

In Confidence

Office of the Minister for the Environment

Chair, Cabinet Environment Committee

Report-back on effective investment of waste disposal levy revenue

Proposal

- 1 This paper provides an update on work to put in place the foundations for a transformed waste and resource recovery sector based on a strategic investment approach. This paper follows Cabinet's decisions to increase and expand the waste disposal levy (waste levy) in June 2020 (**CAB-20-MIN-0264.01**). It also asks Cabinet to confirm the timing for increasing and expanding the waste levy.

Relation to government priorities

- 2 This work contributes to achieving the commitments in the Labour party manifesto and waste action plan, to future proof our economy through preventing, reducing and recycling waste consistent with a zero waste approach where waste and pollution are designed out. This will create jobs, grow the economy and protect our environment.

Executive summary

- 3 Cabinet agreed in June 2020 to changes to improve the effectiveness of the waste disposal levy by:
 - expanding its coverage to additional landfill sites, including those that take construction and demolition materials (the levy currently applies only to municipal sites that take household waste)
 - increasing the rate of the levy (from \$10 per tonne progressively up to \$60 per tonne).
- 4 These changes are designed to create a stronger economic signal to reduce waste, and raise more revenue for investment in waste minimisation. This also brings New Zealand closer in line with similar economies elsewhere.
- 5 In June, Cabinet noted that the expanded levy created a significant opportunity to achieve a step change in New Zealand's performance on waste and that the Ministry for the Environment (the Ministry) was developing a strategic investment approach to

ensure that the additional levy funds would be used effectively. Cabinet agreed that the Ministry would report back on this work.

6 There are several critical work streams that need to be progressed over the next two to three years to ensure we maximise the levy investment opportunity. This paper outlines the key work streams, including:

- practical implementation work (including changes to IT systems, landfill classifications)
- setting up the long term direction, tools, systems and structures:
 - updated legislation on waste, to replace the Waste Minimisation Act 2008 and the Litter Act 1979
 - a new long-term strategy on waste for Aotearoa New Zealand (replacing the 2010 Strategy), to set a clear direction and guide all activity and investment across the sector (closely linked to relevant parts of the Government's emissions reduction plan)
 - putting in place appropriate supporting institutional and administrative arrangements
- planning and coordination of specific activities:
 - a rolling series of shorter term action and investment plans s 9(2)(f)(iv)
 - a long-term infrastructure plan, to identify current gaps and help the sector and government plan and make these longer term investment decisions
 - a plastics action plan.

7 Most of the components of the strategic investment approach will be in place by the end of 2022, when substantial levy funds are projected to start to accumulate, followed by new legislation planned to be in place by early 2023.

8 Key upcoming decisions (as part of the strategy and legislation work stream) include the roles and responsibilities of central and local government for waste minimisation, including how levy revenue will be allocated between central and local government, and the governance and decision-making structures for ensuring funds are used effectively.

9 This paper asks Cabinet to confirm the timing of increases to the levy agreed in June, so that the regulations can be finalised for submission in early 2021.

Background

10 The way that New Zealand creates and manages waste is not sustainable – practically, economically, environmentally or culturally. We continue to produce too much waste overall (including non-recyclable materials); operate inadequate

recycling practices and systems; send too many potentially useful resources to landfill; and in doing so, generate too many greenhouse gas emissions.

- 11 Cabinet has already made a number of decisions to start to move New Zealand towards a low-waste and low-emissions economy, with a world-leading resource recovery sector. As a result, the Ministry has an ambitious work programme to transform New Zealand's systems for dealing with waste.
- 12 In June 2020, Cabinet agreed to a range of improvements to the waste levy (summarised in table 1): to expand its application to more sites (including those that take construction and demolition waste); set differential levies for landfill sites based on differing levels of environmental harm and waste minimisation potential; and progressively increase the rate of the existing levy (which currently only applies to landfills that take municipal waste).

