Opportunities in the Circular Economy Inquiry
Productivity Commission
Via Email - circular.economy@pc.gov.au

Re: Productivity Commission Inquiry - Opportunities in the Circular Economy.

Thank you for the opportunity to provide feedback for your consideration following our review of the *Opportunities in the Circular Economy Call for Submissions* paper.

Founded in Australia in 1917, Sims Limited is a global leader in metal recycling and the provision of circular solutions for technology, including large scale data centre repurposing. Employing over 4,000 employees globally, the company operates more than 150 facilities across Australia, New Zealand, North America and Asia. Sims plays a vital role in helping increase circularity and decarbonisation by supplying recycled materials and re-purposed products. Our purpose, *create a world without waste to preserve our planet*, is what drives our constant innovation and leadership in the circular economy. Our commitment to sustainability is evident in our responsible practices as well as our recent #1 ranking on the Corporate Knights 2024 Global 100 list of the world's most sustainable companies amongst many other accolades.

In Australia, Sims Metal ('Sims') is the only metal recycling provider with a national footprint, with a total of 39 metal recycling facilities and operations in all states and territories. We play an important role in the Australian economy and decarbonisation journey by supplying high quality recycled metals for direct charging into Australian steel mills, replacing the use of virgin ores. While the importance and focus on carbon reduction and abatement is a relatively recent concept, it has been at the core of our business for over 100 years.

Despite Australia's positive progress in promoting a circular economy and achieving lower carbon steel production by utilising recycled ferrous scrap metal with existing steel mills and proposed new green steel mill entrants, Australian steel makers and metal recyclers face a number of significant regulatory induced productivity challenges that place at risk further progress and indeed the long term viability of these critical industries. We will discuss two of these challenges in this submission:

1. **The growth in the export of unprocessed ferrous scrap metal bearing significant volumes of waste to low cost/low compliance overseas jurisdictions**. The single most effective policy setting that could increase circularity via domestic ferrous scrap metal processing and its subsequent use in Australian steel mills, is a ban on the export of unprocessed ferrous scrap metal. Such an export ban is entirely consistent with the approach Australia has taken with the export of other recyclable materials such as rubber, glass, mixed plastics, paper and cardboard.

2. **The adverse impacts of State and Territory based waste levies on Australia's metal recycling and steelmaking industries and the impacts that this is having on our circular economy aspirations**. There is a need for a whole of government review (state and federal) to develop an understanding of the effects of a waste levy on trade exposed industries and how waste levies are applied to recycling residues and the adverse impact that current settings have on achieving government circular economy and green metals objectives.

   A fundamental Federal review of state and territory waste levy schemes is critical, including their legal basis, their applicability to waste residuals created by recycling, and their effects on driving desired circular outcomes. The review should be tasked with developing a consistent national levy pricing strategy to prevent levy avoidance (such as exports of unprocessed recyclate) and ensure local and international competitiveness of the resource recovery sector.

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1. Circular Economy Success Stories and Measures of Success

According to Australia's National Waste Report (2022), it is estimated that Australia generates ~ 5.7 million tonnes of unprocessed ferrous and non-ferrous scrap metal per annum and recovers 87% of that material for recycling. While this gross ~ 5.7 million tonnes does not strictly accord with Sims' own estimations, it is within an applicable range in our view.

We expect that metal recycling rates in Australia are at close to world's best practice and are only constrained by the geography and distances in Australia that reduce the economics of retrieving unprocessed ferrous scrap metal from disparate locations and the impacts of artificial price signals such as State based waste levies as they apply to the disposal of residual material left over after unprocessed ferrous scrap metal processing.

The domestic metal recycling industry in Australia has been well invested in and has the required capacity to process 100% of the domestic unprocessed ferrous scrap metal being generated in Australia. In addition to this existing capacity, several new metal recyclers have or are in the process of investing in new ferrous metal shredders to add to Australia's recycling infrastructure capacity and importantly, will ensure the continuation of very high levels of competition within the domestic metal recycling market upstream supply chain.

Australia can potentially produce ~3.7 million tonnes of net processed smelter/mill ready ferrous scrap product per annum or, 100% of all ferrous scrap metal generated and presented for recycling within Australia. There is sufficient capacity within the Australian metal recycling sector to process all of this material with existing recycling infrastructure. There are also a number of new metal shredders either currently being commissioned or in the planning pipeline that will add to Australia's capacity, and importantly, will ensure the continuation of very high levels of competition within the domestic metal recycling market upstream supply chain.

A robust domestic metal recycling industry is absolutely critical for Australia's sovereign steel making industry and green steel future, both for blast furnace and electric arc furnace manufacturing processes.

