

Impact of China's National Sword Policy

A submission to Polytrade

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1 Introduction

Since 1980, China had been the world's largest importer of recycled paper and plastics. Chinese buyers purchased mixed paper and plastic with higher levels of contamination and at higher prices than Australian domestic markets could use or afford. Australia has been relying heavily on China for recycling, with an estimated two thirds of recovered mixed plastics exported there for processing and recycling¹.

In mid-July 2017, China notified the World Trade Organization (WTO) that it plans to ban the import of post-consumer plastics, textiles, unsorted paper, artificial fibres, and certain metals along with a variety of solid wastes and recyclables (the ban), that are commonly exported by Australian companies.

In addition to materials banned outright, some sub-categories were to be subject to a 0.5% contamination rate (including OCC, Old Corrugated Cardboard²) which is so restrictive that the industry views it as an effective ban³. The UK's Resource Association considers those quality demands "impossible" since supply chains in the UK and elsewhere cannot meet them⁴. Moreover, this extremely restrictive contamination rate means that exporters are unlikely to send recyclables to China, even when the 0.5% threshold is met, as they do not want to risk having shipments returned.

The ban is part of a pre-existing program called "Operation Green Fence", which began in 2013, aiming to reduce waste importation and contamination of recyclable materials. The latest phase of this operation, which is called "National Sword", bans the import of many materials and increases enforcement.

The import ban was announced in Sept 2017 and was effectively implemented on 1 Jan 2018 with minor modifications. China however has already been restricting imports by limiting import licenses/quotas⁵ even before the ban came into effect.

The abruptness and uncertainty created by China's announcement has resulted in major disruptions in global recycling markets. The ban is a national and international issue that affects waste management companies and governments around the world. However, its negative effects are also very local as, in most places around the world, there is no capacity in the recycling markets to absorb the materials which China intends to ban.

Similarly, operators (private and public) that have entered into contracts for the management of waste and recyclables, based on the conditions and market outlook preceding the announcement of the ban, are now not able to fulfil their obligations due to the collapse of the demand for recyclables.

The Chinese Government has already limited the issuance of new permits, while Chinese authorities are enforcing inspections on recovered paper shipments. The reduced import allowances are expected to continue throughout 2018 and beyond^{2,6}.

¹ www.packagingnews.com.au/sustainability/china-s-national-sword-threatens-australia-s-circular-economy

² <http://www.wastedive.com/news/surprise-occ-price-drop-seen-as-latest-sign-china-is-serious-about-new-trad/506311/>

³ <https://resource-recycling.com/recycling/2017/08/22/china-offers-clues-will-wont-allowed/>

⁴ <https://www.mrw.co.uk/opinion/leader/national-sword-the-lull-before-the-storm/10023924.article>

⁵ <https://www.wastedive.com/news/arrests-limited-import-licenses-are-latest-developments-in-chinas-scrap-p/510423/>

⁶ <https://resource-recycling.com/recycling/2017/09/06/roundup-latest-developments-chinas-ban/>

2 Increasing control over waste imports

2.1 Green Fence

Between 1995 and 2016 Chinese imports of waste grew tenfold, from 4.5m to 45m tonnes, while since 2007 recyclables have been one of the largest imported materials into China.

In April 2011, China adopted regulations (known as Article 12) aiming to reduce contamination in imported material: *“In the process of importing solid waste, measures shall be taken to prevent it [imports] from spread[ing] seepage and leakage or other measures to prevent pollution of [the] environment.”*

In February 2013, the Chinese government decided to aggressively enforce Article 12 in order to improve the quality of the imported recyclables through “Operation Green Fence”. The operation involved the detailed inspection of incoming material to prevent the importation of highly contaminated recyclables and waste.

In the first year of Operation Green Fence, almost 70% of all incoming containers loaded with recyclables were subjected to thorough inspections. Shipping substandard material could lead to importation license revocation while recyclers were also at risk as they would have to pay for the return of a container full of non-recyclable materials. While the number of containers that were found to be unqualified for import were very low (about 0.04%), it still represented a large number of containers – almost 22,000 in the first year⁷.

Although following the launch of Operation Green Fence, recyclers around the world worked to improve the quality of recyclables to keep material flowing to China, recycled PET exports fell from 34% of collected PET bottles in 2012 to 23% the next year⁸.

2.2 The National Sword

In February 2017, China’s General Administration of Customs announced it would begin a one-year crackdown on the smuggling of waste and scrap as part of National Sword 2017, a larger effort to combat smuggling of agriculture products, guns, drugs, and resource commodities. During this crackdown, a team of inspectors was charged with visiting all Chinese waste and scrap importers, reportedly with the aim of decreasing the number of import permits by 60%⁹.