Table 1: Levy rates for phased implementation (per tonne of waste) (dates subject to re-confirmation by Cabinet)

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

- 13 A range of work is underway to support implementation of these levy decisions:
 - ensuring IT systems are fit-for-purpose for incorporating reporting by additional landfill sites and managing additional levy funds
 - identifying the location, classification and facilities of unlevied landfill and cleanfill sites which will be subject to levy and/or data reporting obligations (progressively from January 2022)
 - further proposals to improve the availability of waste data
 - ongoing policy work, including work with recycling operators to mitigate the short-term impacts of the proposed changes (as outlined in paragraphs 61 – 66); measures to mitigate illegal dumping and littering; an improved regulatory framework for disposal of waste to land; management of farms dumps and rural

waste; and work with industrial monofills to better understand and minimise their waste.

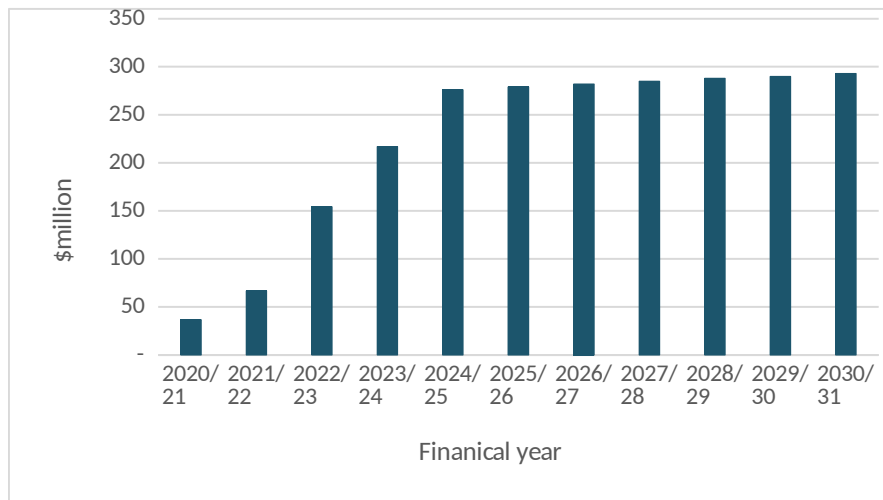
Confirming the timing of the levy increase and expansion

- 14 In June 2020, Cabinet noted it would review the implementation dates in table 1 in light of the economic conditions at the time the Minister submits the regulations for approval. The regulations are due to go to Cabinet Legislation Committee (LEG) in March.
- 15 The Treasury's *Half Year Economic and Fiscal Update 2020* notes the initial economic impact of COVID-19, while still large, has been less severe than anticipated. Household spending and the employment market have also remained stronger than initially predicted. I am therefore recommending that Cabinet confirm the timing outlined in table 1, so that the regulations giving effect to the changes can be finalised and submitted to LEG.
- 16 I propose to communicate Cabinet's decision on the timing of levy increases immediately to give the sector certainty and enable them to plan for the changes.

Putting in place the foundations for a transformed sector

- 17 When the levy rates set out in table 1 are put into regulation, the revenue from the waste levy would increase substantially – from around \$36 million per annum at present up to around \$276 million per annum (see figure 1). This will create a significant opportunity to improve New Zealand's performance on waste.
- 18 Levy funds can be invested in onshore recycling infrastructure, research and development, behaviour change and other key levers to minimise waste. There is also a significant opportunity to invest in projects that support waste minimisation and achieve emissions reductions, as recommended by the Climate Change Commission.
- 19 Since the levy decisions were made, the New Zealand government has declared a climate emergency, committing to urgent action on reducing emissions. The Climate Change Commission has released draft advice which highlights the contribution the waste sector can make to overall emissions reductions, particularly through investment in diversion of organic waste from landfills. I am also interested in exploring waste opportunities with multiple benefits, such as the potential for forestry waste to be used in biofuels, to help de-carbonise our transport sector, especially international transport which has fewer alternatives to biofuels
- 20 Cabinet agreed that the Ministry should continue to develop the proposed strategic investment approach for levy funds, and report back to Cabinet with proposals for the content of the guiding strategy and plans, the process for finalising them, and the supporting institutional and administrative arrangements for making investment decisions and allocating funding. The proposed timeline is outlined in paragraph 67 and table 2.