It is estimated that current Australian steel making mill demand speaks to the use of some 2.5 million tonnes of processed ferrous scrap metal per annum currently (including internally recycled metal from steel mills). This material input used in domestic steel mills is estimated to be some 33% of total current new steel output. Public representations by existing and potential new steel-making parties indicate a significant uplift in the requirement for processed ferrous scrap metal feedstock input to equal perhaps 45-50% of all new steel output or some 3+ million tonnes of processed ferrous scrap metal, **making processed ferrous scrap metal a critical raw material input for the Australian steel industry and one of the most significant examples of a circular economy in action.**

Two of Australia's four major steel mills are electric arc furnaces that are almost totally reliant on high quality, furnace ready processed ferrous scrap metal to operate. According to publicly available information, there are a number of proponents currently considering the construction of new green steel manufacturing facilities in Australia, all of which are EAFs. With the use of green energy, EAF steelmaking is by far the most cost efficient and timely opportunity to produce green steel in Australia, and as such, the use of processed ferrous scrap metal materials will continue to have a critical impact on reducing emissions from Australia's steel making sector in the short to medium term.

According to its efforts to decarbonise and to increase recycled content in its products, BlueScope has published ([i]https://steel.com.au/resources/articles/recycled-content) that it has increased its use of processed ferrous scrap metal feedstock charging ratio from 21.5% to 25% between FY19 and FY22 in its Port Kembla steel mill. This, according to BlueScope, is world leading performance and BlueScope have stated that they hope to further increase this ratio. These efforts will have had a marked impact on reducing CO2e emissions from that facility by

reducing energy costs, reducing emissions from the transport task and reliance on virgin inputs such as coal, limestone, and iron ore.

According to the World Steel Association, based on the estimated 2.5 million tonnes of scrap metal used in steelmaking in Australia today, metal recycling contributes over 3.75 million tonnes per annum of CO2e emission avoidance as compared to steel making using virgin materials. Australia has an opportunity to significantly further increase our sovereign steelmaking industry's emission reduction performance with appropriate regulatory assistance, this will be discussed further in this submission.

Sims Limited – Circularity Action Case Study

Sims Limited is an Australian success story. Founded over 100 years ago in Sydney as a scrap metal business, today Sims Limited a global leader in metal recycling and circular solutions for technology.

Sims Metal provides high-quality recycled metals in place of virgin materials, which enables the avoidance of emissions, including those associated with extraction and refining of virgin materials, and the production of steel products. When Sims Metal processes discarded metal, it is transformed from waste to a resource that can go directly to a smelter without further processing, ready to be made into new steel. Low-carbon steel is essential for the renewable infrastructure of the future: solar panels, wind turbines, dams and electric vehicles all require steel, along with non-ferrous materials like copper and aluminium that Sims Metal also recovers.

In FY24, Sims Metal recycled over 7.2 million tonnes of ferrous metal, which globally, has the potential to avoid 11.2 million tonnes of CO_2-e emissions compared to producing the same amount of steel from raw materials. This equates to more than 100 times the carbon footprint of Sims Metal's direct operations annually. For scale, 11.2 million tonnes of CO_2-e is comparable to the annual emissions of some of Australia's largest coal-fired power plants.

Sims Lifecycle Services (SLS) plays a critical role in helping enterprises and data centres manage the end-of-life stage of the technology lifecycle, including refurbishing, reselling, parts harvesting, as well as recycling. In an industry first, in 2022, SLS launched a calculator to quantify carbon avoidance from recycling, as well as from the reuse of whole IT assets and components. Detailed dashboards show volumes of equipment processed, disposition routes and the carbon-equivalent emissions avoided, powered by equipment manufacturing data and our own lab-based asset data. For FY24, the total avoided emissions impact was 740,000 tonnes of CO2 e – that's equivalent to taking more than 161,000 cars off the road for one year.

Sims Limited has also committed to reducing emissions from its own operations, including committing to using 100% renewable electricity in all operations by 2025. Since FY20, Sims Limited has reduced its own emissions by 31%.