On 1 July 2017, the Chinese Ministry of Environmental Protection (MEP) launched a month-long campaign to crack down on pollution from imported-waste processing, with 420 inspectors selected from 27 provincial regions forming 60 teams to conduct investigations. Following campaign commencement, the China Scrap Plastics Association said that 590 of the factories processing imported waste were found to have rule violations, with 349 put under investigation⁹.

On 6 August 2017 the five Chinese government agencies of: (1) Ministry of Environmental Protection (MEP), (2) Ministry of Commerce, (3) Development and Reform Commission, (4) General Administration of Customs, and (5) General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), announced the 24 banned materials to the WTO through *Announcement No. 39 of 2017* through a series of trade notifications (one for each stream/group of streams).

The Chinese Government cited the protection of human health and the environment as the reason for the ban, with the five agencies stating that it is part of their efforts to comply with the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, China’s Environmental

⁷ <http://www.waste360.com/business/what-operation-green-fence-has-meant-recycling>

⁸ <http://www.plasticsnewseurope.com/article/20170724/PNE/170729960/china-plastic-scrap-ban-reactions-range-from-devastating-to-an-opportunity>

⁹ https://www.uscc.gov/sites/default/files/Research/October%202017%20Trade%20Bulletin_0.pdf

Pollution Prevention and Control Law for Solid Waste and other Chinese government measures. 24 items are targeted:

- eight (8) types of postconsumer plastic scrap,
- one (1) type of unsorted scrap paper,
- eleven (11) types of used or scrap textile materials, and
- four (4) types of metal slag that contain vanadium.

In summary, the Chinese MEP stated an adoption date of 31 December 2017 for the new contamination standards, with “entry into force” proposed for 1 March 2018¹⁰. On 11 January 2018, China confirmed the contamination standards¹¹. In practice, the import ban has already been in effect since 31 December 2017¹² with the following contamination thresholds for different material categories:

- 0.5% for waste and scrap of plastics; waste and scrap of paper or paperboard; smelt slag; wood; waste electric motors; wires and cables; metal and appliance scrap; ferrous metals.
- 1% for non-ferrous metals.
- 0.3% for automobile scrap remains.

¹⁰ <https://www.recyclinginternational.com/recycling-news/10933/business/asia/industry-concern-china-confirms-new-thresholds-contaminants>

¹¹ Final Environmental Protection Control Standards for Imports of Solid Wastes as Raw Materials (GB 16487.2-13), <http://www.bir.org/news-press/latest-news/published-chinese-environmental-protection-control-standards-for-imported-solid-wastes-as-raw-materials/>

¹² <http://www.recyclingtoday.com/article/plastic-scrap-china-import-ban-2018-mixed-paper/>

3 Effects on industry

China is a global key market for recyclables. Its unexpected withdrawal from the trading of recyclables has resulted in lower demand and lower prices. At the moment, there are no alternative markets or processing options for a range of material (mainly in terms of quantity). Some material can be sold in other markets, particularly in Asia, but demand is lower than supply and therefore price has fallen. Therefore, the consequences of the Chinese ban are expected to be far reaching, affecting Australian and overseas exporters, Chinese importers and eventually waste generators, including Australian councils.

3.1 Australia generation of banned materials

According to the Waste Management Association of Australia, the Chinese ban affects an annual average of 619,000 tonnes of materials generated in Australia worth \$523 million¹³.

Table 1 summarises the available information on the quantity and export value of the banned materials generated in Australia in recent years.

Table 1 Banned materials generated in Australia and exported

Banned classes	Banned types	Quantity generated in Australia 2014/15	Quantity exported from Australia 2011/12	Value of exported material
Plastic waste from living sources (English translation: postconsumer plastic scrap (waste, parings and scrap of plastics))	Ethylene polymer (PE, polyethylene) scrap and waste	2.5m tonnes of plastic waste	45,000t of waste plastic exported to China (39% of total exported)	\$16m (exported to China)
	Styrene polymer (PS, polystyrene) scrap and waste			
	Vinyl chloride polymer (PVC) scrap and waste			
	Polyethylene terephthalate (PET, a form of polyester)			
	Other related waste/scrap plastics/polymers			
	Not elsewhere classified (Post-industrial recycled plastics 1)			
	Not elsewhere classified (Post-industrial recycled plastics 2)			
	Not elsewhere classified (Post-industrial recycled plastics 3)			
Unsorted scrap paper	Other recovered paper or paperboard, including unsorted waste and scrap	5.3m tonnes of paper & cardboard	440,000t waste & scrap paper, paperboard or cardboard to China (10% of total exported)	Unknown
			941,000t of waste paper and cardboard exported to China (64% of total exported)	\$146m (exported to China)