Figure 1: Projected levy revenue¹



21 The key components of the strategic investment approach are:

Components of the strategic investment approach
<p>Setting up the long term direction, regulatory tools, systems and structures:</p> <ul style="list-style-type: none"> • Updated legislation on waste • A new long-term strategy (with links to relevant parts of the Government's emissions reduction plan) • Appropriate supporting institutional and administrative arrangements <p>Planning and coordination of specific activities:</p> <ul style="list-style-type: none"> • A rolling series of shorter term action and investment plans across all areas of activity and spending • A long-term infrastructure plan • A plastics action plan

22 Initial reactions from the sector to this approach have been strongly supportive.

Ensuring the right legislative framework and regulatory tool-kit

23 Updated or new legislation (replacing the Waste Minimisation Act 2008 and Litter Act 1979) will put in place new arrangements for administering the increased levy funds using the strategic approach outlined in this paper. This would include how levy funds would be managed and used, and the governance and institutional arrangements for doing so. It may extend to embedding the strategic approach more

¹ Future levy revenue has been projected based on the cost-benefit analysis undertaken by the New Zealand Institute of Economic Research (NZIER). Key sources of uncertainty in the projected figures include: the extent to which waste producers will respond to the price signal by reducing their disposal of waste to landfill (COVID-19 provides additional economic uncertainty); the actual tonnages for landfill types other than municipal sites, for which limited data is currently available; the extent of levy avoidance behaviour (which would in turn reduce levy payments received); and the implementation timeline (which needs Cabinet confirmation).

effectively in the legislation, by requiring a long term strategy, with periodic updates, and linking it more tightly to local authority planning and spending.

- 24 This is also an opportunity to update the regulatory tools in the Act with a combination of new and more streamlined powers. For example, New Zealand lacks tools starting to be used successfully overseas, such as the ability to specify minimum recycled content in products.
- 25 The updated legislation will also improve the compliance, monitoring and enforcement powers, providing a wider range of tools in relation to enforcement of the levy regime and other regulations, as well as modernising the outdated Litter Act.
- 26 Key upcoming decisions (as part of the strategy and legislation work stream) include the roles and responsibilities of central and local government for waste minimisation, including how levy revenue will be allocated between central and local government,² and the governance and decision-making structures for ensuring funds are used effectively.
- 27 The new legislation is planned to be in place by early 2023, to provide a sound basis for administering the significantly increased levy funds forecast for the 2023-24 financial year and beyond.

Setting a shared vision for a low-waste, low emissions future

- 28 A revised Waste Strategy for Aotearoa New Zealand will set a clear long term direction to help all those working on waste minimisation to plan and coordinate, whether in central government, local government, the waste sector, industry and business more generally, iwi/Māori, community groups, and the general public.
- 29 The strategy will include a shared overall vision and goals, guiding principles and values, as well as guidance on roles, priorities, linkages and sequencing for all activity and spending on waste minimisation. It will provide an overall “map” looking across:
 - different waste challenges or goals (eg, plastics, paper/card, organic material, kerbside collection systems, reduction of littering)
 - potential interventions for each challenge (eg, phasing out or bans, product stewardship, infrastructure investment, education, investment in research)
 - the relevant actors (central government, local authorities, waste sector businesses, community).
- 30 Collaborative development of proposals is currently underway with a Māori technical experts group and a wider advisory group. Public consultation on proposals for both

² The Waste Minimisation Act 2008 outlines that levy funds are to be allocated to:

- territorial authorities (50 per cent of levy revenue, to be spent on matters to promote or achieve waste minimisation, in line with waste management and minimisation plans);
- projects to promote or achieve waste minimisation (largely allocated through the contestable Waste Minimisation Fund) (for which the Minister for the Environment is the decision-maker); and
- the Ministry for the Environment to cover the costs of collecting and administering the levy and waste minimisation projects (as well as paying any necessary refunds to site operators).

the strategy and legislation is planned for mid-2021, and a final strategy is planned to be in place by the end of 2021.

