

09/03/2018

China's National Sword policy

The impact on Australia's recycling

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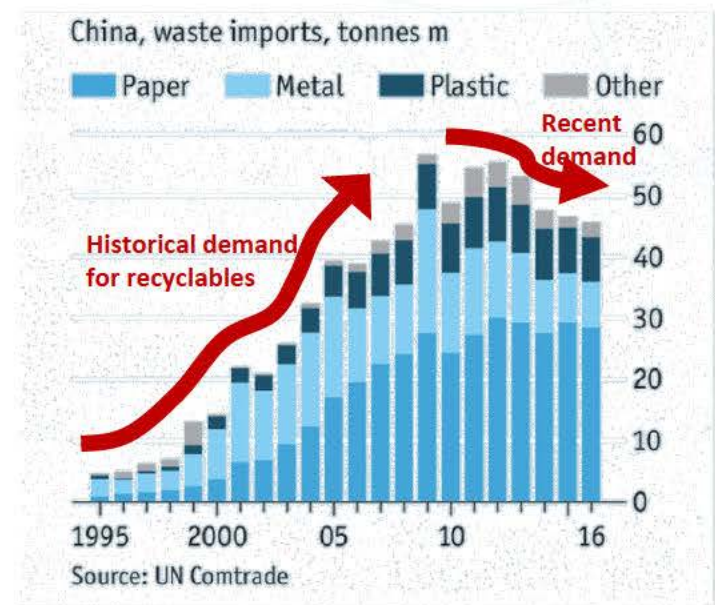


The specialists in recycling, waste and carbon



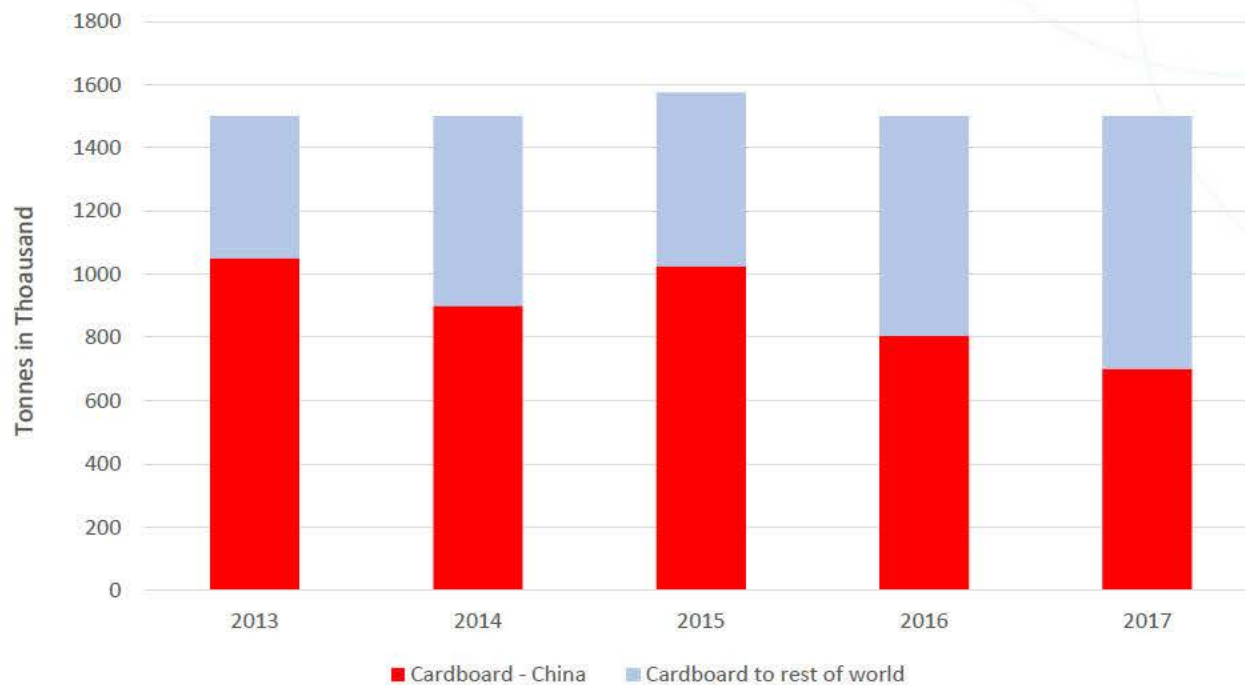
The role of China in global recycling markets