¹³ <http://www.abc.net.au/news/2017-12-10/china-ban-on-foreign-rubbish-leaves-recycling-industry-in-a-mess/9243184>

Banned classes	Banned types	Quantity generated in Australia 2014/15	Quantity exported from Australia 2011/12	Value of exported material
			total exported)	
Used or scrap textile materials	Waste wool or fine or coarse animal hair, including yarn waste, excluding garnetted stock	Unknown		Unknown
	Cotton waste (including yarn waste and garnetted stock)			
	Garnetted stock of wool or fine or coarse animal hair			
	Waste (including noils, yarn waste and garnetted stock) of synthetic fibres			
	Used or new rags, scrap twine, cordage, rope and cables and worn out articles of twine, cordage, rope or cables, of textile materials			
	Other new or not used rags, including scrap twine, cordage, rope and cables and worn out articles of twine, of textile materials			
	Waste of fine hair of other animal, including yarn waste but excluding garnetted stock			
	Waste of coarse hair of other animal, including yarn waste but excluding garnetted stock			
	Garnetted stock of cotton			
	Other cotton waste			
	Waste (including noils, yarn waste and garnetted stock) of artificial fibres			
Metal slag containing vanadium	The scum and slag with vanadium produced by smelting the steel, containing vanadium pentoxide more than 20%(other than granulated slag produced by smelting the steel)	5.2m tonnes of metal waste, 11m tonnes of fly ash waste	3.6m tonnes waste metals (waste and scrap of cast iron, ferrous metals, gold, copper and aluminium) (82% of total exported)	Unknown
	Other scum and slag with vanadium produced by smelting the steel (other than granulated slag produced by smelting the steel)		592,000t waste metal exported to China (31% of total exported)	\$602m (exported to China)

Banned classes	Banned types	Quantity generated in Australia 2014/15	Quantity exported from Australia 2011/12	Value of exported material
	Slag, ash and residues, containing by weight more than 10% but not exceeding 20% of V2O5(other than from the manufacture of iron or steel)		Unknown	Unknown
	Slag, ash and residues, containing by weight more than 20% of V2O5 (other than from the manufacture of iron or steel)		Unknown	Unknown
	TOTAL WASTE EXPORTED: 4.4m tonnes (China received 32% of Australia's total waste export)			\$2.4m
References: http://www.abs.gov.au/ausstats/abs@.nsf/Products/4602.0.55.005~2013~Main+Features~Australia%27s+International+Trade+in+Waste https://resource-recycling.com/resourcecycling/wp-content/uploads/2017/07/CHN1211.pdf https://www.mrw.co.uk/latest/update-china-to-ban-plastics-and-unsorted-paper-imports/10021778.article http://hs.e-to-china.com/ks-6310900010-d_3-t_2.html				

3.2 Effect on recyclables markets

China had been the largest importer and processor of recyclable materials in the world, taking in more than 30 million tonnes of waste from Australia, Europe, the United States and Japan. As a result of National Sword, recyclables cannot be sold, their price has collapsed¹⁴ and they are being stockpiled in facilities around the world until a solution is found.

The effect is being felt throughout the supply chain, particularly by Material Recovery Facility (MRF) operators. Until recently, MRFs had been earning most of their revenue through the sale of recyclable paper and cardboard and plastic. With the collapse in value of these materials (Table 2 and Figure 1) MRF operators will either have to cease operations or secure higher front gate revenue (the gate fee Councils pay) to cover the loss.