Ensuring the right institutional and administrative arrangements are in place

- 31 The wider range and much greater scale of future investment activity means that the Ministry's existing investment systems will not be fit for purpose. Developing new capabilities and putting in place new systems will be critical for ensuring the opportunity provided by the increase in levy investment is maximised.
- 32 The body administering the increased levy will require capabilities and systems relating to compliance, monitoring and enforcement; data collection; levy collection, evaluation and reporting; as well as more complex and specialised funds management and investment.
- 33 Earlier in 2020, the Ministry commissioned Grant Thornton to provide advice on investment priorities. Grant Thornton consulted with a wide range of key industry and local and central government stakeholders.
- 34 This work quantified a major infrastructure gap in New Zealand for recycling and waste minimisation, as well as a compelling need for the strategic investment of resources in a wider range of waste minimisation activities (grounded in the waste hierarchy).
- 35 Building on this advice, and its growing experience in managing large funds and more complex investments, the Ministry is developing proposals for managing future levy funds, covering:
- when and how to allocate funds to local government
 - how to administer the funds managed by central government
 - how to ensure that funds are invested in a suitably broad range of activities and reinforcing areas to support delivery of the strategy's goals.
- 36 A number of distinct investment envelopes for levy funds could be established, supported by tailored processes and teams, as follows:

Preliminary envelopes for targeted investment of central government waste levy revenue	
<ul style="list-style-type: none">• Infrastructure• Information and education• Regulatory activity• Legacy waste problems	<ul style="list-style-type: none">• Research, development and innovation• Community activity• Data and evaluation• Other/contingency

- 37 The Ministry is already managing funding for a number of waste infrastructure projects approved as a Covid-19 Response and Recovery Fund (CRRF) initiative.

38 s 9(2)(f)(iv)

- 39 The Ministry is already building experience and capability in managing higher value and more complex investments than have traditionally gone through the Waste Minimisation Fund. These areas of funding are likely to be the main draw on the increased fund over the next few years as we make good the gap in our resource recovery infrastructure and sponsor innovation to design out waste and/or substitute less harmful materials.
- 40 Under these proposals, smaller but still significant amounts of revenue will also be available to community solutions for local waste issues and community engagement in waste minimisation; addressing gaps in data; behaviour change initiatives, and enhancing compliance, monitoring and enforcement. All of these elements will be necessary to support changes being enabled through infrastructure investment and the increased use of regulatory tools (such as product stewardship, phasing out or banning some materials or products).
- 41 It is also proposed that some funding may be made available for addressing risks from legacy landfills, including risks related to the effects of climate change. Some elements of the planned investment, for example legacy landfills, could not be implemented until after the new legislation is in place, as they fall outside the current provisions for use of levy revenue.
- 42 Grant Thornton raised the possibility of the individual funding areas or envelopes being administered by separate agencies. More recently, the Ministry has worked with Martin Jenkins to consider how best to support the overall range of waste functions. That analysis concluded it would be more cost-effective and strategically coherent for a single administering agency to hold responsibility for most, if not all, of these central government waste functions and the associated funding administration.
- 43 Under the Waste Minimisation Act 2008, the Minister and Ministry for the Environment are responsible for administering the Act and collecting and distributing the levy funds. As part of the strategy and legislation work underway, the Ministry is developing more detailed administrative proposals on the assumption that all functions, and administration of levy funds, will remain with the Ministry. To achieve transformational change, greater collaboration between central and local government, including at a regional scale, will likely be beneficial.
- 44 Some stakeholders have expressed support for a stand-alone agency to be created, to enable clear focus, and a strong independent voice for communications and behaviour change work. This view may be expressed during consultation on the strategy and legislation proposals in 2021.

