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EU-Australia Leadership Forum

Co-Chairs' Report

*Sectoral Policy Workshop – Progressing the Circular
Economy*

Sydney, 26 September 2018



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Sectoral Policy Workshop

Progressing the Circular Economy: European and Australian Perspectives on the Plastics Problem

Co-Chairs' Report

Helen Millicer
Churchill Fellow, GAICD and Principal, One Planet Consulting

Dr Mervyn Jones
Director, Sustainable Global Resources

The third Sectoral Policy Workshop of the EU-Australia Leadership Forum was held in Sydney on 26 September 2018. The EU-Australia Leadership Forum is a project funded by the European Union (EU) and supported by the Australian Government which aims to broaden and deepen existing ties between the European Union and Australia to assist in shaping the future of the relationship.

The objective of the Workshop was to bring together experts and practitioners from the EU and Australia to foster a dialogue around the progression of circular economy transition efforts with a specific focus on the global issue of plastics and links to the official EU-Australia macroeconomic dialogue. Recommendations from the Workshop, as outlined in this report, will be shared with Officials in advance of this dialogue and with delegates to the 2018 EU-Australia Senior and Emerging Leaders Forum in Brussels.

The full list of attendees is available in Annex I.

Welcoming Remarks

The following Officials presented to the group:

- Ryan Neelam, Acting NSW State Director, Australian Department of Foreign Affairs and Trade
- Scott Wyatt, Adviser, Environment and Energy, Delegation of the European Union to Australia

It was noted that the Workshop is taking place at a pivotal moment in the EU-Australia relationship given the recent commencement of negotiations for an EU-Australia Free Trade Agreement. Australia and the EU have a strong history of working together to advance the Sustainable Development Goals (SDGs) and both are working hard on initiatives related to Goal 14 (Life Below Water) and the important issue of marine debris. It was noted that plastics account for 80% of marine debris.

Since 2015 the EU has been steadily progressing initiatives to enable a circular economy. In December 2015, The European Commission put forward the world's first package to support this transition, moving away from traditional approaches to waste and recycling. The *EU Action Plan for the Circular Economy* outlines a set of both general and material-specific actions for all materials and many product streams, further identifying that a special priority strategy would be produced for plastics given the market failures around plastics.



The Circular Economy Plastics Strategy was released in January 2018 and adopted by the European Parliament in May 2018. Current action in the EU includes proposals to ban single-use plastics and to ensure extended producer responsibility for abandoned, lost or otherwise discarded fishing gear.

It was observed that issues relating to resource depletion, carbon emissions, waste management and recycling are increasingly at the forefront of public awareness and that strong public support for measures on single-use plastic items demonstrates that there is a strong desire for action.

Co-Chairs' Remarks

In her opening remarks, Helen Millicer highlighted the need to examine the issue of plastics apart from other materials due to the fact that standard regulatory and financial mechanisms, which support circular approaches for other materials, do not work sufficiently with plastics. Plastics are a key enabling material in many industrial and consumer applications, and modern life. However, due to ease of production as a by-product from oil and gas refinery, plastics are low cost and used in many sectors including packaging, construction, automotive and agriculture. The low cost and wide diversity in plastics and formats has added to difficulties in recovery and reprocessing, and high rates of litter and loss globally resulting in a very linear model, rather than circular one.

She further noted that plastic production is currently highly dependent on finite stocks of virgin fossil gas and oil feedstock and consequent high carbon emissions. She stated that improved circularity measures will decouple plastics production from feedstock scarcity and prices while assisting in meeting carbon emission reduction targets.

"Different and unique ways of thinking and working are required with plastics and the challenge today is to help governments think outside the square."

Dr Mervyn Jones asserted that a key challenge we face is plastics leakage. In addition to poor recycling rates for plastics, both marine plastics pollution and plastic litter are symptoms of plastic items leaking out of the plastic materials loop. Poor understanding of disposal choices by the consumer plays a significant role in material leaking out of the plastics loop. Closing this loop is therefore paramount to forward progress.

He simultaneously stressed that it is vital to recognise the integral and important role of plastics in our economy. It is imperative that we link resources to their economic value and growth in our discussion of the circular economy in order to encourage action and move the plastics industry into a positive spiral of value capture, stronger economics and better environmental outcomes.