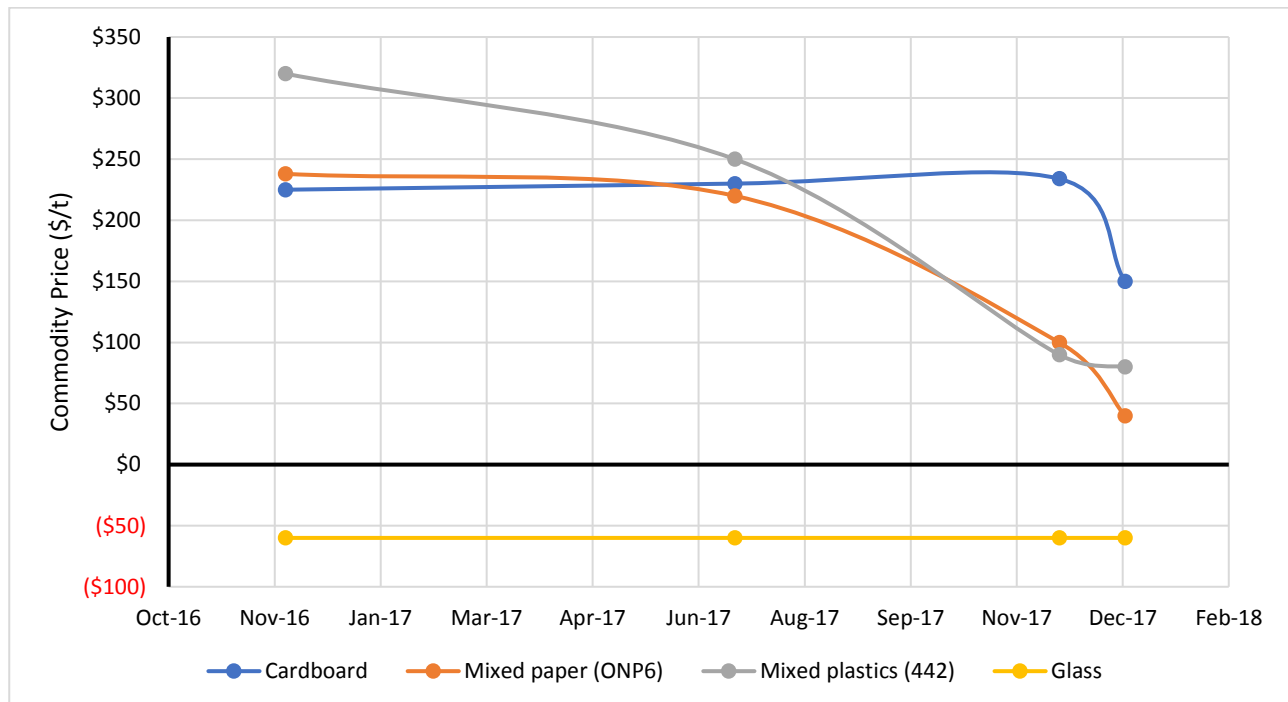
Table 2 Change in the price of key recyclables following Sept 2017 when China reconfirmed National Sword to the WTO

Material	Price over previous decade (\$/t)	Post Sept 2017 (\$/t)	% of all household recycling
Mixed paper	\$200-250	\$80	50%
Mixed plastic	\$350 (\$400-450 for PET and HDPE)	\$50	6%
Glass¹⁵	\$72	-\$60	35-40%

¹⁴ Commenting on the situation, Garth Lamb, WMAA's president noted that the market is flooded with recycling material and the price has collapsed to the extent that "We don't actually even have a price benchmark in some cases because so little material is now trading..."¹⁴.

¹⁵ Although not a result of the China ban, the collapse of the price of glass (it is now cheaper to import whole green bottles from Mexico than to make green bottles from recycled glass) exacerbates the revenue issues faced by MRF operators who cannot offer low front gate fees to Councils.

Figure 1 Recent commodity price data



3.2.1 International impact

In the USA, the largest exporter of scrap commodities in the world, the effect of the ban has been felt in both the stock and the commodities markets.

China's new trading policies were cited as key factors in the downgrading of most publicly traded waste service providers in the USA. Although recycling represents only part of the activities of these companies, the downgrading resulted in significant drops in their shares value (by 3.7% for Waste Management, 4.9% for Republic Services, 7.9% for Casella Waste Systems, 3.7% for Advanced Disposal and 1.3% for Waste Connections¹⁶).

The commodities market was also affected with significant price drops that extended to OCC, despite the fact that it is considered one of the few remaining profitable commodities. OCC export prices in the USA have been declining since July and were down 5% in August and 17% in September¹⁷.

Although OCC wasn't listed among the banned materials in China's July filing to the World Trade Organization, it is still subject to the new 0.3% contamination standard and has been more immediately affected by a shortage of import permits. Starting in May 2017, the Chinese government has been restricting or revoking recovered paper permits and may not begin issuing new ones until later this year. Recovered OCC prices in China have nearly doubled as domestic demand increases.

3.3 Effect on recycling systems

For Australian councils, the above will result in increased expenditure as they would need to start paying (or pay more) for MRFs to accept recyclables. In a worst-case scenario, councils might even have to pay for the disposal of recyclables to landfill in the event that alternative markets are not found. For metropolitan councils in most states, costs will be much higher since these materials would attract the waste levy.

¹⁶ seekingalpha.com/news/3299449-stifel-turns-nose-solid-waste-names-wm-rsg-cwst-downgraded Accessed 4 October 2017.