Translating the vision and goals into actions

- 45 The strategy will be supported by a series of shorter term (3-4 year) action and investment plans. These plans will translate the long-term directions and goals from the strategy into a set of more immediate targets, priorities, projects, and initiatives. The plans will also guide the allocation of forecast or accrued funds between the

different investment priorities. The intention is to link closely with industry and local authority planning and decision-making.

- 46 Two plans on specific areas are proposed to sit alongside these overall action plans: a long term infrastructure plan and an action plan on plastics.

Long-term infrastructure plan

- 47 A specific plan on infrastructure is needed because of the scale and complexity of the problem and the long planning horizon for infrastructure investment. This plan will developed over the course of 2021 and is expected to be published alongside the revised strategy. Initial stages include conducting a stocktake of existing infrastructure and services and conducting a gap analysis with key stakeholders.
- 48 The New Zealand Infrastructure Commission is being consulted with during development of this plan, to ensure consistency with the overall infrastructure plan for New Zealand.
- 49 New Zealand has limited onshore waste minimisation and recycling infrastructure. The Grant Thornton report attempted to quantify this gap, identifying potential infrastructure funding needs of approximately \$2.1 to \$2.6 billion and other enabling service funding needs of approximately \$0.9 billion over the next 10 years.
- 50 Because of the scale of the current infrastructure deficit, the investment in infrastructure is likely to dominate central government use of levy funds over the initial 10 year period. This should not prevent interventions at the top of the waste hierarchy.
- 51 There is likely to be around a three to five year lead-in for large-scale infrastructure investment, although some smaller scale infrastructure and/or needs identified in the existing work programmes could be developed sooner. For example decisions are expected this year on improvements to kerbside collection/processing and on whether to proceed with a container refund scheme.
- 52 Consideration will be given to accruing levy revenue, particularly in the first six years of levy increase, to enable scalable allocation for future investment priorities.

Kick-starting the investment in infrastructure

- 53 As a first step, the Government has already allocated \$124.3 million from the CRRF to waste and resource recovery infrastructure, providing an opportunity to undertake some of the necessary investment before levy funds increase.

54 s 9(2)(i) [Redacted]

- 55 Five of these projects (totalling \$33.8 million), including optical and mechanical sorters in material recovery facilities for recycling in Canterbury and Auckland, and balers for agricultural plastics in Northland, Bay of Plenty and Canterbury are now in

deed and have been announced. Additional optical sorters in Hamilton, New Plymouth, Thames and Napier (totalling \$2.9 million) have been announced, and the deeds are expected to be finalised by early March 2021.

56 Tauranga City Council's City Waste Infrastructure project is also in the final stages of project plan drafting and negotiation, and will be ready to announce shortly. The project is a \$20.5 million investment in kerbside recycling collection bins for 58,000 households, optical sorting equipment to improve sorting of packaging material, and development of a resource recovery park to increase the recovery of construction and demolition waste. Over a decade, the project is expected to achieve up to 100,000 tonnes of waste diverted from landfill to beneficial use.

57 s 9(2)(i) [REDACTED] I expect the remaining projects in the CRRF programme to be agreed and executed on a rolling basis over the course of the 2021 calendar year.

58 The Ministry has established a dedicated team to oversee these investments, building on existing Waste Minimisation Fund systems. This also provides an opportunity to build capability and systems for future management of both infrastructure and other areas of investment.

Plastics action plan

59 The Government has already agreed to develop a National Plastics Action Plan, as part of the response to the Rethinking Plastics report. In the long term, the plastics work programme could be merged into the more general processes for setting priorities and allocating funding being established.

60 In the short term it is important not to lose momentum on tackling the significant and urgent problems being created by plastics. Work on the plastics action plan and Plastics Innovation Fund is already underway and will proceed in parallel with the development of this longer-term approach.

Impact on recycling operations

61 During consultation on the levy proposals, a number of recycling operators raised concerns that the proposed changes would increase their costs because they have to dispose of unavoidable by-products from recycling. In making its decisions on the expansion and increase to the waste levy, Cabinet noted that further work was proposed with recycling operators to mitigate the short-term impacts of the proposed changes.

