



# Review of the waste levy

Consultation Paper – February 2020

Submission to Department of Water and Environmental Regulation

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## About CME

The Chamber of Minerals and Energy of Western Australia (CME) is the peak resources sector representative body in Western Australia. CME is funded by member companies responsible for more than 85 per cent of the State's mineral and energy production and workforce employment.

In 2018-19, the Western Australia's (WA) mineral and petroleum industry reported a record value of \$145 billion.<sup>1</sup> Iron ore is currently the State's most valuable commodity at \$78 billion. Petroleum products (including crude oil, condensate, liquefied natural gas, liquefied petroleum gas and natural gas) followed at \$38 billion, with gold third at \$12 billion.

The value of royalties received from the sector totalled \$6.8 billion in 2018-19, accounting for 21 per cent of general government revenue.<sup>2,3,4</sup> In addition to contributing 40 per cent of the State's total industry Gross Value Added,<sup>5</sup> the sector is a significant contributor to growth of the local, State and Australian economies.

## Context

CME welcomes the opportunity to provide a submission on the Department of Water and Environmental Regulation (DWER) on the 'Review of the waste levy' Consultation Paper (the Consultation Paper) released 20 February 2020.

The Consultation Paper seeks stakeholder input into the review of the scope and application of the waste levy to ensure it meets the objectives of the Waste Avoidance and Resources Recovery Strategy 2030 (the Waste Strategy).

It is important to acknowledge the high level of interconnectedness of the various proposals for waste levy reform outlined in this Consultation Paper and those outlined in the 'Closing the loop: Waste reforms for a circular economy' Consultation Paper,<sup>6</sup> concurrently released by DWER on 20 February 2020. CME strongly encourages the concurrent consideration of submissions lodged for each consultation.

CME has consulted extensively with its members to inform its submission in response to the Consultation Paper.

## Summary of recommendations

The following recommendations address CME's key concerns and priorities for the review of the waste levy in WA:

- Review the operation of the Waste Avoidance and Resource Recovery (WARR) Account and the effectiveness of waste levy expenditure on stimulating investment in waste recycling and reuse markets in WA.
- Strongly support a waste levy that is hypothecated to strategic waste avoidance, recycling, reuse and energy recovery activities.
- Treasury to undertake a detailed economic analysis of the waste levy, with results published for transparency and to inform current and future waste reform.
- Do not expand the geographical area of the levy in the absence of established and viable reuse, recycling and recovery options and cost-effective waste transport.

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<sup>1</sup> Government of Western Australia, *Latest statistics release: Mineral sector highlights*, Department of Mines, Industry Regulation and Safety, September 2019: <http://dmp.wa.gov.au/About-Us-Careers/Latest-Statistics-Release-4081.aspx>

<sup>2</sup> References hereafter to government refer to the Government of Western Australia, unless otherwise indicated.

<sup>3</sup> Government of Western Australia, *Annual report 2018-19*, Department of Mines, Industry Regulation and Safety, November 2019, p. 77.

<sup>4</sup> Government of Western Australia, *2018-19 Annual report on State finances*, Department of Treasury, September 2019, p. 8.

<sup>5</sup> Duncan, A. and Kiely, D., *BCEC Briefing note: WA Economic update*, Bankwest Curtin Economics Centre, November 2019, p. 4.

<sup>6</sup> Refer <https://consult.dwer.wa.gov.au/waste-policy/consultation-dashboard-closing-the-loop/>

- Do not expand the scope of the levy.
- Undertake a detailed review of enablers (beyond the levy) for waste recycling and use, and identification of strategic actions to effectively and sustainably address barriers to waste recycling, reuse and recovery in WA.

## Responses to the Consultation Paper

Central to proposals outlined in the Consultation Paper is the concept of the waste levy as a key mechanism for diversion of waste from landfill. While acknowledging briefly that the levy is not the sole mechanism by which waste can be successfully diverted from landfill to recycling, reuse and recovery, it goes no further.