¹⁷ www.risiinfo.com/industry-news/risi-viewpoint-great-uncertainty-in-the-global-recovered-paper-markets

Already Horsham Rural City Council in Victoria plans to begin stockpiling recyclables in the hope China "changes its mind", while Moyne Shire recognises that, despite believing it to be "environmentally and socially" wrong, there is a chance that councils would be forced to explore putting recycling into landfill¹⁸.

In WA, there is an expectation that as a result of the ban, household waste charges will increase, and Perth's low recycling rates will plummet further¹⁹.

Councils all over Australia have been calling on the state and federal governments to take the initiative in finding a solution.

3.3.1 Contractual implications

The effect of China's ban is being felt worldwide including in Australia where service providers are increasingly exploring their options. Although contractual agreements are in place, the economics of the ban mean that operators of MRFs are extremely unlikely to both fulfil their contractual obligations and remain solvent. Eventually the increased cost of recyclables management will need to be borne by waste generators. To avoid risking bankruptcy, operators have started negotiating with waste generators.

Currently MRA is aware of the following approaches to addressing the issue in Australia.

3.3.1.1 Good faith negotiations

China's ban on recyclables has created real and pressing problems for MRF operators around the world. Operators can no longer earn revenue from selling recyclables. Moreover, material is being stockpiled as often there is no market for it even at prices much lower than anticipated.

Essentially councils can recognise the operators' predicament and the fact that if forced to continue honouring existing contracts, MRFs are likely to go bankrupt.

Therefore, negotiating a new contractual arrangement or mutually agreeing to void the existing contract (allowing councils to seek different arrangements) can be a mutually beneficial outcome of negotiating in good faith.

3.3.1.2 Change in law

Given the nature of China's changed stance, MRF operators may choose to trigger the "change in law" clause that exists in most, if not all, waste management contracts. This clause usually releases the operator from (some of) its obligations under the contract if there is a significant "change in law" during the contract period. This is the clause that has facilitated MRFs' passing on landfill levy costs to councils and other clients.

MRA has sought and received general legal advice in respect of China's National Sword. That general advice states two principles:

1. A claim for change in law can include laws in any jurisdiction in which there is a connection to the performance of contracted services.
2. The relevant test is not the location of the change in law but its consequences in respect of increased costs of operation.

MRA advises that each relevant contract be assessed in its merits.

3.3.1.3 Force majeure

Recently Visy in Victoria has claimed that it had become "commercially unviable" to accept materials to be recycled, blaming the decision by China to ban the import of recyclable materials from 1 January 2018. To

¹⁸ <http://www.theage.com.au/victoria/recycling-on-the-brink-of-collapse-in-victoria-20180131-p4yz5f.html>

¹⁹ <https://www.perthnow.com.au/politics/local-government/wa-to-be-hit-by-china-recycle-ban-ng-b88716545z>

release itself of contractual obligations and suspend contracts, Visy invoked the clause of “force majeure”. Visy has informed collection contractors it would no longer accept their waste from 9 February 2018^{20,21}.

Contractors and several Victorian councils (including Greater Shepparton, Macedon Ranges, Horsham and Ararat) are now negotiating with other Melbourne recycling companies such as SKM Recycling and Polytrade to find a solution in the next 10 days.

3.3.2 Impact on source separation

As waste begins to back up through the recycling system, the oversupply and lower demand causes it to start losing value. In addition, the recycling industry fears that having to landfill recyclables would greatly damage the kerbside recycling systems, as efficient source separation has historically been achieved through lengthy efforts and education.

3.3.2.1 International impact

With the lack of available markets for certain materials and the strict contamination specification for shipping to China for others, there are reports that small municipalities in the state of Oregon, USA are taking the unprecedented step of informing residents that they can no longer put any plastic items or cartons in their kerbside bins²². The waste management company’s rationale behind this move was that the contamination risk and low market value no longer made it viable to collect these materials²³. Similarly, in Madison, Wisconsin, USA, the council announced that it would stop accepting rigid plastics for recycling because of the ban²⁴. Reports of recyclables stockpiling in the USA are widespread²⁵.

3.4 Alternative markets and potential mitigation

While better source separation and improved MRF performance could alleviate China’s contamination concerns, achieving a 0.5% contamination rate is infeasible, especially in the short term. Even as a long-term solution, this approach would necessitate very high investment in education and infrastructure and therefore would likely render resource recovery financially unviable.

As an alternative, materials collected for recycling could go to Energy from Waste (EfW) facilities for energy recovery through incineration to generate electricity and improve energy self-sufficiency. Unfortunately, Australia does not have large scale EfW infrastructure and developing it would require significant time and investment. Moreover, compared to recycling, EfW is a lower order waste management outcome, as the resource is destroyed.

