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5 November 2024

Productivity Commission
Opportunities in the circular economy Inquiry
Level 8, Two Melbourne Quarter
697 Collins Street
Docklands VIC 3008, Australia

Dear Commissioners,

**Re: Opportunities in the circular economy – Call for submissions**

We welcome the opportunity to contribute insights regarding the inquiry into Australia's opportunities in the circular economy. As a dedicated advocate for businesses across Queensland, representing enterprises of every industry, size, and region, we are pleased to provide our input into this critical topic.

Integrating circular economy principles provides a catalyst for enabling transformative business growth and resilience, leading to enhanced positive sustainable outcomes. By keeping products in use for longer and minimising virgin materials use, the circular economy seeks to reduce negative environmental impacts such as greenhouse gas emissions, resource depletion, waste generation, pollution, and biodiversity loss. Additionally, it fosters innovative business practices and the development of new business models, offering companies the potential for first-mover advantage in emerging markets. The circular economy not only drives environmental benefits but also enhances economic resilience and competitiveness. We acknowledge the importance of continually advancing such frameworks to align with evolving standards and sustainability goals, as well as to respond to evolving stakeholder and consumer expectations and capitalise on new business opportunities.

**Challenges for circular economy integration**

Business Chamber Queensland data shows that businesses of every size, in every industry and in every part of the state are facing a series of micro and macroeconomic challenges. These challenges put pressure on their profitability, productivity and demand prioritising resource allocation in day-to-day operations over value-add measures like those in the circular economy. Business Chamber Queensland data also shows many of these pressures, from record high operating costs, to regulatory burden, workforce pressures and changes in consumer demand disproportionately impact small businesses. It means business owners must work in, as opposed to on, their businesses to secure their future viability.

Additionally, the ability to adopt circular economy principles can vary significantly between larger and smaller businesses. Larger businesses often have more resources, including capital, technology and expert staff, which can facilitate the

adoption of circular economy and sustainable practices in general. They can more easily invest in advanced infrastructure, research and development, and training programs to integrate sustainable practices across their operations. In contrast, smaller businesses, while they may be more agile and innovative, may face significant challenges due to limited financial resources, time constraints, lack of expertise and higher relative costs of implementing new systems. These constraints can make it more difficult for small and medium enterprises (SMEs) to adopt circular economy practices at the same scale or speed as their larger counterparts.

**Opportunities for circular economy integration**

Given the challenging operating environment, it is crucial to consider these pressures when implementing any circular economy-related policy or program. These challenges also present an opportunity to leverage them as a call to action for businesses to embrace change and adopt more sustainable practices.

Business Chamber Queensland can help by providing capacity-building programs and activities with government support and funding. With targeted support, including training and capacity building programs, grants and collaborative networks, smaller businesses can equally and successfully transition to a more circular model, contributing in turn to broader environmental and economic benefits across the whole business community and supply chain in Queensland.

This submission is a result of our extensive experience in advocating for an environment that supports and progresses all businesses in Queensland, irrespective of size, industry or location. This includes building the capacity of businesses to be ready to embrace future change. Our work in this area has demonstrated that improving materials productivity and efficiency can significantly strengthen economic outcomes, such as productivity, economic growth, and economic diversity.

Please refer to Attachment A for our detailed responses to the information requests outlined in the call for submissions on the opportunities in the circular economy.

We are committed to engaging in future consultations to ensure the circular economy framework continues to effectively support Australia's sustainability ambitions while also fostering our business community's growth and resilience.

Thank you for considering our input. We eagerly await the opportunity to participate further in this vital dialogue and are committed to the adoption of sustainable business practices so Queensland and Australian businesses can thrive now and into the future.

Kind regards

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General Manager – Business Sustainability

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# Attachment A: Opportunities in the circular economy – Response to the Productivity Commission's call for submissions

**Information request 1: Circular economy success stories and measures of success**

The PC is seeking views and information on the following.

- Australian case studies of circular economy activities already occurring, which may involve narrowing loops (e.g. reducing the demand for materials) closing loops (e.g. using materials multiple times) slowing loops (e.g. extending useful product life) or regenerating (e.g. using non-toxic materials and regenerating ecosystems). Information would be particularly welcome on:
  - how these activities affected business and economic outcomes (including costs), environmental outcomes (including waste and pollution) and social outcomes
  - levels of uptake
  - reasons why businesses, consumers and communities adopted circular economy activities
  - the effectiveness and costs of these activities (such as from project evaluations, participant surveys).
- Australia's overall potential to move to a more circular economy, as well as how best to monitor progress and measure success

Business Chamber Queensland has been running the ecoBiz program for over 10 years. ecoBiz is a free program for small and medium-sized Queensland businesses with less than 200 full time equivalent employees and is funded by the Queensland Government's Jobs and Recycling Fund, administered by the Office of Circular Economy. The program provides eligible businesses with personalised coaching, training and tools to help reduce consumption of water, waste and energy and manage carbon emissions, improve resource efficiency and overall sustainability.

