

13 July 2020

Project Manager
Waste Levy Review
Department of Water and Environmental Regulation (DWER)
Prime House, 8 Davidson Terrace
JOONDALUP DC WA 6619
Via: wastelevyreview.query@dwer.wa.gov.au

Dear Sir/Madam,

DWER's Review of the Waste Levy Consultation

This consultation response document has been prepared in relation to the DWER's request for feedback on the *Consultation Paper: Review of the Waste Levy* that was released for public and stakeholder consultation in February 2020.

1 Summary

Talis Consultants Pty Ltd (Talis) supports the review of the waste levy including expanding the regions covered by the Levy and providing a 5 year set levy forecast, with a further flexible 5 year projected levy forecast. Talis agree with the need for economic analysis to determine a suitable levy rate in the metropolitan and expanded levy areas to ensure the objectives of the Waste Levy are achieved without adverse impacts.

2 Objective of the Waste Levy

Question 1: Are there any beneficial outcomes that can be achieved by a levy beyond those identified in the objectives of the Waste Strategy 2030?

The waste levy plays important role in making the price of alternatives to landfill, such as recycling, cost competitive. In the context of this consultation paper this is an important consideration in regional areas where transport distance to market make alternatives to landfill less viable.

3 The impact of the Waste Levy on achieving the objectives of Waste Strategy 2030

Question 1: Are there any other strengths or weaknesses of a waste levy as an instrument for achieving the objectives of the Waste Strategy 2030?

Talis agree with the strengths and weaknesses outlined in the consultation paper with no further additions.

4 Rate of the Levy

Question 1: How has the waste levy benefited or affected your waste business or operations?

Talis operations involve consulting to the waste industry. The waste levy has a significant impact on many of our clients.

The Waste Avoidance and Resource Recovery Account has been essential for driving change and improved waste practices in WA. Talis support increased hypothecation of the waste levy to ensure that greater strategic investment can be made as has occurred recently in Victoria, and in the past in NSW. Talis recognise that the levy is fundamental in achieving resource recovery goals.

Talis believes that it is critical to ensure that the revenue generated from the levy continues to fund key infrastructure and educational programs. The focus of the waste levy historically has been on diversion from landfill but going forward the focus needs to include linking the recovery of materials to the capacity in the market by supporting the creation of industries that can use recovered waste materials as inputs within their business model.

Question 2: Can you advise of any recycling and waste diversion opportunities that would become viable if the waste levy was increased or applied in a different way? What rate of levy could be required to make these viable?

Building on the response to the previous question, the levy revenue should support developing industries that not only recover and reprocesses materials but also support industries that utilise reused, recovered and recycled material. The development of manufacturing industries at both a state and national level are essential in supporting the waste hierarchy in light of the COAG Materials Ban and China Sword/Basel Convention related to quality of exported materials. The objective of the levy should be to create a balance between influencing behaviour related to waste diversion and influencing markets to develop industries that use recovered materials as an input.

The gap between the levy rate for waste to landfill and recycling will need to be reviewed to ensure that the purpose of the levy remains valid and that recycling maintains the current position within the waste hierarchy. The levy could be used to support materials recovery facilities within the state whilst local reprocessing industries are developed. A portion of the waste levy incurred at each facility could be retained by that facility for investment in waste diversion infrastructure and implementation of better practice initiatives. A minimum criteria would need to be established to provide guidance on how the revenue could be obtained and utilised at facilities.

Question 3: Please provide information on potential impacts which may result from increasing the waste levy?

The existing waste diversion initiatives, and economic down-turns, have been effective in diverting waste from landfill. The introduction of FOGO and energy from waste will create further diversion from landfill in the metropolitan area. Landfills have a range of fixed costs to construct cells, operate the facility, maintain and monitor assets and plan for closure and remediation of the site, these are amortised and accounted for in the landfill gate fee. As the tonnage throughput to the facility

decreases the cost/tonne of the fixed costs increases, therefore it is likely that waste facilities will need to continue to increase their gate fees over the coming years to allow for these costs. In addition a large number of facilities, particularly in regional areas will incur significant costs to bring their facilities up to better practice standards.

Increasing the waste levy in these times of financial uncertainty would add increased pressure on these facilities causing an over-inflation of the landfill prices potentially resulting in increased illegal dumping and/or a significant rates increase to local councils incurring a significant portion of the landfill maintenance financial burden.