Other alternatives are:

- Landfill:
 - Not ideal as the resource is lost and it would undermine kerbside recycling efforts;
- Materials could be stored until new markets are found:
 - Potential issues with fires at sites where recyclable materials are stored and;
 - Space restrictions;
- Limit the materials’ use and functions:

²⁰ <http://www.proprint.com.au/News/391710,visy-withdraws-from-vic-recycling.aspx>

²¹ <http://wastemanagementreview.com.au/visy-reportedly-invokes-force-majeure-residential-waste-contracts/>

²² <http://www.wastedive.com/news/oregon-recyclers-are-cutting-service-because-of-chinas-import-policies/506910/>

²³ <http://www.wastedive.com/news/china-causing-oregon-deq-to-consider-unprecedented-recycling-disposal-waive/507512/>

²⁴ <http://www.cityofmadison.com/streets/recycling/plastic.cfm>

²⁵ <https://www.usatoday.com/story/news/world/2018/01/02/mountains-u-s-recycling-pile-up-china-restricts-imports/995134001/>

- Long term solution but only for materials that are disposable for convenience - materials that are disposable by necessity for hygiene purposes (e.g. blood bags and other medical items) would still need to be used and then recovered; and
- Recycled plastic could be used to provide chemicals to the petrochemical sector, fuels to the transport and aviation sectors, material for food packaging and many other applications:
 - Infrastructure requirements make this a long-term solution, if financially viable.

3.4.1 Development of alternative markets

Mitsubishi Materials, Japan, has responded to China's tightening grip on imported waste for recycling by announcing their plans to build a reprocessing and refining plant in the Netherlands to capture electronic waste bound for China²⁶. Demand for recyclables is growing in India, Southeast Asia and Latin America, but not at the rate needed to replace what is sent to China.

²⁶ <https://www.bloomberg.com/view/articles/2017-10-08/china-doesn-t-want-world-s-trash-but-japan-does>

4 Industry response

The waste management industry in Australia and overseas has been following the developments surrounding the ban and seeking to engage with China to understand the full implications of the announcement.

In the USA, the recycling industry has protested the ban, noting that its implementation period was unworkable, that requests for clarification on China's restrictions have gone unanswered, and that the ban would harm both USA exporters and Chinese manufacturers²⁷. The same concerns also apply for Australian recyclers, as the lost Chinese demand is not easy to replace, and it would take a while to build the domestic capacity needed to process the displaced recyclables.

Waste collectors around the world are seeking out recyclables customers in other parts of Asia and Latin America. However, they acknowledge that China's purchasing power is needed in the global market to avoid having to landfill some of the collected materials.

4.1 Global response

Five WTO members, including Australia, the EU and the USA, have questioned China's import ban on solid waste at the October 3rd meeting of the WTO Committee on Import Licensing. The Chinese WTO delegation has not responded to these questions, only promising to convey the message to the Chinese government²⁸.

Various waste management associations, including the Institute of Scrap Recycling Industries (ISRI)²⁸ and the USA National Waste & Recycling Association²⁹, are working with their members and other associations to raise awareness in their respective and Chinese governments. In the UK, four sector bodies (Resource Association, Confederation of Paper Industries, Recycling Association and Environmental Services Association) wrote to the Department for Environment, Food & Rural Affairs (Defra), calling for action to support the recycling industry and requesting a high-level mission to Beijing to negotiate. Similar moves are underway in the EU with its Market Access Advisory Committee in Brussels discussing support from member states for action⁴.

4.2 Australian response

In addition to its role in the WTO process, Australia has reportedly raised concerns over this issue both in the Geneva meeting and directly in Beijing.

The Australian Peak Shippers Association (APSA), which maintains that China's ban needs to be closely scrutinised against its WTO obligations³⁰, is reported to be working closely with the Department of Foreign Affairs and Trade (DFAT, which held a roundtable with industry representatives in August) in response to the ban, as well as industry bodies³¹. DFAT was also reported to be seeking input from industry to appraise the implications of the ban and formulate an official response³².

²⁷ <http://www.isri.org/docs/default-source/default-document-library/isri-comments-to-the-wto-re-notification-gtbtchn1211-august-18-2017.pdf?sfvrsn=2>

²⁸ https://www.wto.org/english/news_e/news17_e/impl_03oct17_e.htm

²⁹ <http://www.recyclingtoday.com/article/nwra-position-china-recyclables-ban/>

³⁰ <http://wastemanagementreview.com.au/transport-macroeconomic-headwind/>

³¹ <https://www.itm.com.au/14-industry-news/230-china-waste-import-ban>

³² <http://www.industryupdate.com.au/article/china-waste-bans-create-opportunities-australian-smes-and-manufacturers>

Media Release

The Hon Lily D'Ambrosio MP

Minister for Energy, Environment and Climate Change
Minister for Suburban Development



Getting Things Done.
Making Things Fair.