The Consultation Paper exclusively explores the effects of increasing and expanding the levy as a primary means of influencing market behaviours and achieving the objectives of the Waste Strategy 2030. The importance of developing stable waste recycling and reuse markets and investing levy monies to support the establishment of economically viable and commercially competitive recycling and reuse facilities, is seemingly out of scope.

A detailed review of barriers and enablers for waste avoidance, reuse, recycling and recovery in WA is vital to enabling informed development of effective policy and legislation. This must include the assessment of existing legislative barriers to cost-effective reuse, recycling and re-processing of mineral resource by-products.

Between 2013 and 2019 revenue from the waste levy totalled nearly \$400 million,<sup>7</sup> with only 25 per cent hypothecated to waste and recycling activities in Australia (Figure 1), the second lowest percentage in the country, below the national average of 36.9 per cent.<sup>8</sup>

Despite only 25 per cent of levy monies being credited to the WARR Account, the Account is accruing more funds than it expends, with a balance of \$39.9 million as at 30 June 2019 – a 219 per cent increase from June 2014 (Figure 2). The operation of the WARR Account should be reviewed to determine whether the percentage of hypothecated funds is appropriate, whether its expenditure to date has been effective in improving waste outcomes for WA, and to determine how to maximise benefits from future expenditure from the Account.

**CME strongly recommend a review of operation of the WARR Account and the effectiveness of waste levy expenditure in stimulating investment in waste recycling and reuse markets in WA.**

Waste levy expenditure should be trackable and transparent, with industry, government and community stakeholders able to clearly discern where levy monies are spent, and how these investments directly contribute to improved waste outcomes.

**CME support a waste levy that is hypothecated to strategic waste avoidance, recycling, reuse and energy recovery activities.**

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<sup>7</sup> Data sourced from DWER (and Department of Environmental Regulation (DER), as previously known) Annual Reports.

DER Annual Reports for 2014-15 to 2016-17 available at <https://www.der.wa.gov.au/about-us/annual-report>.

DWER 2017-18 Annual Report available at <https://www.wa.gov.au/government/publications/water-and-environmental-regulation-annual-report-2017-18>.

DWER 2018-19 Annual Report available at <https://www.wa.gov.au/government/publications/water-and-environmental-regulation-annual-report-2018-19>.

<sup>8</sup> Serpo, A. and Read, R., *White Paper – Review of Waste Levies in Australia*, National Waste and Recycling Industry Council, 2019, p. 7.