2. Hurdles and Barriers to a Circular Economy

Export of Unprocessed Ferrous Scrap Metal

Steel making has historically been and continues to be a major employer of Australian workers. According to the John Curtin Research Institute's 'Clean and Mean' Report, around 72,000 people are directly employed in making primary metal products in Australia, and for every person employed directly by the steel industry, it is estimated that there are as many as six full-time Australian jobs in related and downstream industries. The Australian steel industry generates over $29 billion in annual revenue. This report is provided as **Annexure One – *Clean & Mean- New Directions for Australia's Steel Industry.***

A sovereign steel industry is a critical component of the Australian economy, whose ongoing existence will be critical to onshoring future manufacturing capacity here in Australia, in line with the Government's policy focus on a *Future Made in Australia*. That noted, the steelmaking industry is a major carbon emitter with estimates for global steel production ranging between 7-8% of the world's GHG emissions. Therefore, the future of Australian steelmaking must concern itself with decarbonisation to ensure a sustainable footprint and competitiveness going forward.

For the Australian steel industry, decarbonising steel is a race:

- To reduce the environmental impacts of the industry that contribute to effects of climate change;
- To remain globally competitive as governments drive to achieve net zero while supporting local industries through measures such as carbon border adjustment mechanisms;
- To maintain its social and regulatory licenses to operate; and
- Against global steel market competitors – market forces, infrastructure investment policies and buyer practices which will prefer or demand green steel over alternatives.

The efforts to decarbonise steelmaking relies on four basic principles:

1. The use of green energy.
2. Increasing the amount of steel produced in electric arc furnaces (EAFs). EAFs are almost totally reliant on processed ferrous scrap metal as feedstock.
3. Improvements in technology that allow for the reduction of iron ore to be done with cleaner fuel sources such as hydrogen.
4. The use of more processed ferrous scrap metal in existing blast furnace operations to replace reliance on mined iron-ore.

The use of processed ferrous scrap metal to decarbonise steelmaking has quickly become a central theme for new investments in global steelmaking. This either directly in the process of new electric arc furnace production or as a staged replacement for extracted materials in blast furnace (integrated steel mill) operations. As a result, the demand for processed scrap metal is exponentially increasing across the globe.

While competition for scrap metal will globally increase, the immediate impacts on Australia will be felt with the growing domestic steel-making capacities of South-east Asian and broader Asian economies like India, Bangladesh, Vietnam, Malaysia and Indonesia. Many of these economies have substantially lower labour, waste disposal and utilities costs when compared to Australia, making the processing of unprocessed scrap metal overseas fundamentally more competitive than Australia. As a result, they enjoy financial advantages that can be passed through market prices to encourage more unprocessed scrap metal to be sent offshore from Australia for lower cost overseas processing to the detriment of the Australian metal recycling and steel making industries.

One of the critical barriers to the provision of more processed ferrous scrap metal from domestic sources in Australia for current and future steel making is the growing proportion of ferrous scrap metal collected in Australia being exported overseas in an unprocessed form.

Why?:

1. Much of the unprocessed ferrous scrap metal that is collected is bound with non-metallic materials (i.e. a car or a fridge will have a significant amount of plastic, foam, rubber and glass attached) which must be separated from the ferrous scrap metal to allow for it to be recycled. This comes at considerable environmental compliance cost when considering the regulatory and general operating costs of operating in Australia when compared to other jurisdictions.
2. Exporters of unprocessed ferrous scrap metal for processing in countries with lower environmental standards as compared to Australia avoid separating waste materials from the metal here in Australia and as result avoid disposing of the residual materials in Australian landfills. This means they avoid paying State imposed landfill waste levies on disposal that currently represent a domestic processors highest cost of production – this creates significant horizontal inequity and a competitive advantage. Exporting of this material is in effect, a State based waste levy avoidance practice. The steep trajectory of waste levy increases across Australia has been the most significant driver of the practice of exporting unprocessed ferrous scrap metal.

Based on ABS statistics, it is estimated that as many as 1,070,575 tonnes of unprocessed ferrous scrap metal are being exported to overseas countries annually and the anecdotal evidence is that this number is increasing rapidly. Importantly, the export of this unprocessed material is most obvious from the eastern seaboard of Australia where the population is predominately centered and where the operating steel mills that use processed ferrous scrap metal are located. As a result, the Australian steel industry is now having to either import processed ferrous scrap metal from overseas or re-position processed ferrous scrap metal from domestic locations further afield (such as Western Australia) at great cost so as to replace the volume lost through the export of unprocessed ferrous scrap metal.

Sims itself, has on occasion imported processed scrap metal from its operations in New Zealand and the United States for use in Australian steel mills to replace unprocessed ferrous scrap metal that has leaked from Australia, however, the logistics costs and carbon impacts of this exercise were material, and if the requirement to expand these imports was forced by a lack of control over unprocessed ferrous scrap exports, the financial impact on Australian steel mills may become highly damaging.