Friday, 23 February, 2018

STEPPING IN TO SUPPORT INDUSTRY AND COUNCILS WITH RECYCLING

The Andrews Labor Government is stepping in to help councils and industry affected by China's decision to stop the import of low quality mixed recyclable materials.

The Labor Government will provide a \$13 million package for councils and industry to support the ongoing kerbside collection of household recyclable waste.

The assistance will support all councils impacted by China's decision to restrict the import of recyclable materials – giving them and their contractors time to develop longer-term solutions, including renegotiating contracts.

To assist the recycling industry reset in the medium to long-term, the Government will also establish a recycling industry taskforce to develop a strategic plan for industry transition.

While China has not completely banned the import of all recycled plastic and paper, they now require a cleaner, more processed version of these materials.

The Victorian recycling industry is already taking steps to upgrade infrastructure and systems so it can meet those standards, however this process will take time.

The Labor Government is making record investments in programs to develop markets for recovered resources, facilitate private investment in resource recovery infrastructure, and educate households and businesses about how to better manage waste

Council assistance will be provided until 30 June 2018. Councils will be required to meet any increase in recycling costs from 1 July 2018 onwards.

Quotes attributable to Minister for Energy, Environment and Climate Change Lily D'Ambrosio

"While recycling is ultimately a matter for local councils, we're stepping in to help councils and industry affected by China's new import rules."

"This is about protecting jobs and ensuring Victorians have confidence to continue recycling."

"We're already investing at record levels to manage waste in the long term and we will continue to work with industry and local government to help them address these challenges."



The Hon Gabrielle Upton MP
Minister for the Environment
Minister for Local Government
Minister for Heritage

DOC18/135127-01

Mr Graeme Faulkner
General Manager
City of Lithgow Council
PO Box 19
LITHGOW NSW 2790

By email: council@lithgow.nsw.gov.au

Dear Mr Faulkner

China's National Sword Policy – impacts on NSW local government

I am writing to update you on actions the Government has taken to respond to China's National Sword policy and to outline steps that you can take to build your community's resilience to the impacts of China's National Sword policy.

China's National Sword policy requires recyclable products that were previously sold to China by Australia to meet higher quality limits. This means that some products from NSW can no longer meet China's standards, without further processing.

The impacts of China's stringent enforcement of its policy are already being felt, especially in NSW and Victoria. It is vital that councils continue to work with their residents to maintain public confidence in our recycling system and to ensure that the community continues to put the right materials in their kerbside recycling bins. This will ensure that products collected for recycling in NSW can be recycled.

This week I met with representatives, from across state and local government, industry, the not-for-profit sector and environment groups, at a forum aimed at ensuring NSW is managing China's decision in a way that maintains a recycling collection and processing service in NSW.

It is important that councils continue to engage directly with their recycling collection and processing contractors to ensure that these services continue to operate. However, some Materials Recovery Facility (MRFs) are having difficulty finding places to sell the recovered products to while industry adjusts to this policy change.

To assist industry in the interim, the NSW Environment Protection Authority (EPA) has offered to consider temporary variations to stockpile requirements, on a case by case basis and subject to conditions. Temporary relief of any proposed changes to stockpiling needs to be carefully balanced to ensure the ongoing safety of the community and the environment.

The EPA is available to provide support and advice to councils that are currently not required to hold an Environment Protection Licence but that may be required to become licensed due to an increase in the amount of material stored on site.

For MRFs that are privately operated, and where council is the consent authority for their planning approval, the EPA may require further support and assistance to review the stockpiling limits.

The second key outcome of the forum was a need to urgently identify local uses for recyclables. Glass sands, for example, may be used in civil works such as road making or pipe laying. I understand that some councils may be able to use this product in local civil works and infrastructure projects. The EPA can provide you with technical support to undertake these projects.

If you have questions in relation to your operating conditions or would like further information, please contact Cate Woods, Manager Regional Waste Compliance on 02 4224 4114 or at cate.woods@epa.nsw.gov.au.

I look forward to continuing to work with the local government sector to ensure we can maintain a robust recycling collection and processing service for our communities.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Gabrielle Upton'.