"Keeping plastics in the loop is the single greatest way that we can tackle this problem."



Discussion Panel 1: The View from Europe

The following speakers presented to the group:

- Joris van der Meulen, Founder and Managing Director, Elum Resources and Waste Management
- Isabel Ihde, Policy Adviser, Hamburg Chamber of Commerce
- Máté Kriza, Founder and Chairman, Foundation for the Circular Economy

Key themes addressed by the panel included: accountability of businesses as well as government bodies; the importance of a multi-level government approach to the circular economy; the imperative for strong public engagement; and the need for increased infrastructure to meet the pledge recycling targets set by the European Commission.

The speakers specified commercial sector recycling responsibilities in many EU Member States and noted that business engagement has been crucial in moving the circular economy forward. In Hamburg, Germany for example, the fastest growing sector is the clean technology sector, which employs over 300,000 individuals and has a market value estimated at €20 billion. This growth is driven by many ambitious environmental policy goals and targets as well as by companies such as those in the field of secondary raw materials (like copper) who are aware of the scarcity of raw materials.

The ability to pinpoint and measure the material and product contribution made to landfill by companies and businesses has also been important. Businesses are held responsible for their part in reaching material and carbon reduction and recycling targets, and companies and supply chains must cooperate with one another to achieve this. It was noted that there was further room to improve the relationship between government and industry on the matter of the circular economy, for example having government work closely with industry on areas such as product design for repair and disassembly, reuse and recycling, and to ensure that recycling capacities evolve with emerging technologies. This could reduce packaging and overall waste.

Public and community engagement were emphasised as key factors in the success of circular economy approaches. It was stressed that there is a willingness amongst the community to participate in circular economy activities, a willingness perhaps borne out of the recognition of the impact of waste and litter on the environment.

In high-performing EU Member States, such as the Netherlands, community level success started with good public separation and collection infrastructure characterised by extensive separation of products and materials. Efforts included a coordinated approach to recycling between national, state and local government and through the whole supply chain from manufacturer to collector, sorter, to reprocessor, converter and designer. Local governments were identified as the main body that communities referred to for matters of waste and recycling. The public tends to demand and expect corrective measures from their local municipalities, but direction and coordination is also needed from a national level. Therefore, the speakers stressed the usefulness of a united message and approach from national governments, in turn enacted through local governments. The speakers suggested that it was instrumental to engage the public as a first step as they could also put consumer pressure on industries to change.



"It is imperative to involve the whole value chain, success cannot be achieved by initiative of one specific actor. We really need to involve the whole chain, people who have different abilities."

In Europe, international market developments continue to present a challenge to the circular economy. In particular, China's National Sword Policy has exposed the EU's limited plastics recycling capacity and emphasised the imperative to develop further infrastructure in order to become self-sufficient. In some Member States, recycling collections are relatively recent and the appropriate infrastructure does not yet exist, particularly for complex products such as electronics and furniture. Similarly, constant innovation in packaging materials means that it is getting harder to develop methods of recycling these new materials. It is inevitable that costs are involved in developing new infrastructure. Therefore, identifying funding for this, whether from public or private schemes, presents a further challenge to the circular economy in Europe.

The need to rethink along the lines of a circular economy was addressed by the speakers as a way of moving forward and overcoming the various challenges. Instead of focusing solely on recycling, (the last resort in the 'loop') the focus should be on slowing down the demand for natural resources (sustainable consumption and production) and increasing the efficient use of resources. It was highlighted that optimising product and material lifetimes should be at the forefront of our thinking on circular economy. It is also important to think about how a product can be used in various stages of its lifecycle, not just where it goes at the end of its life.

Discussion Points

- The solution has to come from the bottom up as well as top down. Setting targets and moving towards a more circular economy is impossible without the active participation and support of public, business and government.
- A multi-level approach that engages local, state and national governments is imperative to gain attention and support by all players.
- Regulation alone will not propel a circular economy. An approach that balances regulation with incentives and transparent benefits is most effective in reducing consumption.
- Within the EU, the circular economy has been recognised as a social ambition (e.g. green jobs) in addition to addressing resource and environmental issues. By correlating a successful circular economy with increased employment potential, the issue of the circular economy has captured greater political, government and business attention.
- Common EU legislation has been a major push-factor. Directives are set at EU level and these are transposed into national policy that has to be implemented within specific time frames.
- Progressing circular economy principles from a linear economy approach is a significant challenge, particularly without funding or investment leverage to shift from business-as-usual. The EU has addressed this issue by establishing finance schemes to help upstream as well as downstream research and development initiatives. Member States also give specific mandates to the European Investment Bank to take risks and invest in these initiatives.