As part of the ecoBiz program, the Chamber launched the Circular Economy for Businesses (CE4B) pilot, targeting small and medium-sized enterprises (SMEs). This initiative was a collaboration with the University of Queensland's (UQ) Centre for Policy Futures and received funding from the Queensland Government Department of Environment and Science. The purpose of this pilot was to learn about the validity of employing circular economy principles for existing businesses in Queensland. Circular economy was already identified as a core priority within the Queensland Government policy roadmap at the time but much of it was focused on new design which presents a significant risk to the majority of businesses operating on traditional models of linear resource consumption.

The objectives of the pilot were to:

1. Identify barriers to the implementation of circular economy initiatives for existing business models
2. Identify means to work around those barriers
3. Refine the delivery mechanism of circular economy to SMEs to be able to streamline and upscale the number of operators able to gain access to applied circular economy principles in their business through ecoBiz
4. Provide acute learnings back to the Queensland Government to facilitate better policy design around circular economy in the State

Three SMEs from various sectors in Queensland were chosen to participate in the CE4B program through a competitive selection process. The program was run for approximately 12 months between 2020 and 2021. It aimed to equip SMEs with an understanding of circular economy theory and global practices. It also provided practical skills, design and planning tools through workshops, personalised coaching support by sustainability consultants, and support to build professional networks.

Additionally, each of the selected SMEs could receive up to $12,500 to support the implementation of their circular economy initiatives.

All three SMEs that participated in the pilot implemented circular economy initiatives with successful outcomes. The CE4B pilot program was highly regarded by the SME participants and the consultants that provided support to them.

The pilot review prepared by UQ Centre for Policy Futures identified the following enablers for SMEs to adopt circular economy initiatives:

- **Access to 1-1 Support**: Ongoing coaching from sustainability experts to help plan and implement these initiatives.
- **Interactive Workshops**: Upskilling participants in circular economy concepts, purposes, and outcomes, and applying these to their businesses with support in developing roadmaps and action plans.
- **Funding Support**: Financial assistance for investments needed as part of the implementation of circular economy initiatives was perceived as a critical component of the pilot's success. For many, the funding allowed for research and development (R&D) and testing activities, which would then require further funding to finalise the solution. For others, the funding accelerated the adoption and implementation of CE initiatives.

A range of case studies were generated through the Pilot that demonstrate the outcomes of investing in CE initiatives for SMEs.

Within a year of the pilot, one participant regenerated and closed loops by diverting more than 1,000 tonnes of green waste and 300 tonnes of soil from landfill to produce enough high-quality soil, they estimated, to remediate close to 250 hectares of land. Another participant closed loops by developing partnerships along the textile supply chain to trial processes to collect, sort, and reprocess post-consumer

textile waste into new products, allowing them to divert 250kg of textile waste from landfill. The third participant also closed loops by diverting 95% of their onsite waste from landfill, including timber offcuts and packaging materials (plastic, cardboard and metal).

As a result of the positive outcomes of the Pilot, Business Chamber Queensland are formalising the Pilot into an ecoBiz module, to be released in 2025. The pilot will be designed utilising the learnings of the Pilot.

**Information request 2: Priority opportunities to progress the circular economy**

The PC is seeking views and information on the following.

- Opportunities in Australia to improve environmental and economic outcomes through greater adoption of circular economy activities. These may relate to sectors, products or supply chain segments, and involve narrowing loops (e.g. reducing the demand for materials), closing loops (e.g. using materials multiple times), slowing loops (e.g. extending useful product life) or regenerating (e.g. using non-toxic materials and regenerating ecosystems). Information would be particularly welcome on:
  - how these opportunities could affect business and economic outcomes (including costs), environmental outcomes (including biodiversity, climate and water, land and air quality), and social outcomes
  - feasible levels of future uptake or adoption in Australia
  - how their effects could best be monitored or measured, and how opportunities could be prioritised
  - how Aboriginal and Torres Strait Islander knowledges could be valued, in ways that protect Indigenous cultural and intellectual property, to identify and develop these opportunities.
- Analysis of which circular opportunities provide the greatest scope to improve environmental and economic outcomes in Australia and why, including information on:
  - metrics used to inform this analysis
  - modelling or analysis relating to the potential benefits and costs of implementing specific circular economy opportunities at the sector, product or supply chain segment level (including, but not limited to, life cycle assessments or cost-benefit assessments)
  - the distribution of benefits and costs, and whether they will occur in the short, medium or long term.
- Information on specific opportunities and risks for Australia resulting from international developments, including circular economy policy. These may include developments that:
  - affect Australian exports, such as by opening or creating new markets, or by placing regulatory requirements on the design and production processes of Australian exports
  - affect Australian imports, such as changes to production methods internationally, or developments in international markets
  - innovative processes that could be adopted in Australia.