Accordingly, the single most effective policy setting that could increase domestic ferrous scrap metal processing and its subsequent use in Australian steel mills (circularity), is a ban on the export of unprocessed ferrous scrap metal. With processed ferrous scrap metal making up ~33% of current Australian steel mill raw material inputs, potentially increasing to ~45-50%, it is imperative that the Government supports these critical industries to ensure that they remain competitive and able to continue to reliably supply Australia's sovereign steel making industry.

A ban on the export of unprocessed ferrous scrap metal would be entirely consistent with the Commonwealth's Recycling and Waste Reduction Act (RAWR) and the Federal Government's plan to reduce waste, boost recycling and improve the health of the environment through underwriting innovative manufacturing and creating sustainable jobs. Retaining ferrous scrap metal for processing within Australia also directly addresses tangible sovereign risk to Australia at a time when local manufacturing capability has been highlighted as essential to maintaining Australia's sovereignty and security.

In 2022 in collaboration with the Australian Steel Institute, the National Waste & Recycling Industry Council (NWRIC) commissioned Australian Economic Advocacy Solutions (AEAS) to review the value proposition for the government to regulate unprocessed ferrous scrap metal exports as an enabler for the Australian steel industry to access additional locally sourced materials. A copy of this report is attached as **Annexure Two – *Economic & Environment Benefits from an Australian Unprocessed Ferrous Scrap Metal Export Ban – AEAS & NWRIC 2023.***

Based on AEAS modelling, with an export ban, unprocessed ferrous scrap will no longer be shipped considerable distances to overseas jurisdictions and conversely, Australian steel mills will not be required to import processed scrap metal to replace exported feedstock. Modelling indicates the level of potential transport CO2e emissions saving from an export ban on unprocessed ferrous scrap metal would be approximately **80,000 tonnes** of CO2e emissions.

An export ban regulation would also deliver a potential saving of an additional **~1.2 million tonnes** in CO2e emissions for Australian steel mills as compared to the use of virgin raw materials according to the same AEAS modelling.

In terms of contribution to the Australian circular economy, AEAS estimates that the exporting of unprocessed ferrous scrap metal results in inferior economic outcomes for the Australian economy and jobs. As a consequence of the smaller value add and employment contribution, unprocessed scrap exports leads to a foregone $374.3 million of value add to the Australian economy and 2,877 fewer Australian jobs.

It is very important to note that the steel making and recycling industry's support for this export ban is only with regards to unprocessed ferrous scrap metal with a high waste loading, not a ban on the export of processed ferrous scrap metal materials. This is an environmental, GHG reduction and sovereign risk to industry issue first and foremost, and is not a call to ban the legal trade of waste free processed products.

In further support of this ban on the export of unprocessed ferrous scrap metal, the AEAS report annexed to this submission estimates that this unprocessed exported ferrous scrap metal includes approximately 267,600 to 321,200 tonnes of attached waste materials such as glass, mixed plastics, textiles and tyres. The waste loading within this exported material can be as high as 50% (domestic whitegoods etc.).

It is very important to note that all of the above-mentioned wastes are currently banned for export singularly under the Commonwealth's Recycling & Waste Reduction Act (RAWR).

The RAWR Act provides the legislative framework to implement the agreement of all Australian governments to ban the export of prescribed wastes (including glass, plastic, tyres etc.). The intent of export bans within the RAWR is to:

- Stop the export of unsorted and unprocessed waste that is likely to have a negative impact on human or environmental health in the receiving country.
- Improve the long-term sustainability of Australia's recycling industry by building capacity to generate and use high value recycled commodities.
- Maximise the ability of the Australian waste management and recycling sector to collect, recover, recycle, reuse and convert waste plastic into new products.

The loophole that allows unprocessed waste otherwise attracting current bans to be exported if attached to ferrous scrap metal conflicts with the published intent of the RAWR Act and Australia's environmental duty of care more broadly.

How this could be achieved? The Commonwealth's Recycling and Waste Reduction Act (RAWR) allows the Environment Minister to make rules to prescribe kinds of waste material for the purposes of the bill. Allowing the Minister to use the rules to set the kinds of waste material that will be regulated gives the Minister flexibility to regulate different kinds of waste material as appropriate from time to time. Accordingly, the Environment Minister has the power, without legislative change, to include unprocessed ferrous scrap metal in Australian Waste Export Bans.

An export ban is also entirely consistent with the approach Australia has taken with the export of other recyclable materials such as paper and cardboard. Export of cardboard for example will be limited to that material with less than 5% contamination initially and then allowing only 3% contamination. As noted above, unprocessed ferrous scrap metal being exported often has a waste loading in excess of 30-50%.