Discussion Panel 2: The View from Australia

The following speakers presented to the group:

- Peter Allan, Chief Executive Officer, Sustainable Resource Use
- Sophi Macmillan, Chief Executive Officer, Vinyl Council of Australia
- Dr Damien Giurco, Professor of Resource Futures, Institute for Sustainable Futures, University of Technology, Sydney

The speakers observed that, in Australia, some relevant decision-makers appear unaware of details of relevant data and recycling priorities established by circular economy research. Thus, policy choices have sometimes not been based on evidence-based approaches on potential markets and ways to overcome barriers. The results of this are: a lack of understanding and coordinated effort on the circular economy despite willingness across the public and private spheres; a focus on recycling measures that are not top priorities for local markets; and failure to set research-based targets for improvement and systems and monitoring of results. By severely curtailing the amount of recycling materials exported, China's National Sword Policy has presented Australia with an opportunity to build the circular economy market at a local and national level and improve resilience to external shocks.

In Australia there is growing support for progress towards a circular economy, but unlike in Europe, there is a lack of national leadership, action, incentives and investment. Currently almost all policies, programs and investments are made by state and local governments, businesses and charities. There are minimal structures, networks and partnerships carrying these issues and solutions to the state or national level. There are also considerable differences between states in landfill pricing, infrastructure and measures to support the waste hierarchy and the circular economy. There are also no coordinated government measures or programs to address non-packaging plastics in Australia.

"The community has sent a really clear signal that we can see a lot going on in our local communities, but we want to see the national leaders also stepping up and saying that they're committed."

Across Australia's business sector there is a growing desire to engage in circular economy initiatives. Businesses are starting to see the economic and social value of using recycled materials in production, especially due to accreditation and procurement requirements and millennial buying power. A barrier to involvement is a lack of collections and platforms that facilitate business access to clean recyclables, for instance, PVC and expanded polystyrene (EPS) (both packaging and products). These materials cannot be exchanged through existing co-mingled recycling sorting facilities, thus other collection and reprocessing systems are required.

Facilitation of these platforms could enable an economically beneficial direct exchange of quality products and materials that would reduce Australia's dependence on virgin materials, which are subject to external pricing volatility. This would provide a continuous supply of sufficient-quality recycle for incorporation into products designed for longer-term use, thus increasing the profitability and incentive of involvement in the circular economy.



In Australia there is a need for an overarching framework and long-term strategy for the circular economy that unites efforts across cities, states, and the country while mobilising already willing public and industry actors to engage in evidence-based efforts to reduce and ‘close the loop.’

Discussion Points

- High quality data is of fundamental importance to the generation of a circular economy framework.
- The circular economy is about economic development; thus it is relevant at the national level.
- States and local government need the involvement of the federal government on the circular economy.
- Local government is the closest level of government and is highly trusted, therefore national initiatives would need to collaborate with state and local levels to be meaningful.
- Accessible and transparent data is key to consumer and industry decision-making and investment.
- Collaboration on the circular economy between the EU and Australia through government, industry, a cooperative research centre and further joint activity is desirable.
- The appointment of a Commissioner for Circular Economy could potentially spearhead the development of a whole-of-government circular economy strategy, and bring together stakeholders from all tiers of government and industry.
- Long-term strategic planning is vital. Development of circular economy initiatives requires consideration of possible external influences, including the impact of other countries’ policy decisions and the possibility of environmental disasters.

Plastic Planet: Lightning Presentations

The following speakers presented to the group:

- Zdenek Hruska, Public Affairs Director, VinylPlus
- Lauren Heritage-Brand, Policy Adviser, Australian Local Government Association
- Adrian Nicolae, Team Leader - Climate Change, Energy, Circular Economy, Delegation of the European Union for the Pacific

The speakers observed that plastics leakage in the circular economy ‘loop’ is even more severe in remote locations both within and outside of Australia. These small communities face substantial barriers to engagement and action, including immense physical distances for collection and reprocessing and heavy reliance on grants to cover costs. Often the grants offer limited-time funding (1-3 years), then projects cease.