62 I have now considered this issue in detail. I note that improvements to the levy are intended to support recycling, by making recycling more attractive as an alternative to landfill disposal, as well as through direct investment of levy funds into waste minimisation activities and infrastructure.

63 In the medium- to long-term, a number of components of the work programme will also help recycling operators:

- regulatory product stewardship and container return scheme proposals would shift costs up the chain to producers (rather than having disposal costs fall on councils and recycling operators)
- contamination in kerbside recycling will be reduced through standardisation of collection systems, investment in optical sorters, and phasing out of certain problematic plastics.

64 However, increased costs may create challenges for recyclers, especially in the context of current uncertainties in global markets. In particular, the metal and fibre (paper and card) sectors could face substantial short-term impacts. The metal sector has recently raised this issue with me and other Ministers as well as in the media.

65 I consider the best approach is for the Ministry to work with the sector on developing appropriate investment options to help mitigate impacts. This is a supplement to investment work already underway through the Waste Minimisation Fund and CRRF, and could include:

- working with the recycling sector to improve collection systems, logistics, or processing facilities
- behaviour/education campaigns eg, to improve uptake of scrap metal recycling by the public and reduce dumping of recyclable items such as whiteware and car bodies

66 I am satisfied that the recycling sector's preferred approach (a levy exemption) is not feasible under the existing legislation. I also consider such an approach (or a reduced or delayed levy for recycling by-products) would raise a number of concerns, including:

- reduced incentives to improve processes to reduce/avoid waste by-products (or change business models so that costs can be shared in different ways, such as developing partnerships with producers and retailers)
- higher administration/compliance costs
- incentives for levy avoidance through false declarations or hiding of waste.

Managing the transition from the *status quo* to the new system

67 It will take some time to fully develop and implement the new system based on a strategic investment approach, given the need for research, public engagement, and new legislation. The Ministry is working to have most of the elements in place by the end of 2022, by which time annual levy revenue is expected to have increased significantly, to be followed by new legislation enacted early in 2023 (table 2).

Table 2: Timeline for implementation of levy decisions and associated strategic framework

Milestone/Activity	Timeframe
Confirmation of levy implementation dates and communication to stakeholders	Early March 2021
Levy regulations to Cabinet	Early 2021

Milestone/Activity	Timeframe
s 9(2)(f)(iv)	
Cabinet policy approval for additional waste data proposals	March/April 2021
s 9(2)(f)(iv)	
First levy increase (unless agreed otherwise)	July 2021
s 9(2)(f)(iv)	
Levy payment obligations begin for construction and demolition fill sites	July 2022
s 9(2)(f)(iv)	
Levy payment obligations begin for controlled and managed fill sites	July 2023

Use of the Waste Minimisation Fund during the transition

- 68 The current Waste Minimisation Act 2008 will continue to govern the use of levy funds during the transition. For the Waste Minimisation Fund (administered by the Ministry), there is already a practice of setting strategic outcomes and investment signals to help ensure applications to the fund are aligned with government priorities.³
- 69 In 2020, the strategic focus was changed to helping the COVID-19 response, including essential services such as food recovery and distribution and recycling services. There was also a focus on supporting existing waste minimisation businesses and organisations to increase their efficiency or expand their operations.
- 70 Investment signals for 2021 will be outlined in the Action and Investment Plan 2021-2023, and will be informed by work underway on the waste strategy and long-term infrastructure plan.
- 71 The Ministry will also invest in its internal capabilities to proactively engage, secure, and manage the investment pipeline to ensure that the investment priorities are met over this transitional period. This may necessitate more investment of levy funds into systems and processes to ensure strategic alignment.