- China's **economic boom** was fueled, in part, by the **import of recyclables** from around the world.
- China imported over **\$US18bn** of recyclables in 2016.
- In 2016 China took in **half the world's exports** of:
 - Recovered paper
 - Used plastics

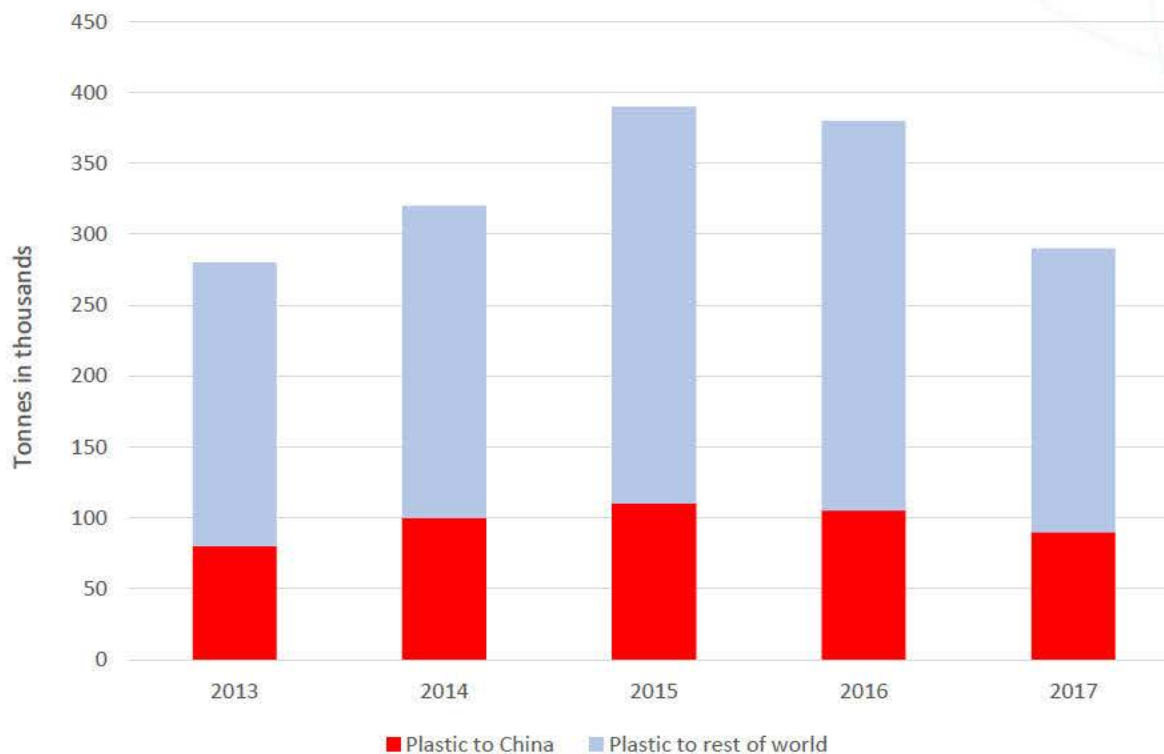


Economist.com

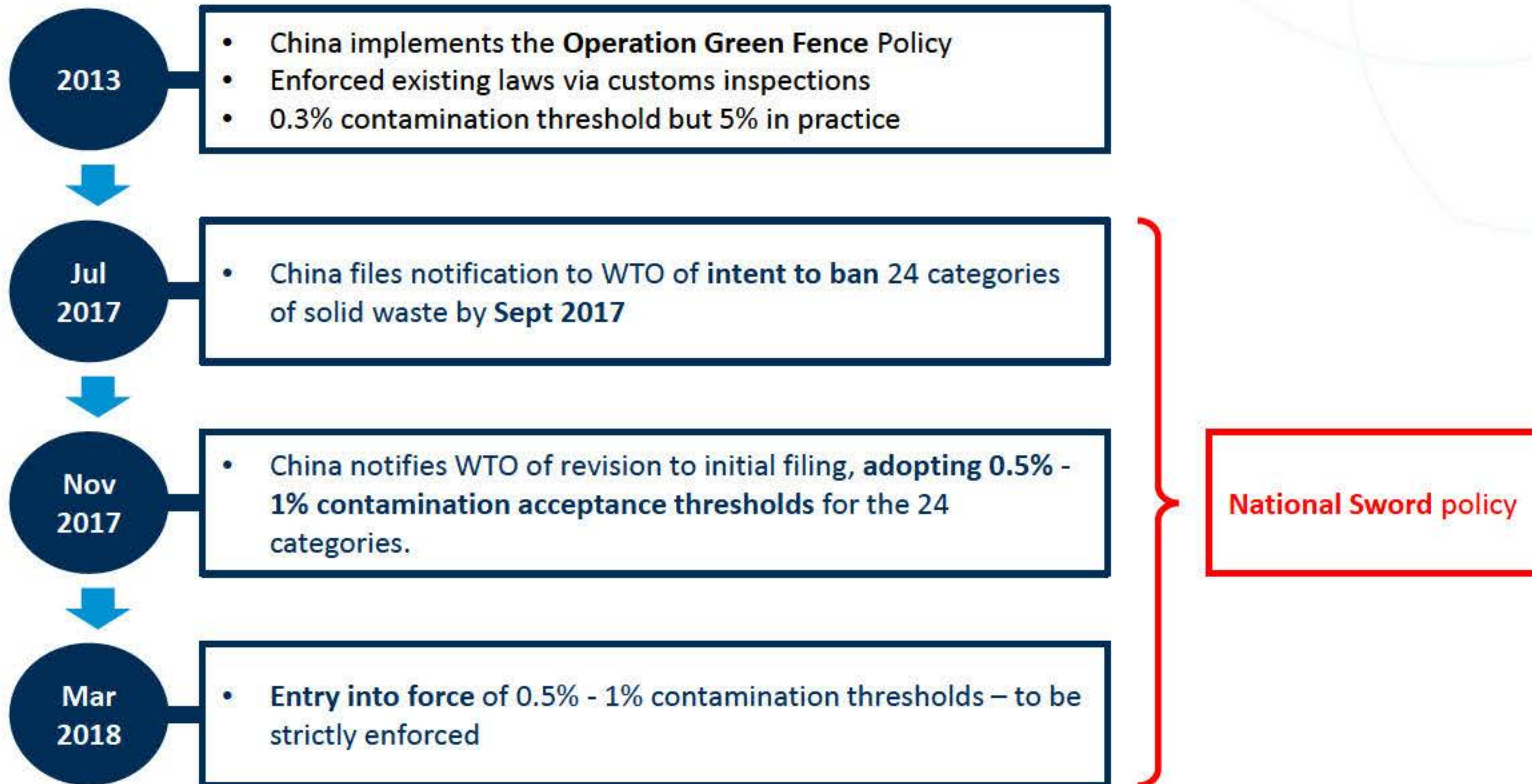
Australian exports of Cardboard



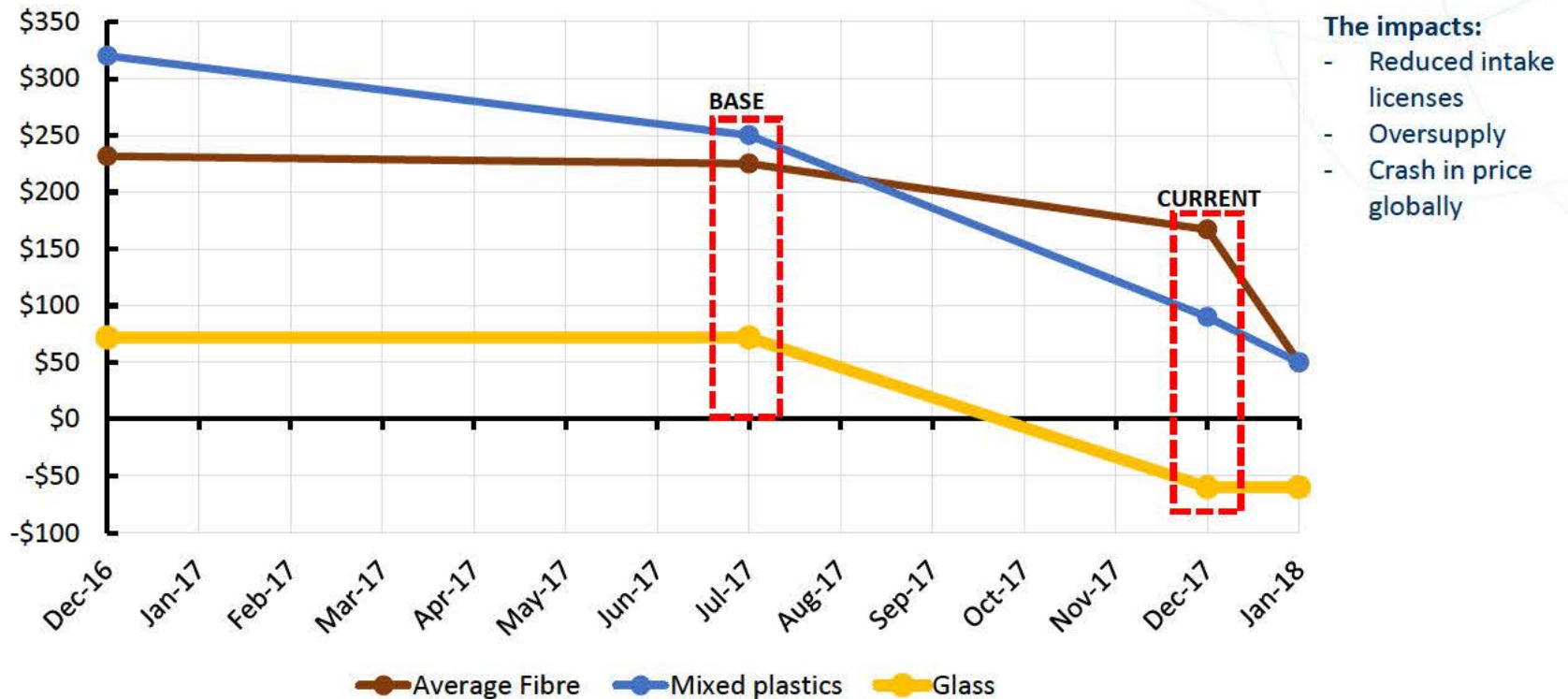
Australian exports of Plastics



Timeline of key events



The impacts on recycling commodity prices – China Product Glut

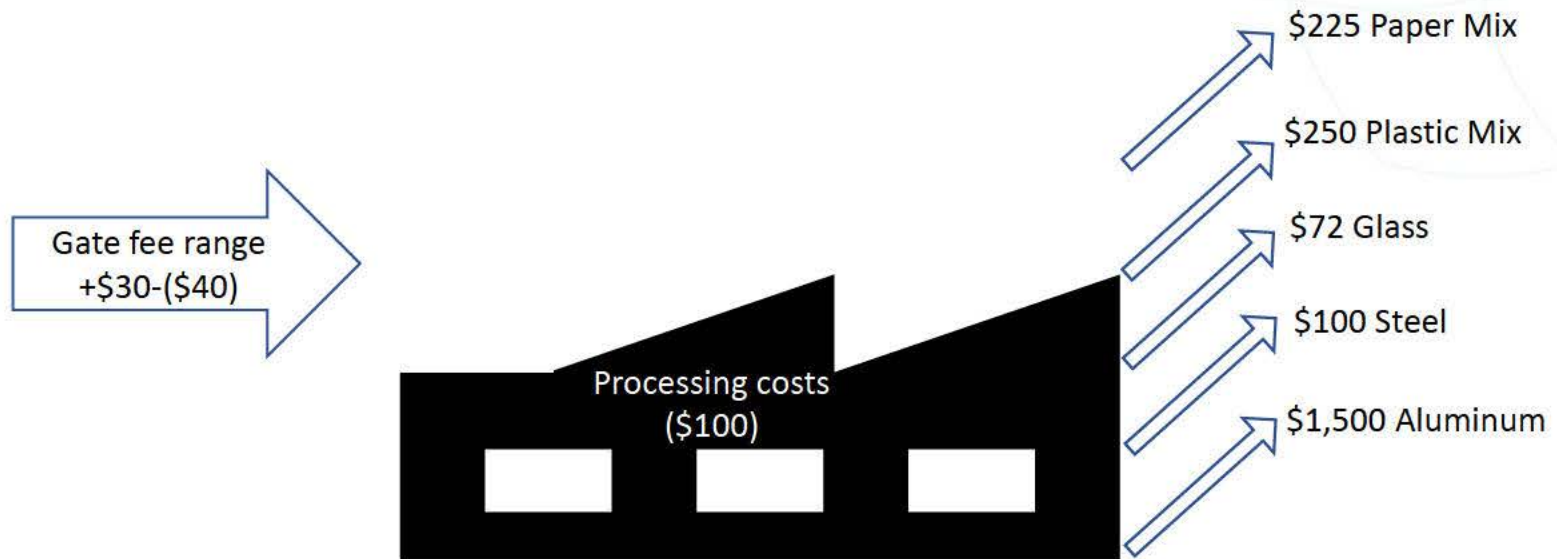