While these locations face significant challenges, engagement with the circular economy offers the potential for job creation and the reduced cost of imported goods and associated waste management. Despite this, incentivising consumer behaviour change remains a difficult challenge. Financial mechanisms and incentives for circularity and recycling on products and packaging, and collection and processing services are often limited or non-existent, resulting in incorrect and potentially hazardous waste disposal such as dumping on land and in marine environments.



These remote communities need more appropriate financial systems, collection and management models and, low-maintenance equipment for material reprocessing in order to sustain a move towards a more circular economy without frequent outside intervention.

The speakers commented on a common theme of the need for increased partnerships across industries, communities, businesses, government departments, universities, and non-profit organisations both domestically and internationally. Resource consumption rates have overtaken the production of natural resources, and we need to rebalance consumption and renewal. Recyclers and material converters and manufacturers need to be connected in order to increase the quantity of material moving back into production and the whole supply chain. Such measures will help reduce waste and close the loop for a more circular economy.

Uniting parties with shared interests in the economic benefits and incentives of circular economy initiatives is key to facilitating further developments at community, business, government and overall societal levels. Voluntary pledges towards involvement in a more circular economy have seen success, including an independent auditing process involving a cross-section of civil, societal, and business interests.

Discussion Points

- Perceptions matter, thus provision of true information about production and recycling processes is important to help governments and companies in supply chains, as well as the public, make informed economic decisions.
- Eco-labels for products, and new eco-design initiatives such as the introduction of a star-rating for product life, can help consumers make more informed decisions.
- Remote locations need simple, low-maintenance, practical solutions to recycling and waste management issues and coordination.
- Financing is important and especially so for remote locations. Funding solutions must be viable for the challenges these communities face, including having market access and sizes too small to generate interest.
- Consumer perception of environmental issues does not align with conclusions made by available data.
- The public's enthusiasm should be integrated into an effort to bridge the gap between consumer perception and the actual issues being faced.
- The cheap price of available goods is a fundamental consumption challenge to be addressed by introduction of funding and/or regulatory models for cost recovery in progressing towards a more circular economy.
- Extended producer responsibility can finance programs that support the circularity and recovery of products and packaging for a more circular system. This has been a key policy in the EU.
- Different places and products require different financial and regulatory models to support the right type of change for reduced consumption and disposal of non-circular goods.



Recommendations for EU-Australia Cooperation on Circular Economy

Collaboration for Global Outcomes

Participants observed that the EU and Australia have the opportunity and imperative to demonstrate leadership beyond their respective borders, especially on implementing a circular economy for plastics and addressing ocean plastics/marine litter. Noting the importance of circular economy principles to the realisation of SDG's 12 and 14, and acknowledging the urgent nature of the waste and plastics challenge faced by all countries including small island states, the Workshop made the following recommendations:

1. Establish an EU-Australia official dialogue on Circular Economy; and
2. Explore opportunities for EU-Australia joint action on circular economy, waste management, recycling and plastics to be integrated into bilateral development cooperation in the Pacific region and other areas of common interest.

Information Sharing and Knowledge Exchange

Participants agreed on the inherent value of information sharing and knowledge exchange between the EU and Australia, particularly with reference to the role of government in driving change and encouraging new business models to reap the economic, social and environmental benefits that circular economies will deliver. With regard to information sharing and knowledge exchange, the Workshop made the following recommendations:

3. Create channels to exchange knowledge on waste hierarchy enacted in legislation, regulation, labelling, procurement and other measures, how this has been achieved and its benefits and costs;
4. Establish sponsored EU-Australia learning visits and circular economy twinning initiatives, to improve government/industry/civil society/academic collaboration;
5. Invest in circular economy curriculum development and training for business, government and researchers; and
6. Develop mechanisms, such as collaborative agreements, through which the lived experiences of EU business and multinationals can be shared, with a view to stimulating business supply chain opportunities and encouraging the implementation of similar frameworks in Australia.
7. Invite an Australian Observer member (or members) to the European Circular Economy Stakeholder Platform.