Use of levy funds by territorial authorities

- 72 Territorial authorities will continue to receive 50 per cent of levy funds (distributed on a population basis) in 2021 and 2022, as well as possibly in out years (depending on what decisions are made during the review of the Waste Minimisation Act 2008). Territorial authorities must spend levy funds to promote or achieve waste minimisation, and in accordance with their waste management and minimisation plans.

³ There is also scope to make changes to the gazetted criteria the Minister must consider in deciding whether to approve funding of a project.

- 73 The tools that the Ministry has for helping ensure that territorial authorities spend levy funds in ways that meet strategic priorities include:
- **Informal:** the Ministry will work with councils (including through Local Government New Zealand and WasteMINZ) to help develop a shared vision and understanding of priorities. This will be informed by the developing strategy and infrastructure plan work, which requires close engagement with councils, as well as the CRRF investment work and developing thinking on solutions for individual waste streams and systems.
 - **Formal:** the Ministry has an audit programme underway to ensure councils meet their statutory obligations for spending levy funds. The Waste Minimisation Act 2008 has tools for giving directions to territorial authorities about the content of their waste management and minimisation plans, and/or setting performance standards for implementation of their waste management and minimisation plans. These tools would be better reserved for giving effect to a revised waste strategy.
- 74 As outlined at paragraph 35 above, as the quantum of levy revenue received by territorial authorities increases, clear roles and responsibilities for central and local government will become increasingly important, along with clear tools for ensuring all levy funds are invested strategically (whether by central or local government).
- 75 The Ministry will consider roles and responsibilities, levers to influence spending, and the strategic relationship between the national waste strategy and council waste management and minimisation plans when reviewing the Waste Minimisation Act 2008.
- 76 There is substantial scope for working with councils on investing levy funds to help solve existing problems in kerbside recycling systems, such as moving from co-mingled to separate collection systems for glass and paper/card;⁴ and development of kerbside organics collections to keep household organic waste out of landfills.

Financial Implications

- 77 Increased levy revenue from the expanded waste levy must be spent in accordance with the Waste Minimisation Act 2008, as reflected in Vote Environment appropriations. Funding for implementation of levy decisions was received in the Vote Environment budget for 2020/2021.

Legislative Implications

- 78 The changes to the waste levy can be made by regulation. The Parliamentary Counsel Office is currently drafting regulations under section 41 (waste disposal levy) and section 86 (records, information and reports) for submission to LEG in early 2021.
- 79 This paper notes that amending legislation is planned for 2022-23 to update the Waste Minimisation Act 2008 and the Litter Act 1979. I have put forward a bid for this legislation into the next legislation programme.

⁴ Including in major centres such as Auckland.

Te Tiriti o Waitangi Implications

- 80 No individual Treaty settlements to date have relevant clauses on waste or resource efficiency, although a number establish an ongoing, good faith relationship between the Ministry and settlement entities.
- 81 Development of a new waste strategy provides an opportunity for incorporation of Māori principles and mātauranga Māori. The move towards a more mindful and circular approach to the use of the planet's finite resources is in keeping with these principles. The Ministry is working with a Māori expert group to develop a conceptual framework for the new strategy that incorporates mātauranga Māori.

Impact Analysis

Regulatory Impact Statement

- 82 No decisions on potential legislation are being sought at this time, so a Regulatory Impact Statement has not been prepared. A Regulatory Impact Statement would substantively duplicate other policy development work that is underway as part of the review of the waste strategy and legislation.

Climate Implications of Policy Assessment

- 83 The Climate Impacts of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as there is no direct impact on emissions beyond the estimated emissions impact disclosed when Cabinet considered the levy proposals in June 2020.⁵
- 84 These proposals will support emissions reductions by ensuring governance and institutional arrangements are fit for purpose for expansion of the waste levy; helping achieve an overall reduction of waste (including organic waste) from landfill; and developing a strategic approach that supports investment of levy funds in projects that have climate as well as waste minimisation benefits.