Impacts on MRF gate fee

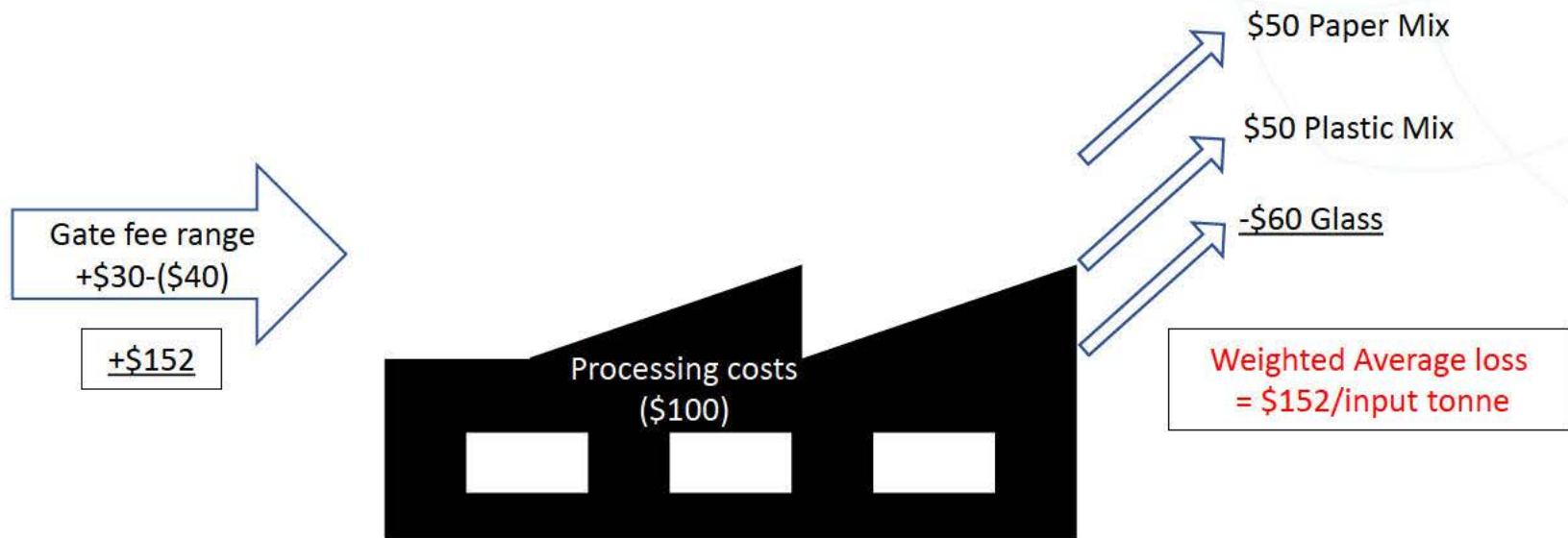
Material category	input %	BASE	CURRENT	DIFFERENCE	Weighted loss in output value (\$/t MRF input)	
		Historical average sale price (\$/t)	Jan18 average sale price (\$/t)	Drop in price (\$/t output)		
Paper and paper products (mixed fibre)	55%	\$225	\$50	\$175	\$96	National Sword
Plastics (mixed plastics)	8%	\$250	\$50	\$200	\$16	
Glass	30%	\$72	-\$60	\$132	\$40	Or \$110 without glass...
Ferrous material	2%	N/A	N/A	N/A		
Non-ferrous material	1%	N/A	N/A	N/A		
Other	2%	N/A	N/A	N/A		
TOTAL	100%				\$152	

