

1 November 2024

Business Council of Australia.
Level 6, 345 George St, Sydney NSW 2000

Emailed: circular.economy@pc.gov.au

Re: Productivity Commission Inquiry - Opportunities in the circular economy

The Business Council of Australia welcomes the opportunity to respond to the Productivity Commission's inquiry into Australia's opportunities in the circular economy to improve materials productivity and efficiency in ways that benefit the economy and the environment.

In August 2023, the BCA released *Seize the Moment* — a contribution to Australia's public policy agenda in the form of a plan to secure Australia's future by improving the productivity, resilience and competitiveness of our economy. BCA considers capturing opportunities in the circular economy an important part of the broader public policy agenda to improve Australia's productivity, resilience and competitiveness.

The role of government policy

BCA concurs with the Commission, that:

"in some instances, minimal government action may be the most effective approach, such as where there are already strong reasons for businesses and consumers to participate in the circular economy of their own accord ... in other cases, greater government action may be required to overcome the barriers ..."

Capturing potential opportunities and actually driving Australia towards being a more circular economy will depend on policy makers' ability to discern these differences across sectors and value chains and design policy measures accordingly. Poorly design policy responses risk imposing additional costs onto consumers without improving productivity and environmental outcomes.

At the policy framework level, the following principles are important to achieving beneficial circular economy outcomes.

- Consistency and coherence with other related policy frameworks currently in development — such as the Net Zero 2050 Plan and six sector decarbonisation pathways, Australian Sustainable Finance Strategy, National Reconstruction Fund and Future Made in Australia agenda.
- Strong alignment between Commonwealth and jurisdictional governments at the policy design, implementation and governance phases to maximise streamlining and minimise regulatory burden.
- Harmonisation of Australia's policy approach with that of our key trading partners to ensure international supply chain integration and Australia's competitiveness within these.

- Targets and metrics are transparently connected to the broader policy objectives of materials productivity and efficiency improvements, which necessarily takes into account economy wide costs and benefits.
- Targets and metrics are designed to guide private sector decision making without imposing heavy handed regulation in an attempt to bluntly force outcomes in the absence of well evidenced market failures.
- Where chronic market failures pose barriers to circular economy improvements — for example, those pertaining to information failures, shared infrastructure and externalities — policy measures are targeted directly to overcome such barriers.
- Government capitalises on its unique position to provide coordination and integration across different sectors and supply chain components, which private sector participants are less well placed to do.

We note the following examples of where current circular economy policy and regulatory measures can be improved upon.

- All state and territory governments have introduced or plan to introduce bans on certain single use plastics but definitions of ‘single use plastic’ are inconsistent across jurisdictions. A consistent set of definitions will support investment in recyclable and reusable products while removing the perverse outcomes from existing rules. We note that:
 - The Environment Ministers Agreed Communique (October 2022) includes a commitment to “develop nationally harmonised definitions to support the phase out of problematic single use plastic”.
 - The Department of Climate Change, Energy, the Environment and Water’s Reform of Packaging Regulation consultation paper proposes Commonwealth legislation mandating packaging requirements including nationally consistent phaseout of problematic plastic packaging.
- All state and territory governments have introduced or plan to introduce container deposit schemes and they are administered as separate schemes with no centralisation or integration. A central database and reporting system for these container deposit schemes will reduce the burden on suppliers of having to reregister previously approved containers multiple times. Any inconsistencies and inefficiencies in the administration of these schemes should also be reduced as part of this process. We note it is important that the scheme(s) operates on a level playing field, minimising the risk of ‘free riders’ so that scheme participants are not disadvantaged in the marketplace.
- Although Australia has product stewardship schemes for some e-waste streams, we’d be better served by a nationally harmonised approach for all streams of e-waste, including batteries and solar panels. This would also avoid the incentive to dispose of waste in the jurisdiction(s) with the lowest standards.

Opportunities and priorities

BCA members offer the following examples of emerging circular economy opportunities across the economy and proposed actions required to help realise these opportunities.

Domestic capacity for battery and solar materials recycling

- Australian Government’s Future Made in Australia policy agenda which aims to build out the domestic supply chain capability for solar panel and battery production.
- Waste from solar panel and battery deployment in Australia will grow as we pursue the 82 per cent 2030 renewable electricity penetration target.

- Safety concerns associated with transportation of these materials means that exporting is often a less viable option than domestic recycling.
- The scrap materials produced in the battery manufacturing process will increase production feedstock and overall viability of the domestic battery value chain.

Construction and demolition waste management

- Establish frameworks for a circular approach to construction and demolition that considers design and material usage to i) reduce and, where possible, eliminate waste, ii) reuse materials, and iii) regenerate nature.
- Promote building material reuse as the preferred diversion strategy as it avoids new material manufacturing, reduces embodied carbon, and prevents materials from being incinerated or disposed in landfills post demolition.
- Create both upstream and downstream infrastructure and best practices that can support the circularity of construction materials.
- Encourage sustainable material design and innovation which positively affect reduction, reuse, and recycling opportunities for construction materials.

Biomethane production

- Biomethane has the potential benefit of leveraging waste products to deliver a sustainable low emissions gas as a substitute for unabated natural gas in the network, which is a critical enabler for some Safeguard Mechanism entities (and more broadly in other sectors such as agriculture).
- Amend the National Greenhouse Gas and Energy Reporting framework to include a market based method for recognition of biomethane through shared infrastructure to unlock demand from large industrials by enabling them to claim the emissions reduction benefits, in line with their Safeguard Mechanism obligations in some cases.
- Establish a national organic digestate market so that this waste product can be valued for its low emissions benefits and provide an additional revenue stream for biomethane projects.
- Harmonise jurisdictional and federal laws and policies concerning digestate material (left after anaerobic digestion) to encourage cross border trade and investment.
- Establish a government backed form of certification for biogenic CO₂ — differentiating it from fossil-derived forms of CO₂ feedstock — to unlock a green premium, support the economics of sustainable biomethane projects, and create spill over emissions reduction benefits across other sectors.

The BCA looks forward to participating in the Commission's inquiry and draft report process.

Yours sincerely

Wendy Black

Head of Policy
Business Council of Australia