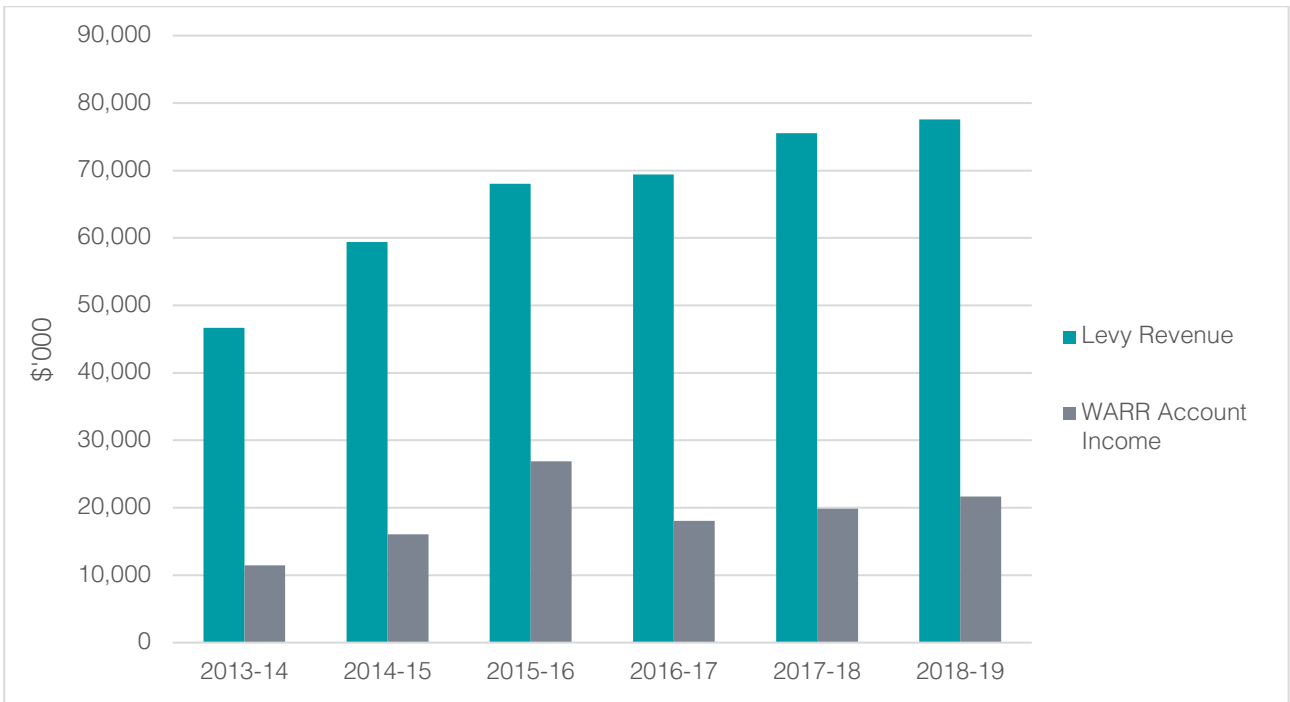


Figure 1: Waste levy revenue compared to WARR Account income.<sup>9</sup>

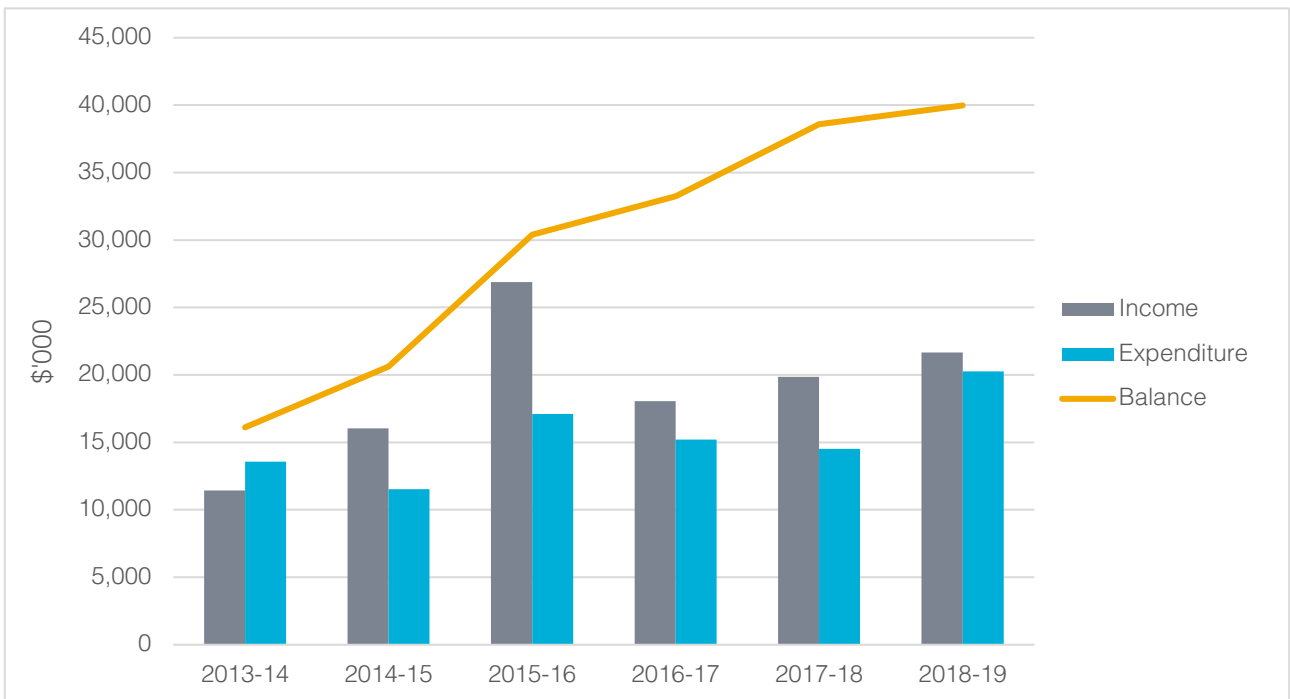


Figure 2: WARR Account balance.<sup>10</sup>

### Rate of the levy

Detailed analysis of the waste levy should be undertaken by Treasury to not only determine the effect of expenditure on waste diversion, but to further justify the business case for increasing the levy rate. Fundamentally, the economic analysis must consider:

<sup>9</sup> Data sourced from DWER (and Department of Environmental Regulation (DER), as previously known) Annual Reports.

<sup>10</sup> Ibid.

- Cost of landfill, waste compliance costs and transport costs;
- Value of materials, and differences between materials;
- Waste markets;
- Access to recycling opportunities;
- Technology;
- Impacts to industry, businesses, and community.

Sophisticated economic modelling is needed, incorporating stakeholder impact surveys and consultation, to build on this economic analysis and determine the most economically effective levy rate and schedule. Fixed levy rate schedules provide business and investor certainty, enabling improved planning through longer-term waste cost forecasting and business case support for waste recycling and reuse initiatives.

**CME recommend a detailed economic analysis of the waste levy is undertaken by Treasury, with results published for transparency and to inform current and future waste reform.**

## Geographical area of the levy

The expansion of the geographical area of the levy should only be considered where it is known to be effective in beneficial diversion. For the levy to be effective in increasing resource recovery, there must be a stable recycling and reuse market.<sup>11</sup>

In the absence of viable treatment options, reuse and / or recycling markets, appropriate facilities and cost-effective transport across the State, expanding the levy is merely a revenue-raising measure. It cannot meet the objective of providing an economic lever to divert waste from landfill to re-use, recycling and recovery options and hence it is inconsistent with the objectives of the *Environmental Protection Act 1986* and the *Waste Avoidance and Resource Recovery Act 2007*.