The impacts on Australian recycling

- Materials Recycling Facilities are no longer profitable at new commodity prices and existing gate fees



The impacts on Australian recycling



Glass in Australia

- Closed 3 furnaces
- Cheaper to import green bottles from Mexico
- Collapse in glass price: \$72/t
→ -\$60/t



The impacts on Australian recycling

- To stay open, MRF operators need higher gate fees from waste generators, including Councils
- Gate fees are increased under two mechanisms:
 - “Change in Law”; and
 - Force Majeure (“Act of God”)



The impacts on Australian Councils

- Absorb the price increase of up to \$152/tonne.
- Across Australia, the extra cost may be as high as \$100m
- Rates for 2018/19 will incorporate the extra costs – **rate payers**

In NSW ~810,000 tonnes p.a. of kerbside recycling collected



~\$40mil in additional costs between now and 1 July 2018

The impacts on Australian households

- NSW households create on average 5.3 kg dry recyclables / week or 276 kg/year.
- If the price increase is \$152 / tonne and it is passed in full onto households, then the rate increase would be around \$42 per household

BUT:

- Does not include secondary reprocessing
 - Some MRFs suggest additional \$250/t processing
 - Also some argue for split bin P&C + \$40/hh
 - So cost to Councils could be:
 - $(\$150 + \$250)/t = \$100/hh/yr$
 - Bin collection = $\$40/hh/yr$
- \$140/hh/yr**

Government responses

- Victorian Government announced a \$13m “rescue package” to cover extra costs to Councils until the end of 2017/18
- This covers extra costs from recycling processing of about \$70/tonne
- NSW urgent meeting held 5th March 2018
 - Equivalent in NSW is \$40 million
- No formal response from Government