To effectively progress the circular economy in Australia, it is crucial to focus on capacity building within the SME sector and leveraging a locational-focused (clustering) approach. This strategy can enable cross-industry collaboration, partnerships, innovation, and localised input from First Nations communities.

1. **Capacity Building and Upskilling the Value-Chain**:
    - **Collective Impact**: Upskilling the entire value-chain, from suppliers to end-users, can significantly enhance the adoption of circular economy practices. Providing SMEs with the necessary knowledge, skills, and tools through targeted training programs and workshops can help overcome the challenges they face due to limited resources and expertise.
    - **Business and Economic Outcomes**: These initiatives can lead to cost savings, improved resource efficiency, and the creation of new business models. Enhanced skills and knowledge can drive innovation, leading to the development of sustainable products and services that meet evolving market demands and improve supply chain readiness for procurement opportunities.
2. **Locational-Focused (Clustering) Approach**:
    - **Cross-Industry Collaboration**: Establishing clusters of businesses within specific regions can foster collaboration and partnerships across different industries. This approach can facilitate the sharing of resources, materials, knowledge, and best practices, leading to more effective implementation of circular economy activities.
    - **Innovation and Localised Input**: Clusters can serve as hubs for innovation, where businesses can experiment with new processes and technologies. Additionally, involving Aboriginal and Torres Strait Islander communities in these clusters can provide valuable insights and ensure that local Indigenous cultural and intellectual property is respected and integrated into circular economy initiatives.

Business Chamber Queensland has successfully implemented these approaches to deliver the ecoBiz program and will continue to do so while expanding its circular economy offerings, building upon the insights gained from the circular economy pilot.

Additionally, there is an opportunity to work across all levels of Government to understand supply chains of significance and any supply chain demands and gaps. This provides an opportunity to target investment in circular economy into those supply chains (and businesses) where growth and business model change is likely to have the highest return on investment.  Coupling this understanding with capacity-building activities linked to grants / financing and access to business to business partnerships could super-charge CE in these critical areas.

**Information request 3: Hurdles and barriers to a circular economy**

The PC is seeking views and information on the following.

- The main reasons businesses and consumers have not adopted circular economy practices to date, including (but not limited to):
  - costs
  - attitudes (including about risk)
  - regulatory constraints
  - lack of information or resources
  - lack of coordination

Barriers to circular economy identified through the CE4B pilot review and from our direct engagement with businesses. Many of these challenges require changes in behaviour, along with a commitment of time, funds, and resources, all of which will require a sustained effort over time.

1. **Maturity and Awareness:**

   A major barrier for SMEs is the maturity and awareness of sustainability concepts. Many SMEs are still grappling with basic sustainability issues and may feel overwhelmed by the complexity of circular economy principles. There is a critical need to build capacity and enhance understanding of circular economy practices within this sector. This includes providing education, resources, and support through programs such as ecoBiz to help SMEs navigate and implement these concepts effectively.

2. **Micro and macroeconomic conditions:**

   Our data shows businesses of every size, in every industry and in every part of the state are facing a series of micro and macroeconomic challenges that put pressure on their profitability and productivity and demand resource allocation in day-to-day operations over value-add measures like those in the circular economy. Business Chamber Queensland data also shows many of these pressures, from record high operating costs, to regulatory burden, workforce pressures and changes in consumer demand disproportionately impact small businesses. It means business owners must work in, as opposed to on, their businesses to secure their future viability.

3. **High perceived and actual upfront and infrastructure costs:**

   Implementing circular economy practices often requires significant capital expenditure investment. This includes purchasing advanced machinery, upgrading facilities, and integrating new technologies, as well as R&D and testing costs which can be prohibitively expensive for many businesses, especially SMEs. Business investment is predicated on potential market demand and there is often a lack of certainty (i.e. known supply chain, regulatory) to mitigate risk of investment.

4. **Additional effort and operational complexity:**

   Adopting sustainable practices and transitioning to a circular economy model demands increased work, time, and effort and may result in increased operational complexity. Businesses need to redesign processes, train staff, develop new or further engage with existing supply chains, and overcome internal resistance and inertia. This transition can be resource-intensive and challenging to manage alongside existing operations, especially for SMEs that lack the necessary resources. All three case SMEs from the pilot identified the increased time needed to implement CE initiatives as a substantial constraint.