Even with a free council landfill, illegal dumping in Kalgoorlie is prolific. Expansion of the levy will arguably exacerbate illegal dumping activities as fees are passed on to landfill users, increasing environmental, health and safety risks, remediation costs (to industry and local government) and local compliance and enforcement costs.

**CME strongly oppose the expansion of the geographical area of the levy in the absence of established and viable reuse, recycling and recovery options and cost-effective waste transport.**

## Scope of the levy

The intent of the waste levy is to act as “an economic instrument for influencing waste management practices, including reducing waste to landfill, by increasing the price of landfill disposal.”<sup>12</sup>

Application of the waste levy to recyclable, reusable and recoverable materials would work contrary to the intent of the waste levy and undermine the circular economy. Approvals conditions on waste-to-energy facilities in WA already prohibit the use of non-residual waste for energy recovery. Consequently, the application of the waste levy to residual waste used for energy recovery would have no beneficial impact on waste diversion from landfill.

**CME strongly oppose the application of the waste levy to recyclable, reusable, and recoverable materials, including residual waste used for energy recovery.**

The waste levy system, as currently enacted is already applied to wastes where it does not act as an economic lever to divert waste from landfill. With the exception of construction and demolition (C&D) waste, recovery rates for municipal solid waste (MSW) and commercial and industrial (C&I) waste streams across

<sup>11</sup> Serpo, A. and Read, R., *White Paper – Review of Waste Levies in Australia*, National Waste and Recycling Industry Council, 2019, p. 7.