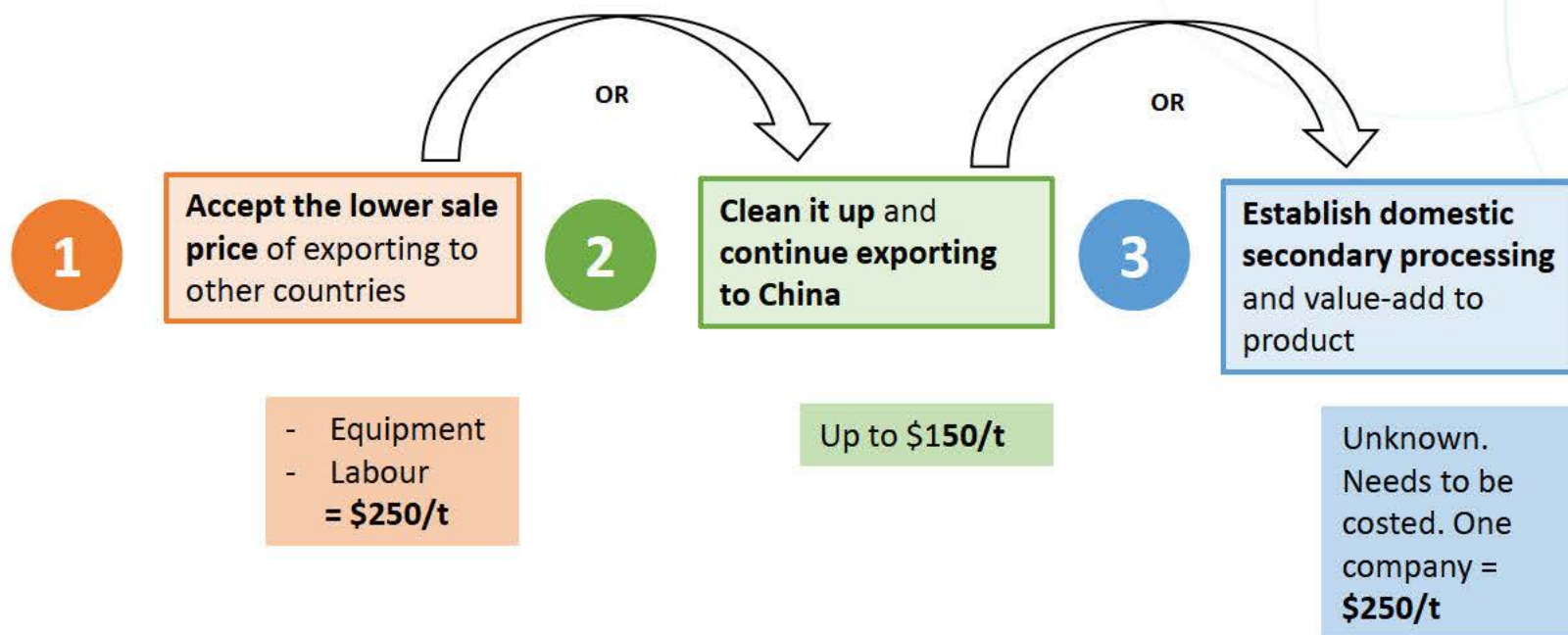
Australian Government



What is actually happening?

- Recyclables ARE still being exported, albeit at lower prices
- Recycling gate fees ARE increasing, but they still remain lower than landfill gate fees in most major cities due to landfill levies.
- Councils WILL need to increase rates for future years
- There IS a short term pain point, where Councils need to absorb increased costs that cannot be passed through.

What can happen?



- Note CDS in NSW worth \$190-300/t

What needs to happen?

Short term	Short term cash float, e.g. Victoria
	Council contract renegotiations to provide for greater responsiveness to changes in markets, and especially the Chinese market.
	EPA allowance for stockpiling of recovered materials.
	EPA relaxation of landfill levies on MRF residuals.
Mid term	Capital improvements to achieve the new 0.5% contamination specification. Labour increases to achieve the same.
	Purchasing policies by all levels of government to increase domestic demand for recyclables, especially glass & plastic
	Development of domestic reprocessing capacity for paper and plastic.
	Glass processing into sand – application to roads
	Council adoption of two bin recycling systems (paper and containers) to reduce contamination rates, especially in the paper bin.
	Use CDS in NSW to compensate.

thank you

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