5. **Information gaps:**

   There is often a lack of information about the end uses and users of recycled materials. This uncertainty can make it difficult for businesses to plan and implement circular economy strategies effectively, as they may not have clear markets or applications for their recycled products. Additionally, product standards often don't allow for innovations in materials or product development which can impact downstream usability of products developed in the context of circular economy.

6. **Business culture:**

   The attitudes, priorities, and behavioural norms within businesses and their value chains can significantly impact the adoption of circular economy practices. If corporate culture does not prioritise sustainability, it becomes challenging to generate interest and cooperation for circular economy initiatives. Changing these attitudes requires a shift in organisational culture and values. Business Chamber Queensland's Sustainability Maturity data shows that almost half of Queensland businesses still operate at obligation or below level of maturity in relation to addressing environmental and social factors. While we see more businesses intrinsically motivated to consider sustainability factors, many SMEs with limited resources continue to prioritise maintaining their core operations and may view sustainability and circular economy initiatives as secondary, despite external motivators.

7. **Limited incentives:**

   Despite the broader social and environmental benefits of circular economy practices, there are often few incentives and insufficient support for businesses to adopt these practices. This lack of support can deter or delay businesses from investing in circular economy initiatives.  Business Chamber Queensland have seen increased interaction around sustainability aspects where programs are coupled with procurement hooks and/or enabled through grants.

8. **Implicit subsidies and free emissions:**

   Implicit subsidies, such as under-priced water, allowances for pollution and lack of costs for emissions lead to unsustainably low prices for virgin materials. These low prices make it difficult for sustainable alternatives produced through circular economy practices to compete, as they are often more expensive.

9. **Circular economy maturity and lack of coordination:**

   Circular economy at local, state, national and regional levels is still underdeveloped. This creates several market barriers that prevents SMEs from adopting circular economy practices. These include difficulties in meeting product codes and standards with circular materials, the prevalence of greenwashing by competitors, and issues in finding solutions to circular economy challenges within supply chains. Additionally, the higher labour costs, and additional capital and operational costs related to purchasing new equipment for transport and logistics may be alleviated by a more mature circular economy market.

**Information request 4: Governments' role in the circular economy**

The PC is seeking views and information on the following.

- The extent to which policy or regulatory changes (national, state and territory, or local; or for specific sectors, products or supply chains segment level) could better enable the pursuit of circular economy activities. This may include:
  - financial incentives
  - information provision
  - regulatory changes (e.g. approval processes, standards and codes, mandatory reporting, competition and consumer regulation, chemicals regulation) and co-regulatory approaches
  - education and training
  - facilitating collaboration
  - planning, and urban and regional development.
- The extent to which current policies or regulations hinder the pursuit of circular economy activities. Specific examples of how current settings are acting as barriers would be welcome.
- The benefits, costs, risks and implementation issues associated with current or potential policy or regulatory changes that aim to address barriers to circular economy activities.
- What actions governments could take to facilitate Aboriginal and Torres Strait Islander roles in progressing the circular economy, including in drawing on Indigenous knowledges in policy design in ways that recognise and protect Indigenous cultural and intellectual property.

Results from the CE4B pilot were used to inform development of an expanded ecoBiz program. The expanded program aligns with the sustainability procurement requirements identified in the Q2032 Procurement Strategy that include assessing and managing sustainability risks and opportunities across supply chains including carbon emissions, climate risk, circular economy and waste. The strategy recommends business sign up to the ecoBiz program.

Government funding for circular economy grants would address some of the barriers identified in the CE4B pilot, particularly high upfront and infrastructure costs.

The Government also has an essential role to play in supporting circular economy initiatives, in particular by funding education and training programs that provide targeted support and capacity building activities to businesses.

SMEs are increasingly facing demands related to circularity, climate change reporting, and scope 3 emissions reporting. These demands stem from cascading supply chain requirements driven by policy and regulation, procurement requirements, and changing market expectations. While SMEs are expected to

address these challenges, there has been insufficient effort to build their capacity. Business Chamber Queensland is well positioned to act as a delivery mechanism for capacity building programs and activities, helping SMEs prepare for these challenges, including those related to the circular economy, with necessary support and funding from the government. Additionally, the data Business Chamber Queensland tracks as a result of the ecoBiz program is helpful in shaping future policy around SME sustainability initiatives. Ongoing insights from a circular economy module soon to be included within the ecoBiz program should be considered in future SME-related circular economy initiative developments.

Finally, the government should be addressing the challenging regulatory settings highlighted in the previous section to improve the maturity of circular economy at all levels and address externalities in order to make circular economy derived products more competitive compared to their less sustainable alternatives. The government needs to de-risk business uptake of circular economy and sustainable practices while finding a balance to incentivise these efforts without adding additional compliance and red tape for businesses.