Implementing the export ban will not impose any cost burden on the Government or Australia's metal recycling and steel making industries. Additionally, the domestic metal shredding and processing industry of Australia has been well invested in and has all the required capacity to process 100% of the domestic ferrous scrap metal being generated in Australia and conversely, Australia has the capacity to dispose of all of the residual wastes generated in the metal recycling process appropriately in facilities in line with its general environmental duty of care.

In summary, the implementation of an unprocessed ferrous scrap metal export ban will:

- Close the loophole that sees wastes that are currently banned for export singularly under the Commonwealth's Recycling & Waste Reduction Act (2020) being exported in significant quantities while attached to ferrous scrap metal.
- Align with Australia's well stated goals to foster a true circular economy.
- Reduce Australia's GHG emissions.
- Preserve and create new Australian jobs.
- Help shore up the future and competitiveness of the Australian recycling and sovereign steel industries.
- Enhance Australia's overall environmental duty of care by the cessation of exporting waste material for processing to countries with significantly lesser environmental standards as compared to Australia and standards that would likely fall short of the expectation of the Australian community.
- Respects the proposition that trading processed ferrous scrap metal free of significant amounts of waste should be allowed under all circumstances in accordance with international free-trade arrangements.

Adverse Impacts of State & Territory Based Waste Levies

As noted earlier in this submission, domestic ferrous scrap metal recyclers and steelmakers have nominated the export of unprocessed ferrous scrap metal as the largest singular threat to the supply of furnace ready scrap metal to existing and proposed new steel-making operations in Australia.

The export of unprocessed ferrous scrap has been driven by a widening arbitrage opportunity created by the higher regulatory and compliance cost environment of Australia. Of all the cost imposts borne in Australia, the singular most impactful cost difference for Australian metal recyclers has been the implementation and rapid increase in the cost of State based waste levies.

Waste levies are applied by all Australian State and Territory Governments. NSW was the first jurisdiction to implement a waste levy, commencing in the early 1970s. Levies are now applied in all States and territories, revenues from waste levies across Australia are projected to exceed **$2 billion dollars** in 2025.

Although data readily available across the jurisdictions on waste levies is generally quite opaque, published data suggests that only ~25% of revenues nationally are being hypothecated back into waste and recycling initiatives

and programs (the original intent of waste levies), with the vast majority of levy receipts rolled in to general revenue.

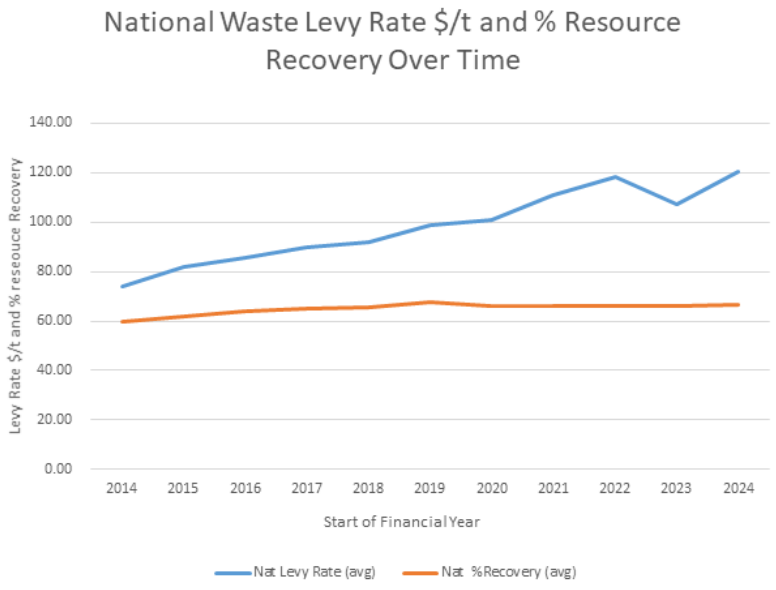
	NSW	Queensland	Victoria	SA	WA	Tasmania
FY25 Revenue Estimation ($Million)	$854	$427	$482	$105	$102	$13
Waste & Recycling Actions (known)	12%	52%	19%	50%	25%	50%
Consolidated or Other Revenue	88%	48%	81%	50%	75%	50%

Source – ASBG – Review of Australian Waste Levies 2024

We provide more detailed data with regards to waste levies for your consideration as **Annexure Three – *Review of Australian Waste Levies – ASBG 2024.***

There is a real need and opportunity to more effectively utilise waste levies as a flexible policy instrument to reduce waste and enhance recycling and circularity, rather than being increasingly used as a source of general revenue. For example, the attached ASBG Review of Australian Waste Levies 2024 estimates that in NSW, (which applies one of the highest rate of landfill taxes in the world), only ~12% of levies collected in the state are hypothecated back into areas into which levy revenues were originally intended. Of these hypothecated funds, it is estimated that only 0.4% is returned to industry initiatives, funding or programs with the remainder directed to Government recipients. This is a trend that we are seeing replicated across the country.