Gabrielle Upton MP
Minister for the Environment
Minister for Local Government
Minister for Heritage

[REDACTED]

From:

Subject:

[REDACTED]

FW: BREAKING: LGNSW President, Linda Scott calls for support for local government at today's Senate at Inquiry into Waste and Recycling

FYI



Greg Turner
Chief Operating Officer - Municipal

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From: LGNSW [<mailto:lgnsw@lgnsw.org.au>]

Sent: Wednesday, 14 March 2018 1:37 PM

To: LGNSW

Subject: BREAKING: LGNSW President, Linda Scott calls for support for local government at today's Senate at Inquiry into Waste and Recycling

Dear Mayors, Councillors and Council staff,

Local Government NSW President Linda Scott has today appeared before the Senate Environment and Communications References Committee Inquiry into waste and recycling today to call for local government to be better supported through the current global recycling crisis.



The inquiry is looking at the waste and recycling industry in Australia, including the role of the Australian Government in providing a sound approach to the management of waste.

It was originally initiated due to the transportation of waste to Queensland, but China's decision to enforce stricter rules on the acceptance of foreign waste have provided it with further impetus.

Linda emphasised that China's National Sword Policy has brought the current vulnerability of the recycling industry in Australia - and councils' role in waste management - into stark relief, and called for immediate action for Federal and State Government support.

On your behalf, Local Government NSW has been calling for:

- immediate financial assistance for councils and communities, in the form of the hundreds of millions of dollars in waste levies collected from the community each year to be fully reinvested to support recycling in NSW;
- fast tracking of approvals for on-shore reprocessing and remanufacturing;
- policy that would increase producer responsibility by mandating the use of recyclable materials and
- a whole-of-government approach to recycling in NSW.

On Monday 12 March Linda wrote again to the Hon. Gabrielle Upton, Minister for the Environment, Local Government and Heritage, to call on the NSW Government to take actions to respond to China's National Sword Policy.

While we welcome the Government's proposal to consider temporary increases to stockpile limits, LGNSW is fighting for you to see more actions to assist councils and ensure the stability of recycling in NSW.

Please email [Susy Cenedese](#), Strategy Manager, LGNSW, if the global recycling crisis is affecting your area so we can continue to update you on the outcomes of the Senate inquiry and our work with the Minister on this issue, and ensure we are voicing your council's concerns.



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Gabrielle Upton

Minister for the Environment
Minister for Local Government
Minister for Heritage

MEDIA RELEASE

Tuesday, 20 March 2018

\$47 MILLION TO SUPPORT RECYCLING IN NSW

The NSW Government will release a one-off package of up to \$47 million to support local government and industry to respond to China's National Sword policy, Environment Minister Gabrielle Upton announced today.

"NSW has a strong kerbside recycling system and the Government, councils and recycling industry are committed to working together to ensure it continues," Ms Upton said.

"I have met with industry and government stakeholders to hear first-hand about how we can address the current global challenges to the recycling market in NSW."

The one-off package responds to China's enforcement of its National Sword policy which restricts the types of recycled material China will accept. As China is the largest importer of recyclable products from Australia this policy threatens NSW's kerbside recycling system and the options for recycled material currently produced in NSW.

The support package is being funded by the *Waste Less, Recycle More* initiative and provides a range of short, medium and long term initiatives to ensure kerbside recycling continues and to promote industry innovation.

The funding will:

- enable councils to off-set some extra costs associated with kerbside recycling collections subject to guidelines
- improve council tendering processes to increase the production and use of recycled products
- fund community education initiatives to reduce kerbside recycling contamination

The package also includes \$9.5 million for industry and local government to co-invest in infrastructure projects to identify new uses for recyclable materials and to improve the quality of recycled products and reduce the amount of unrecyclable material left at the end of the process.

Applicants seeking funding will need to meet certain guidelines to ensure that initiatives best address the China National Sword issue, represent better value for money and demonstrate clear benefits to the community such as increased levels of service.

Recycling facilities can also apply to the Environment Protection Authority (EPA) to temporarily vary their stockpile limits. The facilities will be assessed to demonstrate that appropriate safety measures will remain in place.

“The short-term need for increased stockpiles of recycled material during this critical time must be balanced with the safety of the community and the environment,” Ms Upton said.

An inter-government taskforce is also being established to urgently progress a longer-term response to National Sword in partnership with industry and councils.

The impact of China’s National Sword policy is being felt around Australia and globally.

“I have also written to the Federal Environment Minister to urgently progress the work on this issue and the long-term solutions at a national level,” Ms Upton said.

For further information please call Environment Line on 131 555.

MEDIA: Sophie Armitage 0447 189 526