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NEW FINANCIAL ASSURANCE GUIDANCE FOR THE WASTE SECTOR

Dear Paul, Briony, Anuradha,

The Victorian Waste Management Association (VWMA) is a not-for-profit association representing Victorian waste recycling businesses. The VWMA operates as a subsidiary of the Victorian Transport Association. The VWMA has 120 business members, ranging from small, family owned and operated companies to multinational corporations. The VWMA represents;

- Waste collection specialists, operating more than 5,000 waste trucks on Victorian roads,
- More than 10,000 sanitation and recycling workers,
- A membership with a total member turnover in excess of \$2 billion.

VWMA members commit to the highest standards that protect Victorian communities, workers and the environment.

In regard to '*Developing new financial assurance guidance for the waste resource recovery sector*', the VWMA believes this imposition on businesses is an inappropriate solution to the problem; to protect the State from unfunded liabilities from site abandonment and clean up.

Instead, the VWMA believe that inspection of WRRFs holding licences and permits will ensure that inappropriate stockpiles, and risk of environmental damage are mitigated. Critically, the VWMA believes inspections should also cover those without a licence or a permit, to protect communities.

More specifically, industry is concerned that the imposition of bank guarantees will lock up working capital that could otherwise be invested into jobs, infrastructure, training, safety programs and market development for recycled materials.

Finally, the VWMA is concerned that the imposition of bank guarantees for the lifetime of the facility may force some smaller and medium size businesses into financial hardship. We those the imposition of financial assurances is an addition to other compliance costs including licence fees.

As per normal course of business to process recyclables, the VWMA submits that in excess of a million tonnes of materials is stored on sites in Victoria. As a result, imposing financial assurances on

this material equal to the landfill disposal costs would impose hundreds of millions in new costs on industry.

Therefore, the association is asking for the following changes to the EPA's position on financial assurances;

1. As per section 168 of the *Environment Protection Regulations*, the VWMA argues that composting, scrap and construction and demolition recycling does not pose sufficient risk or potential risk of harm to human health and the environment - from their recovery to warrant the use of financial assurances.
2. Where financial assurances are applied, clearly document the how businesses can reduce risk, in order to qualify for less onerous financial assurances, such as an insurance policy rather than a bank guarantee.
3. In regard to the cost of financial assurances, the VWMA argues the EPA should copy the approach applied by the South Australian EPA, as specified below.

ASK 1 - As per section 168 of the *Environment Protection Regulations*, the VWMA argues that scrap and construction and demolition recycling does not pose sufficient risk or potential risk of harm to human health and the environment from their recovery to warrant the use of financial assurances.

In regard to section 168 of the new regulations, the VWMA argues the following materials should be subject to financial assurances as they do not pose a substantive risk of environmental harm or abandonment.

- Scrap metals,
- Construction aggregates,
- Pelletised plastics,
- Cardboard and paper.

Scrap metal feedstock and recovered process metal does not pose a liability to the State, as this material is saleable and would not go to landfill, even in the event of insolvency. Further unprocessed metals do not pose a significant risk of environmental harm either from fire or leachate. Similarly, crushed concrete, bricks, rubble and other materials do not pose a significant risk of abandonment, as these materials can be sold to market in a similar manner to quarry materials.

ASK 2 - Document how industry can reduce risk in order to qualify for less onerous financial assurances.

The draft financial assurances document notes that 50 to 80 WRRFs will be affected by new financial assurances (in conjunction with new licences and permits), and that across these facilities hundreds of million in bank guarantees could be required.

Industry believes this capital can be better spent on initiatives that will create jobs and recover resources. The imposition of financial assurances on businesses in the form of bank guarantees is opposed by industry.

We note that page three of the document specifies that financial assurances can take the form of;

- Bank guarantees.
- Bonds.
- Any other type EPA considers appropriate.
- A combination of the above.

Instead, the VWMA submits the EPA cover this potential liability to the State through the requirement of insurances for stakeholders with licences or permits. Insurances should cover the cost of clean-up, and abandonment where there is a real and quantifiable risk of abandonment.

In some instances, there is no need to cover sites for the risk of abandonment. For example, in scrap processing, unprocessed metals have a positive economic value, and if a site was abandoned this stock could be sold rather than disposed of to landfill. Further, unprocessed metals pose a limited fire risk, and leachate can be controlled.

In this regard, the EPA must show how businesses can quantify reduced risk in order to qualify for less onerous financial assurance instruments, such as insurances rather than bank guarantees.

ASK 3 - Where financial assurances are applied, the VWMA argues should copy the apply approach used by the South Australian EPA, which provides a more detailed and sophisticated process for assessing risk.

Financial assurances are also applied in [South Australia](#) - detailed in the [Financial assurances and stockpiling – who, when, what and how much](#) guide. The VWMA commends this as an appropriate method for calculating financial assurances as;

3.1 A risk assessment that considers material flow will be used by the EPA in deciding appropriate controls to manage excessive stockpiling of materials and stockpile abandonment risks, including minimum (safe and necessary) stockpiles requirements on site before financial assurances are applied.

When the stockpiles are below the stockpile limit, these are authorised stockpiles and no financial assurance is required. A maximum allowable stockpile limit can be either a standard stockpile limit or a temporary financial assurance stockpile limit.

3.2 This approach applies a risk matrix which considers both the risk of the material and the mass flow (saleability) of the material to determine a financial assurance.

3.3 Page five of the document *Developing new financial assurance guidance for the waste resource recovery sector* describes average landfill disposal costs for metropolitan and regional areas. Industry believes these values reflect above market rates, and requests they be revised.

3.4 Further, the VWMA requests the disposal costs used to calculate financial assurance exclude levies, and this approach represents double taxation.

We look forward to your response,

Alex Serpo



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