Despite the very high cost of waste levies in Australia, resource recovery has in the main stalled for several years (see graph below) and created increasingly significant commercial disadvantage to trade exposed recyclers and manufacturers in Australia, as well as lower social and environmental outcomes resulting from the export of wastes to low cost, low compliance overseas processing locations.



Source – ASBG – Review of Australian Waste Levies 2024

A recently commissioned economic report on the effects of the waste levy in NSW commissioned for the NSW EPA found that the waste levy now makes up ~25% of a typical NSW shredder's operations cost structure, and is therefore distorting market settings, particularly when there is an option for some to avoid payment by exporting high waste content, unprocessed materials overseas to lower cost processing locations. The export of unprocessed ferrous scrap metal is only a relatively recent phenomenon and has grown exponentially, the practice is in effect a State based waste levy avoidance practice. In our view, there is a direct correlation between the increase in the export of unprocessed ferrous scrap metal volumes and increasing waste levies.

While Sims broadly supports the principle of waste levies and the benefits that this pricing signal brings to sustainable business practice, it both experiences and recognises the unintended adverse effect of this instrument as it pertains to global trade exposed industries and to those recyclers that generate non-recyclable residuals.

In terms of higher domestic costs and their impacts on metal recyclers in Australia, it is critical to understand that Australian metal recyclers compete on a global stage and a have their price and commercial terms (even when selling to local steel mills) dictated by global trade factors rather than domestic competition. This means that there is no selling price advantage selling to a domestic mill compared to a foreign steel mill as sales made domestically are made on an 'export parity basis'.

The simple consequence of trading at export price parity means that artificial cost increases (such as State based waste levies) unrelated to global demand and supply determinants occurring in the domestic market, affect the ability for that party to operate commercially. State based levies create horizontal inequity by increasing operational costs for local recyclers that exporting competitors do not incur and creates the commercial freeboard that drives the export of unprocessed materials.

There is an obvious and clear distinction between those export trade exposed recyclers like metal recyclers and those recyclers and waste facilities that operate purely in domestic markets (such as organics recyclers, landfills, and C&D recyclers). These industries are able to pass the levy on to suppliers at the gate alongside their competitors and by doing so maintain a level playing field with their peers, in a wholly domestic market there is no other choice. This is the diametric opposite to what occurs for metal recycling.

Therefore, those with scrap metal to supply to a scrap metal recycler have a choice between selling locally and receiving a lesser payment from Australian based recyclers or selling to a party that exports unprocessed scrap metal to lower cost operating environments, and pays a higher price domestically. The result of this choice has been an exponential increase in exports of unprocessed ferrous scrap metal.

The other significant issue with waste levy settings for recyclers is a purely economic one. High waste levies will soon (or in fact already do) render materials that are very much recyclable, un-commercial to recycle. As previously noted, the waste levy in NSW for example, is a metal shredders highest direct processing cost unit, a cost that a domestic recyclers competitors do not bear.

An oft used example is whitegoods with a 40-50% non-metal composition, and by consequence, a recoverable metal content of between ~50-60%. High waste levies and disposal costs will (or already may) render recycling these materials uncommercial as the artificially inflated cost of disposal outstrips the value of the recovered metal commodity within. The unintended consequence of this may drive these materials that are very much recyclable into landfill which is the opposite outcome intended from waste levy policy settings, which are intended to enhance resource recovery and circularity.

The metal recycling industry will at some point reach a crossroad – the decision as to whether or not to further invest and recycle materials with diminishing metallic content (e.g. cars and post-consumer goods) will be based

on commercial sustainability rather than recyclability. This again creates a conflict with sustainability and recycling objectives and those of a true circular economy.

With higher waste levies being the commercial enabler of unprocessed material exports, the east coast of Australia - and most particularly NSW and Victoria, has in recent times struggled to meet the appetite of our own domestic steelmaking industry, with steelmakers now forced to import processed scrap metal as feedstock in bulk marine cargoes in replacement of locally supplied volume. In FY2021 this volume exceeded 450,000 tonnes and this growth is set to continue.

