waste together?*

A: CRS and household kerbside recycling are closely linked as common products and materials can be collected through both systems. A CRS would significantly reduce the number of drink containers in the kerbside system, reducing service costs. The deposit value on remaining drink containers is expected to more than offset reduced revenue from drink containers in kerbside recycling.

Diverting both household and business food waste from landfill provides economies of scale and will provide savings to local government and businesses.

Further analysis on the cumulative impacts for the full suite of proposals will be provided with final policy proposals, following consultation.

Q: *How does improving household and business recycling relate to the Emissions Reduction Plan and the Waste Strategy?*

A: Improving kerbside recycling and diverting food scraps will directly reduce biogenic methane emissions and waste to landfill. The proposals are fundamental in achieving the ambitious targets in the proposed emissions reduction plan and the refreshed Waste Strategy.

Q: *How much will it cost to improve household kerbside recycling and separate business food waste?*

A: The estimated operating cost of standardised kerbside recycling services and household food scraps collections is 10 cents and \$1.50 per household per week. Less for councils already offering a high level of service and more for councils requiring greater change.

The main capital expenditure would be for food scraps processing and collections. The combined household and business food scraps collections would require an estimated \$79 to \$123 million. Additional infrastructure for dry recyclables (plastic, glass, etc.) may cost \$30 to \$40 million.

A Climate Emergency Response Fund initiative is seeking \$106 million for food scraps infrastructure (the full CERF initiative is for \$327 million covering wider activities).

A full cost-benefit analysis is underway and will be informed by data gathered in the consultation.

Q: *What is the role of the expanded Waste Levy?*

A: The waste levy will play a role but is not expected to provide a significant boost until 2024 at the earliest. This is too late to make progress towards the emissions reduction plan's 2025 targets.

Q: *What are the expected costs for households of a CRS?*

A: An average household would see net costs of around \$1.50 including GST per week. More than half of this cost (83c) is GST on the scheme fees and refundable deposit. Pending consultation feedback, there are multiple options to reduce the net cost for households, which can be canvassed as we develop final policy options.

While scheme participants (beverage industry and retailers) may experience start-up costs, it is assumed that, on average, consumers experience 100% of scheme costs as a pass through.

Q: *What are the expected costs for business for a CRS?*

A: A short term expected drop in container sales of approximately 6.5%, (could be recovered in between one and three years (container sales growth rates across the industry averaged 9% and 7% respectively in 2019/20 and 2020/21);

Recoverable set up costs: New infrastructure is needed to implement a CRS, including processing facilities (estimated capex of \$26.8 million) and around 800 container recovery facilities nationally, mainly retail 'reverse vending machines' (RVMs). RVMs can be leased or purchased, in either case, the handling fees (passed on to consumers) are used to cover the costs estimated at 4.4c per container (or \$31 million in lease costs);

Costs of labelling changes: Estimated as a one-off cost of \$11.4 million (based on international examples).

Q: *The CRS Cabinet papers indicated that there was a final review and confirmation of the cost-benefit analysis prepared by Sapere Group. What is the current status?*

A: The final CBA has now been through Sapere's quality review and assurance process. There was a small change to the calculations, but this does not impact the Ministry for the Environment's advice, or the overall BCR of 1.61. The Ministry will publish the final CBA with the adjustments included and will make any consequential changes in the final published Interim RIS.

Q: *If refillable containers are excluded from a CRS, won't that limit the effectiveness of the scheme? To what extent will the proposed infrastructure support a future shift toward reusable/refillable containers?*

A: There is potential for the proposed infrastructure to support a shift towards refillable containers in the future. The Ministry for the Environment will provide further advice on this when submitting final proposals, following consultation.