

24 September 2021

Mr Nicholas Hills

Senior Advisor
Product Stewardship Section
Waste Regulation and Stewardship Branch
Department of Agriculture, Water and the Environment
Email:

CC: amanda.matley@environment.gov.au, tabor.Akman@awe.gov.au,
colin.fruk@awe.gov.au,

Dear Mr. Hills

Re: Government response to the fourth statutory, independent review into the operation of the *Product Stewardship (Oil) Act 2020* by Deloitte Access Economics

Thank you for the opportunity for AORA to submit a reply to the Australian Government's response to the fourth Product Stewardship (Oil) Act 2000 review.

Firstly however, I note that the Department has not responded to our correspondence of 25 June 2021, which addresses each of Deloitte's recommendations – and raises a number of observations and requests for clarification. I've attached that correspondence for your information.

To reiterate AORA's position on each of the recommendations:

Recommendation 1

Enable PSO Scheme benefits to change with oil prices, to insulate re-refiners against fluctuations in crude oil prices.

- The floating mechanism is not supported. It is AORA's assessment that it will increase administration and red tape. It is overly complicated and may result in unintended consequences such as making the burning of waste oil and export of unprocessed waste oil more lucrative than refining it. Such outcomes are contrary to the objectives of the PSO scheme which "*has been developed to promote, support and encourage environmentally sustainable management and recycling of oil*".
- The appropriateness of indexed adjustments can only be assessed once they are provided. It is relevant to note that from 2000 – 2020, the Consumer Price Index has increased 1.53 times. If this increase was applied proportionately, benefit rates would be:
 - Category 1, Re-refined base oil: 76.5cpl
 - Category 2, Other re-refined base oils: 15.3cpl
 - Category 5: High grade industrial burning oils: 7.65cpl
- To better support a domestic industry, and to address base-oil security, AORA also suggests the government reduces or eliminates the levy payable on re-refined base oil to incentivise the use of domestically produced base-oil over imported materials.

Recommendation 2

Increase the levy to address the deficit.

- AORA supports the increase to the PSO scheme levy to achieve fiscal neutrality and we consider that indexing the levy to a CPI or other mechanism is a responsible method to ensure the scheme remains in balance. It is our member's view the levy should be increased from 8.5cpl to between 18 – 20 cpl. This will provide sufficient funds to eliminate the headline deficit.
- AORA commissioned an independent consumer "Willingness to Pay" modelling study for proper environmental disposal of used oil in 2019. Undertaken by Ernst and Young, the study concluded that the average consumer was willing to pay up to \$12.50 per car service to ensure their used oil was disposed of properly. That represents a conservative levy impost estimate of about \$2.50 per litre of oil, more than ten times the level suggested above.

Recommendation 3

Reinstating publication of PSO Scheme information in Departmental Annual Reports.

AORA supports re-instatement of publication of PSO scheme information in DAWE annual reports.

- Our industry also believes the periodical review intervals for the PSO programme should increase from four (4) years to a minimum of eight (8) years. This will provide the industry with a longer horizon and confidence in the investment decisions around long term assets. I.e.: Oil processing infrastructure / refineries have a minimum life of 25 years

Government's tabled response to the four Observations in the Deloitte's report:

Observation 1

There is an opportunity to consult with the ABF and other government agencies to identify a more appropriate certification mechanism for petroleum products imported.

The government notes this observation.

The Department of Agriculture, Water and the Environment will consult with the Australian Taxation Office, Australian Border Force, industry and other key stakeholders to identify opportunities to improve the certification mechanisms under the PSO Scheme.

AORA agrees with the government's observations.

Observation 2

Government should note the intersection of the PSO Scheme with the mining sector, including use of waste oil in explosives and opportunities to support collection of waste oil from mines.

The government notes this observation.

The Department of Agriculture, Water and the Environment will examine the end-of-life management of waste oil in mining operations, including its use in explosives, and opportunities for enhanced collection.

AORA agrees with the government's observation and would highlight that this matter is becoming more urgent. To that end, AORA commissioned ARUP Consulting to undertake an independent literature review on the potential health, safety and/or environmental risks associated with used oil

use in ANFO blast practices. That report is attached. The findings by ARUP are of concern. Unfortunately this practice has become more prevalent in Queensland, and AORA recently wrote to the Queensland Minister for Environment, copying in the Deputy Premier, voicing our concerns. That letter is also attached.

Observation 3

There may be merit in holding an annual meeting with relevant Commonwealth, state and territory and local government bodies, industry and stakeholders to facilitate knowledge sharing (similar to the previous Oil Stewardship Advisory Council, but with more flexibility).

The government notes this observation.

The Department of Agriculture, Water and the Environment will investigate the scope, desired outcomes and feasibility of holding an annual event.

AORA would willingly participate in any such event.

Observation 4

There may be an opportunity for Government to consider facilitating submission of fuel excise and PSO Scheme forms concurrently (at intervals other than weekly), to reduce administrative burden for PSO Scheme participants, as part of the ATO digital

The government notes this observation.

The Australian Taxation Office will continue to support scheme participants within the legislative framework of the PSO Scheme.

AORA supports any moves by the government to reduce administration and cut red-tape.

Conclusion

As outlined by AORA previously, the current PSO scheme, a legacy of the Howard government, is the singularly most effective product stewardship scheme in Australia. It is administratively simple and easily adhered to. Around 50,000 Australian businesses generate waste oil. The PSO facilitates the recovery and recycling of this hazardous waste in the cities, and in the regions.

It is a matter of record however, that the financial settings underpinning the PSO levy and rebate benefits have not been indexed and have not increased commensurate with real costs. Because of this, the greatest exposure to the sector for waste oil collections is for regional and remote Australians.

In closing, AORA noted with interest the National Waste and Recycling Industry Council's (NWRIC) response to the fourth review of the PSO, outlined publicly in the NWRIC's CEO Week in Review of 20 August, 2021(<https://www.nwric.com.au/nwric-ceo-week-in-review-20-august/>).

In summary, Australia's peak national waste body highlighted that:

- *"...the Scheme had been in place for 21 years and was an excellent success story for product stewardship.*

- *The NWRIC supports the need to increase the levy to 20 cpl to address the current deficit and also supports the need for more transparency and data regarding the operation of the PSO Scheme, particularly around levies and the benefits being paid*
- *Linking the Scheme benefits to changes in oil prices as problematic given the fluctuating prices, rather the fixed benefit rates should be adjusted closer to the 2021 value, and then indexed to CPI annually thereafter.*
- *Linking base oil with crude oil through a fluctuating market-based mechanism may result in unintended consequences including incentivising the burning of waste oil rather than re-refining it.”*

AORA was delighted that Australia’s peak national waste association’s response were congruent with the recommendations from AORA.

The waste oil industry looks forward to this review moving pace, and reiterate that AORA, and its members, will assist in any reasonable way to facilitate a quicker outcome.

Yours sincerely



Alex Wren

Chair

Australian Oil Recyclers Association