The import of processed scrap metal to replace the export of unprocessed scrap is having a significant effect on the Australian steel industry, increasing their operating costs and resulting in a poor outcome for the environment, as well as lower outcomes in terms of local employment and investment.

Appropriate waste levy settings for the metal recycling and downstream Australian steelmaking industries are critical in determining the industry's medium and long term strategic and investment decisions and in turn, achieving the Government's stated circular economy aspirations and outcomes.

In the case of metal recyclers, a new full end-to-end metal shredding and recovery facility may cost upwards of $150-200 million dollars, so, long term cost projections for waste levy rates is critical given that the waste levy is a shredder operator's highest single operational cost.

A fundamental Federal review of state and territory waste levy schemes is critical, including their legal basis, their applicability to waste residuals created by recycling, and their effects on driving desired circular outcomes. The review should be tasked with developing a consistent national levy pricing strategy to prevent levy avoidance (such as exports of unprocessed recyclate) and ensure local and international competitiveness of the resource recovery sector.

A review of opportunities to enhance and foster a circular economy must consider the effects of waste levies on the circular economy and specifically, the consideration of exempting from waste levies recycling residues:

- Generated by bona fide and best practice recyclers who produce material for commercial reuse;
- For recyclers who operate at benchmarked efficiency and recovery standards. A measure of success in metal recycling for example might be a recycling efficiency measurement, such as, maximum metal content left in the recycling residues produced (i.e. the maximisation of metal recovery from the waste stream);
- For those recyclers at a genuine competitive disadvantage (such as those that trade on an export parity basis and not in a wholly domestic market);
- Where landfill disposal of resultant residuals is the only disposal option.

We note that current levies should not necessarily be reduced, the levy should continue to provide the commercial freeboard required to achieve higher order waste hierarchy recycling and recovery outcomes as compared to the relatively low cost of landfill for materials that might otherwise be recycled, but this thinking must separate the outcomes of disposing of residuals created by the act of recycling already undertaken, like scrap metal processing. Key takeaways from our submission:

- It is estimated that Australian steel mills consume 2.5 million tonnes per annum of processed ferrous scrap metal in Australia. This is estimated to make up some 33% of the total current new steel output of Australia. Public representations by existing and potential new steel-making parties indicate this number may lift to as high as 45-50% of all new steel production in Australia over the next 5-10 years. Clearly the availability of processed ferrous scrap metal is critical to our sovereign steel industry.

- Based on current volumes of processed ferrous scrap metal used in steelmaking in Australia today, the use of scrap metal in steelmaking presently contributes over 3.75 million tonnes of CO2e emission avoidance per annum as compared to the use of virgin ores and fossil fuels in steelmaking.

- The Australian scrap metal recycling industry is a mature and well invested in industry. There is sufficient processing capacity to process all of the scrap metal that is generated in Australia. Presently this is estimated to mean that the domestic metal recycling industry has the capacity to process all of the ~3.7 million tonnes of net ferrous scrap metal generated in Australia per annum.

- Supply of high quality processed ferrous scrap metal is a fundamental pillar that will support a sovereign green steel making industry in Australia and in turn, will support a critical element of the Australian economy. The use of domestically processed ferrous scrap metal in the Australian steelmaking industry is critical to it remaining globally competitive, maintaining its social licence to operate and achieving its carbon abatement goals.

- Until very recently, Australian steel makers have been reliant on domestic sources of processed scrap metal. This reliance is now threatened as exports of unprocessed ferrous scrap metal have reduced the availability of locally processed feedstock. The incidence of exporting unprocessed ferrous scrap metal has escalated such that on the east coast of Australia, steel mills have been forced to import processed ferrous scrap metal from other countries.

- It is estimated that as many as 1,070,575 tonnes of unprocessed ferrous scrap metal are being exported to overseas countries annually and the anecdotal evidence is that this number is increasing rapidly.

- This exported unprocessed ferrous scrap metal includes approximately 267,600 to 321,200 tonnes of attached waste materials such as glass, mixed plastics, textiles and tyres. The waste loading within this exported material can be as high as 50% (domestic whitegoods etc.). Often, this waste material is processed and disposed of in countries with significantly lesser environmental standards as compared to Australia and standards that would likely fall short of the expectation of the Australian community.

- It is critical to note that all of the abovementioned wastes are currently banned for export singularly under the Commonwealth's Recycling & Waste Reduction Act (RAWR). The loophole that allows unprocessed waste otherwise attracting current bans to be exported if attached to ferrous scrap metal is in direct conflict with the published intent of the RAWR Act and Australia's environmental duty of care more broadly.