Research and Innovation

Participants noted the critical importance of the EU and Australia working together to research and generate innovative ideas to assist in the convergence of circular economy targets. As such, the Workshop made the following recommendations:

8. Undertake shared mapping of the EU-Australia circular economy research agenda;
9. Establish an EU-Australia Research Centre on Circular Economy;
10. Establish common definitions and indicators to aid comparability;



11. Create an EU-Australia Circular Economy Scholarship fund, co-financed by government and industry, to encourage innovation and research between European and Australian teams; and
12. Invest in analysis and information exchange on real impact of landfills, incineration, circularity of material flows on economics, jobs, environment and climate change.

Financing Arrangements

Participants noted the need for identifying special financial measures (from local to global in scale) to address the market failures around plastics production, use, recycling, litter and negative impacts upon the environment, particularly the marine environment and unnecessary carbon emissions. As such, the workshop made the following recommendations:

13. Identify the measures and implementation pathway that reinforces the waste hierarchy and also rectifies the imbalance between virgin plastics and reprocessed plastics for improved circularity;
14. Adapt existing financial measures and introduce new measures that level the balance sheet in favour of improved circularity of plastics and reduced litter;
15. Introduce financial measures (incentives and penalties) that work at small and large scale to support innovation, new business, jobs, reduced litter and improved circularity; and
16. Undertake joint research into the formation of fiscal or other incentives, such as a plastics tax, that supports increased recovery from land and oceans, and improves the economics of circular plastics.



ANNEX I: Participant List

Australian participants

- Helen Millicer (Co-Chair):** Principal, One Planet Consulting, Churchill Fellow
Peter Allan: Chief Executive Officer, Sustainable Resource Use
Jodie Bricout: Chief Executive, Loop Circular Economy Platform
Peter Brisbane: Government Partnership Manager, Australian Packaging Covenant Association
Ian Campbell-Fraser: Director, Waste and Governance Policy, Department of Environment, Land, Water and Planning, State Government of Victoria
Dr Damien Giurco: Professor of Resource Futures, Institute for Sustainable Futures, University of Technology, Sydney
Lauren Heritage-Brand: Policy Adviser, Australian Local Government Association
Justin Koek: Director, China National Sword, NSW Environment Protection Authority
Sophi Macmillan: Chief Executive Officer, Vinyl Council of Australia
Han Michel: Director, Society of Plastic Engineers

European participants

- Dr Mervyn Jones (Co-Chair):** Director, Sustainable Global Resources
Leontien Cenin: Circular Economy Consultant, Stantec Netherlands
Marianne Haugland: Policy Adviser KS Enterprises and Chair of Expert Group on Waste and Circular Economy, Council of European Municipalities and Regions
Zdenek Hruska: Public Affairs Director, VinylPlus
Isabel Ihde: Policy Adviser, Hamburg Chamber of Commerce
Máté Kriza: Founder and Chairman, Foundation for the Circular Economy
Adrian Nickolae: Team Leader - Climate Change, Energy, Circular Economy, Delegation of the European Union to the Pacific
Joris Van der Meulen: Founder and Managing Director, Elum Resource and Waste Management

Officials and Observers

- Adam Bruun:** Head, Pacific Regional Office, European Investment Bank
Dr Ross Lambie: Chief Economist, Assistant Secretary – Economics and Analysis Branch, Australian Government Department of the Environment and Energy
Ryan Neelam: Acting NSW State Director, Australian Department of Foreign Affairs and Trade
Alida Ritsema: Deputy Consul General, Consulate-General of the Kingdom of the Netherlands
Dr Ferenc Tóth: Deputy Head of Mission, Embassy of Hungary
Scott Wyatt: Adviser, Environment and Energy, Delegation of the European Union to Australia



EU-Australia Leadership Forum Team

Dr Bryce Wakefield: Team Leader and Deputy National Executive Director, Australian Institute of International Affairs

Amber Carvan: Key Expert for Media and Communications

Dr Michael Zetting: Key Expert for Events

Mia Bartoloni: Project Assistant, Rapporteur

Allison Kephart: Project Assistant, Rapporteur