



Opportunities in Circular Development

Productivity Commission Submission



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Dear Commissioners

Opportunities in the Circular Economy

We welcome the Productivity Commission's focus on the critical issues and potential opportunities facing circular development in this country and are pleased to submit our insight based on 30+ years of advocacy and support to our 2500+ cities and regions across the world on sustainability.

Circular Development is one of [ICLEI's five strategic pathways](#) towards sustainable urban development. Through the Circular Development pathway, local and regional governments decouple urban and economic development from resource consumption, encourage equitable access to resources and create closed-loop urban and peri-urban systems.

Our response has drawn on positive actions from our Australian member network as well as drawing on case studies from ICLEI's portfolio of international programs. Our city action examples have focussed on two core areas of opportunity around circular development: bio-waste, especially food waste; and construction and demolition waste.

Our submission considers four areas of opportunity: Strategic funding of food waste initiatives; greater local intervention on construction and waste demolition; continued support for TAFE; and advocating to the Net Zero Economy Agency to have a strategic and operational focus on circularity.

1) Increase financial incentives that support local councils to engage with businesses and residents on food waste engagement and innovation opportunities. There is extensive data and research on the benefits of circularity and food. ICLEI as the voice for local and sub-national government would welcome advocacy and investment to:

- a. Ensure long-term funding to circular development activities such as the End Food Waste Australia program.
 - a. End Food Waste Australia has delivered insightful [Sector Action Plans](#) that apply circular development lens to food waste. These present





extensive data and actions to reduce food waste through analysis of sectors like cafe and catering and should be widely promoted.

- b. This sectoral analysis should next look at offering research and insight for the many agencies in the community food sector (food relief, food waste, food systems advocacy, etc) , many of whom are not-for-profits which only receive limited funding support and do not have enough metrics on their impact on the circular economy. Applying top down value analysis of food waste action is needed for this sector and for their partners like local government. Many Councils are driving circular actions on food waste at the grassroots level [City of Brisbane's Community Composting Hubs](#). or the [Kensington Circular Economy Precinct](#) overseen by the City of Melbourne or even the work of larger players like [SecondBite](#). Enhancing the role of the community food sector through insight, data, national research and ultimately funding would be a strategic national investment.

2) Construction and waste demolition needs greater national priority. National data on construction and demolition waste is worsening. According to DCCEEW's National Waste Report, in 2020–21 about 25.2 Mt, or 980 kg per capita, of building and demolition wastes were generated. This is about a 25% increase from 20.2 Mt in 2016–17. Leading research on the [state of circular development in housing](#) conducted by AHURI is a foundational piece of research whose findings can equally apply to the entire construction sector. Aspects such as: “low or unspecified standards, adverse actor motivations and incentives, up-front costs (despite long-term cash benefits) to investors and consumers, as well as a lack of professional awareness and training inhibit the adoption of circular principle in Australia”.

ICLEI's key stakeholders - local and subnational governments and their partners are left to deal with the consequences of these inhibitors at the end of the housing cycle, that is through completed housing stock not built along circularity principles plus the waste produced by that housing stock. Unlike in major infrastructure construction where virtuous examples like [ecologiQ](#) have driven Victoria's Big Build, there are very few cases of residential development outside of publicly funded housing like Defence Housing Australia's award winning [Arkadia](#) development where circular development principles have been central to the development.

We encourage the PC to deeply explore ways it can assess greater national coordination on construction and demolition waste. A thorough review and establishment of procurement guideline regulations to guide local and regional governments on how to better weight circularity criteria in public tenders would be an effective first step. This would include:





- a. Better dissemination of procurement insight across multiple government stakeholders:
 - i. [ISO 20400](#) is an internationally recognised standard that offers comprehensive guidance for implementing sustainable procurement practices, with a strong emphasis on integrating social, environmental, and economic considerations throughout the procurement process. Funding Councils or their associations to undertake professional development on this standard is a low-cost investment to fastrack circular development insight.
- b. Local and State Governments need support to understand how to better incorporate circular procurement into their tendering. Circular procurement principles need to be seen as the evolution of Total Cost of Ownership principles that govern effective government decision making. Just as LED street lighting investment is justified through a TCO procurement process, so too should circularity be factored into capital investments of public buildings. The European Union has made a wide selection of circular procurement tools available for procurers [here](#).
- c. Circular procurement practices have been tested in the field in many countries and ICLEI was involved in the consortium driving the [CityLoops](#) project. From 2019-2023 seven cities in Europe implemented a total of ten demonstration actions, testing over 30 new instruments and processes. These range from instruments for predicting future excavated construction and demolition waste and soil production, to awareness-raising campaigns, and from circularity decision making support tools, to simulation of impacts 3D visualisation tools and procurement guidelines for bio-waste products.

3) Skilling up future talent around circular development is an essential part of the process to ensure that the construction sector has leaders in this space. The TAFE sector is always seeking industry partnerships to ensure they have the capacity to keep up to date with new technologies and deliver the volume of training in accordance with required developments but in this regard they also have to compete with university limited industry partnership funds.

Building links between government, VET and tertiary sector organisations and the housing industry to assess and develop the necessary skills to build circular development capacity in housing needs to be fast-tracked. Once those links are made they need to be integrated into learning objectives, curriculum and assessment, skills standards and their certification. Ways to execute this include:

- a. Increase grants for TAFE for capital innovation that embed circular technologies - As captured in TAFE Victoria's summary of [training for the clean economy](#) there are





numerous case studies that highlight the work vocational training institutes are undertaking on sustainability skills. For example Melbourne Polytechnic has saved significant amounts of timber waste through the investment in a finger jointing machine while also skilling future carpenters and joiners on circularity.

- b. Apply metrics in public tendering which weight the number of community and local government or TAFE/school partnerships a supplier of construction, building or engineering materials a supplier has. All governments can innovate around social and environmental procurement while still ensuring stringent processes are followed and as previously shown there is a significant body of work on this to consult.

4) Advocate for the Net Zero Economy Agency (the 'Agency') to have a pool of circular development activities in its portfolio of services. The establishment of this recently legislated agency committed to opportunities for communities, state, territory and local governments and others facing significant economic and social impacts for the transition to a decarbonised economy is a welcome investment by the Federal Government.

As it establishes itself as a key agency driving Australian sustainability achievements and meeting our international climate targets, it should look to revisit "city deals" through a circular development and climate emergency/decarbonising lens. A "Net Zero City Deal" with a clear sustainability focus would encourage urban and regional cities too pursue:

- a. Innovation on governance and actions to accelerate and scale-up a city's sustainable transformation. A Net Zero City Deal will encourage bold action to enact a climate and nature and adaptation strategies; it could drive resourcing extra staff to work on circularity initiatives; it could embolden other peri-urban councils like Yarra Ranges with viable farming to set up their own [bio-char facilities](#); and it could encourage them to working with private and institutional financial funders and there partners like ICLEI to explore long-term sustainability investment tools like issuing [Green City Bonds](#) or exploring governance innovation though "Local Green Deals" as is [documented here](#).

Yours sincerely,

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