- The export of unprocessed ferrous scrap has been driven by a widening arbitrage opportunity created by the higher regulatory and compliance cost environment of Australia. Of all the cost imposts borne in Australia, the singular most impactful cost difference for Australian metal recyclers has been the implementation and rapid acceleration of State based waste levies.

- Accordingly, the single most effective policy setting that could increase domestic ferrous scrap metal processing and its subsequent use in Australian steel mills, is a ban on the export of unprocessed ferrous scrap metal.

- An export ban regulation could deliver a potential saving of an additional ~1.2 million tonnes in CO2e emissions for Australian steel mills. Additionally, a ban on the export of unprocessed ferrous scrap metal would be entirely consistent with the Commonwealth's Recycling and Waste Reduction Act (RAWR) and

the Federal Government's plan to reduce waste, boost recycling and improve the health of the environment through underwriting innovative manufacturing and creating sustainable jobs.

- It is very important to note that the steel making and recycling industry's support for this export ban is specific to unprocessed ferrous scrap metal with a high waste loading, and not a ban on the export of processed ferrous scrap metal materials. This is an environmental, GHG reduction and sovereign risk to industry issue first and foremost and is not a call to ban the legal trade of waste free processed products.

- The great benefit of the metal recycling and steelmaking industries position to ban the export of unprocessed ferrous scrap metal is that it does not require any government funding or further support beyond the appropriate oversight of the ban.

- Waste levies are applied by all Australian State and Territory Governments. NSW was the first jurisdiction to implement a waste levy, commencing in the early 1970s. Levies are now applied in all States and territories, revenues from waste levies across Australia are projected to exceed **$2 billion dollars** in 2025.

- Published data suggests that only ~25% of revenues nationally are being hypothecated back into waste and recycling initiatives and programs (the original intent of waste levies), with the vast majority of levy receipts going towards general revenue.

- While Sims broadly supports the principle of waste levies and the benefits that this pricing signal brings to sustainable business practice, it both experiences and recognises the unintended adverse effect of this instrument as it pertains to global trade exposed industries and to those recyclers that generate non-recyclable residuals.

- Australian based metal recyclers and steelmakers compete on a global stage and have their price and commercial terms dictated by global trade rather than domestic competition. The simple consequence of trading at export price parity means that artificial cost increases unrelated to global demand and supply determinants occurring in the domestic market, affect the ability for that party to operate commercially.

- The most impactful cost burden borne by the domestic scrap metal industry are State based waste levies. This cost incurred as a result of disposing of recycling residues (non-metal waste material left over after processing) is now a recyclers single largest operating cost.

- Suppliers of unprocessed scrap metal to recyclers who process the material have a choice between selling locally and receiving a lesser payment from Australian based recyclers or selling to a party that exports unprocessed scrap metal to lower cost operating environments. This choice becomes a simple commercial one because, more often than not, the unprocessed ferrous scrap exporter can offer higher pricing due to their lower overseas processing cost base.

- Waste levies in our view should not be viewed as a 'tax' or source of general revenue and should stay true to their fundament as a flexible policy instrument to reduce waste and enhance recycling and circularity.

- The other significant issue with waste levy settings for recyclers is a purely economic one. High waste levies will soon (or in fact already do) render materials that are very much recyclable, un-commercial to recycle.

- Appropriate waste levy settings for the metal recycling and downstream Australian steelmaking industries are critical in determining the industry's medium and long term strategic and investment decisions and in turn, achieving the Government's stated circular economy aspirations and outcomes.

- There is a need for a whole of government review (state and federal) to develop an understanding of the effects of a waste levy on trade exposed industries and how waste levies are applied to recycling residues – and the adverse impact that current settings have on achieving government circular economy and green metals objectives.

- Aa fundamental Federal review of state and territory waste levy schemes is critical, including their legal basis, their applicability to waste residuals created by recycling, and their effects on driving desired circular outcomes. The review should be tasked with developing a consistent national levy pricing strategy to prevent levy avoidance (such as exports of unprocessed recyclate) and ensure local and international competitiveness of the resource recovery sector.

- There should be no waste levy applied to recycling residuals from a bona-fide recycling process that generates a recycling product fit for commercial re-use and that operate at benchmarked efficiency standards. As a minimum, a measure of success in metal recycling might be a recycling efficiency measurement, such as, maximum metal content left in the recycling residues produced (i.e. the maximisation of metal recovery from the waste stream).

We thank you for the opportunity to make a submission in response to this consultation paper and would appreciate the opportunity to meet with you to discuss this in more detail. Please feel free to contact me at your convenience if I can assist with any additional information or clarification.

Kind Regards,

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