Population Implications

- 85 The main potential population-level implications of these proposals are for rural communities, including rural Māori communities. These communities may have more limited existing alternatives to landfill disposal, meaning they could face higher disposal charges in the future, and may also be more affected by any rise in undesirable disposal practices such as dumping of waste.
- 86 Some of the ongoing work outlined above will help to address these challenges (including the work on managing rural waste and illegal dumping and littering). Levy funds can also be invested in solutions. For example, levy funds have been invested in an innovative marae-based waste minimisation programme, Para Kore.

⁵ A CIPA disclosure including quantified emissions impacts was included with the levy proposals Cabinet considered in June 2020. This disclosure indicated that the estimated cumulative impact (from 2020 to 2050) of extending the waste disposal levy is a reduction in emissions of 3.66 million tonnes carbon dioxide equivalent.

87 Most of the employment potential from investment of CRRF and levy revenue is typically in male-dominated industries during the construction phase. Future investment presents an opportunity for a more even mix for ongoing employment (although waste minimisation roles are likely to still skew male overall). To date, gender has not received a lot of attention as a focus topic and it could be an issue to raise for discussion with sector groups.

88 I do not consider there are substantial risks of negative population impacts for other groups including children, seniors, disabled people, people who are gender diverse, Pacific peoples, veterans, or ethnic communities. However, greater investment in resource recovery could provide an opportunity for further social and cultural procurement in ways that could benefit some of these groups.

Human Rights

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

Consultation

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

91 The Department of the Prime Minister and Cabinet and the Public Service Commission were informed.

92 Feedback from agencies was generally supportive of changes to the levy and the strategic investment approach outlined (including the link to the Emissions Reduction Plan). The Inland Revenue Department noted that the planned review of the Waste Minimisation Act would consider whether some of the increased revenue should instead be directed to the Crown's consolidated fund.

93 MBIE recommended that the Ministry consider the need for support for businesses to comply with the waste levy, along with the specific impacts on particular industries (such as recycling operators). The Ministry will incorporate this into its implementation plan.

Communications

94 I intend to communicate Cabinet's decision on timing of changes to the waste levy to stakeholders once decisions have been made, to give them as much certainty as possible about future levy rates and coverage.

95 The Ministry is working with the sector on implementation of its work. Ongoing engagement will provide an opportunity for stakeholders to help agree a common vision for the future, as well as provide input into strategic investment of levy funds.

This engagement is important, because a mixture of public and private investment will be necessary to make progress.

96 s 9(2)(f)(iv)

Proactive Release

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

Recommendations

The Minister for the Environment recommends that the Committee:

- 1 note that as outlined in CAB-20-MIN-0264.01, the Cabinet Environment, Energy and Climate Committee agreed that regulations be developed under the Waste Minimisation Act to:
 - 1.1 prescribe additional classes of landfills as disposal facilities
 - 1.2 prescribe the waste levy rates (plus GST that will apply for each landfill class (per tonne of waste) and the dates on which these rates will take effect, as follows:

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

- 2 confirm the implementation dates outlined in recommendation 1.2, having considered the current economic conditions.
- 3 note that the Minister for the Environment will submit the draft regulations to make these changes to the Cabinet Legislation Committee in early 2021.
- 4 note the work being carried out by the Ministry for the Environment to implement the levy changes and address related policy matters between 2020 and 2022.
- 5 note the work being carried out by the Ministry for the Environment to put in place the foundations for a transformed waste and resource recovery sector by mid-2023, based on a strategic investment approach, including:

- 5.1 practical implementation and operational requirements
 - 5.2 updated legislation
 - 5.3 a revised long-term waste strategy
 - 5.4 a strategic investment approach (including a long-term infrastructure plan; rolling three-year action and investment plans; and work on the underlying institutional and administrative arrangements)
 - 5.5 an emissions reduction plan for waste.
- 6 note that the Ministry for the Environment is responsible for administering the Waste Minimisation Act 2008, including the levy funds, and is developing decision-making and administrative systems, and the supporting capability, to enable the benefits of the increased levy funds to be maximised.
- 7 s 9(2)(f)(iv)

Authorised for lodgement

Hon David Parker

Minister for the Environment