<sup>12</sup> Parliament of Western Australia, *Waste Avoidance and Resource Recovery Levy Bill 2007: Second Reading Speech*, Legislative Council, 2007, p. 7346b.

WA have either decreased or remained largely unchanged from 2014 to 2018 (Figure 3).<sup>13</sup> This is despite the extensive period over which the levy system has operated and the significant revenue already raised by the system (\$397 million between 2014 and 2019 financial years).

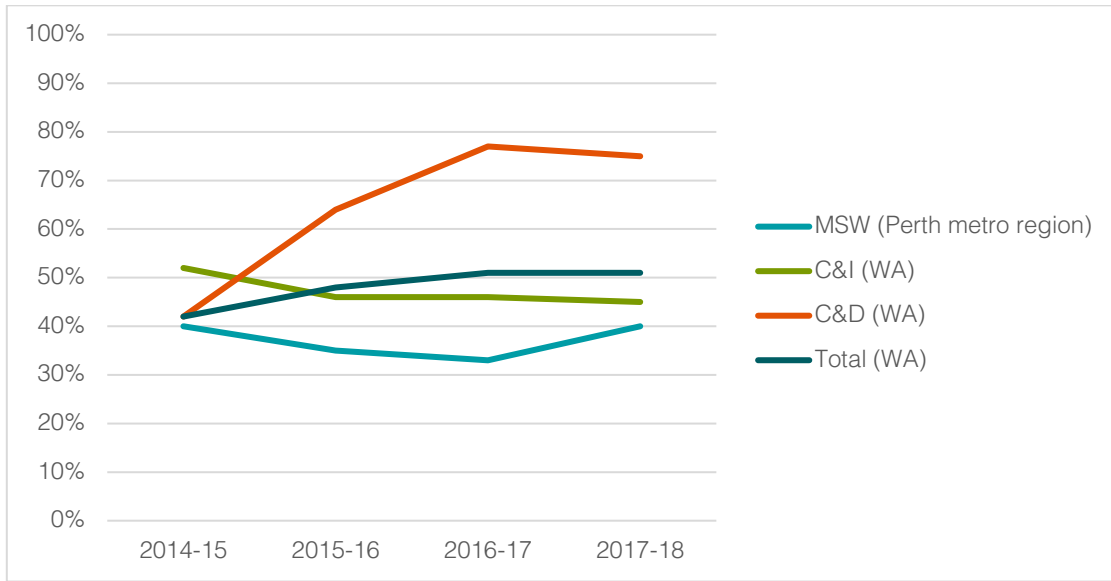


Figure 3: Recovery rates by waste stream and region.<sup>14</sup>

Repeatedly, identified barriers to increased waste recycling and reuse across various WA markets include:

- No / low market demand for recycled products;
- High capital investment and operating / processing costs; and
- High collection and transport costs.<sup>15</sup>

To be able to effectively and sustainably divert waste from landfill, further action is required to address these barriers and to identify and facilitate enablers (beyond the levy) for waste avoidance, reuse, recycling and recovery.

**CME do not support the expansion of the scope of the levy.**

**CME recommend a detailed review of enablers (beyond the levy) for waste recycling and use, and identification of strategic actions to effectively and sustainably address barriers to waste recycling, reuse and recovery in WA.**

<sup>13</sup> Perryman, G. and Green, S., *Recycling Activity in WA 2017-18*, Waste Authority, 2019, p. 3-5.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.



## Conclusion

CME thanks DWER for the opportunity to comment on the Consultation Paper and looks forward to continuing to work with DWER through this review process. As noted, CME has separately made an extensive submission to DWER's 'Closing the loop: Waste reforms for a circular economy' Consultation Paper and encourages the concurrent consideration of submissions lodged for each consultation.

If you have any further queries regarding the above matters, please contact Kira Sorensen, Senior Policy Adviser – Environment.

| Authorised by      | Position  | Date       | Signed |
|--------------------|---|------------|--------|
| Robert Carruthers  | Director – Policy & Advocacy                          | 14/07/2020 |        |
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