Question 4: If you knew when the waste levy was going to be varied, how would it affect your decisions about managing waste related investments?

Appropriate financial modelling is needed to provide banks and financiers with increased certainty regarding potential infrastructure investments. Significant infrastructure investment is likely to be required to deliver the Waste Strategy objectives and to meet COAG material ban requirements.

Changes to the waste levy affect the financial viability of alternative collection and processing options including recycling. Increasing the waste levy increases the feasibility of some recycling options and decreases the feasibility of improved infrastructure investment at landfills. These considerations are factored into advice provided to Talis clients.

Talis welcomes a 5 year set levy approach with a further flexible 5 year projected levy forecast (with a price floor) to assist with bank guarantees and private investment in waste infrastructure.

4.1 Further general comments

There are a significant number of policy, program and infrastructure changes that will come into effect and stabilise in the next 5 years, including: FOGO collections; energy for waste; COAG material bans; the container deposit scheme and an infrastructure plan related to an increased circular economy and delivery of the Waste Strategy objectives. A prudent approach is to leave the metropolitan landfill levy frozen until these issues affecting waste markets stabilise.

Increasing the waste levy in the metropolitan area predominantly affects LGA's who will continue to have over inflated disposal costs which may destabilise the Metropolitan Regional Council grouping arrangements.

5 Setting Future Levy Rates

Question 1: How might the Government best balance the need for responsiveness to emerging knowledge about best practice waste management with the benefits of providing the confidence about future waste levy rates?

Provision of 5 year set levy rates with a further flexible 5 year projected levy forecast would provide greater certainty for investments. Outlining considerations that would impact the flexible projected levy rates would help financiers assess the associated risk.

6 Geographical area of the levy

There are two main impacts of expanding the geographic area of the levy:

1. to prevent waste leakage out of the Perth metropolitan area via an extended levy area; and
2. to increase the feasibility of recycling and alternatives to landfill throughout WA.

Talis has considered both of these impacts when addressing the questions below.

Question 1: Are there any opportunities for the recovery of regional waste that would be made viable by a regional waste levy?

Transport distances (costs) to sustainable end markets are the biggest limitation on the viability of recycling in WA. Some councils have attempted to implement commingled recycling in regional areas however under the existing arrangements the collection and processing costs make it unviable, except in towns with a strong external commercial economy such as mining.

The Waste Authority could conduct a cost benefit analysis to determine the viability of transporting key recyclables such as paper and cardboard, as well as other commodities such as hazardous and problematic wastes, to Perth or other aggregation points throughout Western Australia. Without this analysis it is not clear to Talis whether a regional waste levy (to areas beyond a 350km extended levy area, see explanation below) would be beneficial.

Question 2: Where are these opportunities most likely to viable

Recycling initiatives could become more viable in regional areas if a landfill levy was incurred. Talis has conducted a very basic analysis taking into account existing landfills and transport costs, indicating that an extended levy area boundary at approximately 350km from Perth would prevent leakage of waste to non-levy areas, and increase the viability of recycling in those areas which are within a reasonable transport distance to the Perth markets. Note: this is subject to a number of assumptions and limitations and requires further detailed analysis.

Question 3: What rate of waste levy could be required to make them viable

Recycling initiatives could become more viable in regional areas if a landfill levy was incurred. Talis has conducted a very basic analysis indicating that a regional waste levy of \$60/tonne on putrescible waste and \$90/tonne on C&D may drive this change, but that is subject to a number of assumptions.

Question 4: Under specific circumstances, it is possible that an extended waste levy area could make evasion less financially attractive. How does the cost of transporting waste over long distances compare with the cost of the levy?

This is where further economic analysis should be conducted as the type of waste being transported and the type of vehicle can vary significantly, and the feasibility of bulk hauling waste can increase if the levy measure isn't set correctly. Talis has conducted some basic analysis without sensitivity analysis to provide a suggested boundary and levy rate in this mentioned in the previous two questions.

Question 5: What other advantages or disadvantages could arise from a regional waste levy?

As discussed in section 3 - landfills have a range of set costs to construct cells, operate the facility, maintain and monitor assets and plan for closure and remediation of the site. As the tonnage throughput to the facility decreases the cost/tonne of the set costs increases, therefore it is likely that waste facilities will need to continue to increase their gate fees over the coming years to allow for these costs. In addition, a large number of facilities, particularly in regional areas will incur significant costs to bring their facilities up to better practice standards and to implement suitably lined cells and monitoring for future landfill expansion. In this context the better practice standard enforces the same principle of the waste levy in the metropolitan region.

7 Waste management options to be levied

Question 1: Waste Strategy 2030 proposes that by 2020, only residual waste will be used for energy recovery. How will this requirement affect your waste management operations?

The definition of residual waste works practically for the MSW sector where the source of waste is from a consistent collection system within that LGA. However commercial operators collect mixed C&I loads which may include material from companies that use better practice source separation systems and some that don't. It is also difficult to clearly define better practice in C&I waste as businesses vary significantly in scale and waste types. Talis agree with the principle of only residual waste being used for energy recovery recognises the practicality of adopting this definition for mixed C&I loads.

Question 2: Would a waste levy on energy recovery have a different effect on your operations?

There is currently limited waste processing infrastructure in WA, and there is increasing pressure on the existing waste infrastructure due the changes to the global recycling markets. A waste levy on energy recovery would effectively place landfill higher up the hierarchy than energy from waste. Therefore a waste levy on energy recovery would be counterproductive in the current market environment.

Talis supports the statement outlined in the consultation paper that a waste levy on residual waste accepted for energy recovery would not have a beneficial effect on improving recovery of materials.

Talis agree with the intent that the government could consider adopting a waste levy on energy from waste once the waste market stabilises in 8-10 years if non-residual waste is used for energy recovery, recognising the limitations discussed previously for mixed C&I wastes. If a waste levy is adopted on energy from waste it should be a differential levy, however, careful consideration on what the rate of waste levy should be is required to ensure that it does not penalise energy from waste over landfill.

Any levy that applies to waste facilities such as waste to energy in terms of pre-sorting or classification should be applied to landfill operations. Otherwise waste to landfill will have an advantage over waste to energy which will contradict the waste hierarchy.

Where waste to energy or incineration taxes have been implemented within European Countries it's predominantly lower than the landfill tax and is implemented for a range of reasons other than to increase resource recovery such as the remediation of contaminated sites in Austria, emissions

reduction in Denmark or to discourage the construction of new energy from waste facilities in Sweden. The taxes operate within more integrated waste systems that exhibit high resource recovery rates. Additionally, the tax interacts with a diverse mix of economic instruments, policies and material landfill bans that support the waste hierarchy.

Question 3: Are there any other waste management options where applying a levy could help achieve the objective of the waste strategy?

Talis prefer the use of extended producer responsibility as a method of incentivising diversion of waste from landfill - particularly for hazardous and problematic wastes which are a high risk to the environment, waste management staff and waste infrastructure. Extended producer responsibility schemes are targeted and user pays systems that are more in line with the principles of the circular economy and take the financial pressure away from local authorities which currently incur an unfair share of the financial burden of waste management.

8 Other improvements to the waste levy

Question 1: What other changes to the design or implementation of the waste levy could help make it more effective or efficient in achieving the targets of the Waste Strategy 2030?

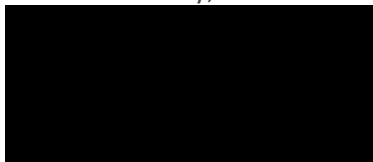
Enforcement of payment of the landfill levy for all waste generated in Perth, particularly at facilities located outside the Perth/Peel area. If there is an extended levy area with a differential rate to the metropolitan levy rate, then the metropolitan levy rate should charge for waste generated in the metropolitan area even if it is taken to a facility in the extended levy area.

9 Conclusion

Talis appreciate the opportunity to provide feedback on the Review of the Waste Levy Consultation Paper.

If you have any additional questions or require further clarification, please do not hesitate to contact us.

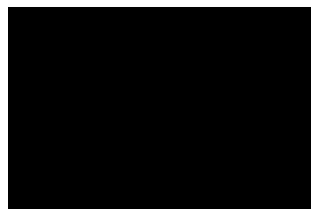
Yours sincerely,



Ronan Cullen
Director - Waste Management Section Leader

TALIS CONSULTANTS

A: Level 1, 660 Newcastle St, Leederville WA 6007
P: PO Box 454, Leederville WA 6903



Janelle Osenton
Principal Waste Consultant

TALIS CONSULTANTS

A: Level 1, 660 Newcastle St, Leederville WA 6007
P: PO Box 454, Leederville WA 6903