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Used Oil Container Product Stewardship

Preliminary Scheme Design Options

Summary - April 2022

INTRO

The Australian Packaging Convenant Organisation (APCO), under the Australia, New Zealand, and Pacific Islands Plastics Pact (ANZPAC), has received funding to design alongside industry a national product stewardship scheme for the recovery and reprocessing of used oil containers.

The development of the scheme has been made possible by the Australian Government through the Department of Agriculture, Water and Environment's National Product Stewardship Investment Fund.

To learn more about the project visit the ANZPAC website.

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PRELIMINARY SCHEME DESIGN OPTIONS

Scheme Models

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Acknowledgements:
Thank you to Marsden Jacob Associates and Envisage Works who authored the full report. To request a copy please contact anzpac@apco.org.au

PROJECT UPDATE

With the Situational Assessment and Preliminary Scheme Design Options completed, a special thanks to all stakeholders who contributed to Stage One of the project.

The involvement of the Steering Committee and the industry has been integral in understanding the current landscape for oil containers, the potential challenges a product stewardship scheme for oil containers may face and guiding the development of the preliminary scheme design options.

Join the conversation

If you would like to stay up to date on the project or would like to reach out for one-on-one consultation to collaborate on the final scheme design we love to hear from you here.

Scheme Models

A preliminary evaluation was undertaken of the different product stewardship models under the Recycling and Waste Reduction (RAWR) Act 2020. Three models were identified as having the greatest potential to deliver an effective scheme for used oil containers:

- a voluntary accredited and ACCC authorised scheme;
- co-regulatory scheme; and
- a regulatory scheme linked to the Product Stewardship for Oil Act.

An evaluation of the models was carried out below. Red indicates likely low efficacy in achieving a criterion for a given model. Orange indicates uncertain efficacy. Green indicates high efficacy in promoting achievement of the relevant criterion under the given model.

	Voluntary accredited & ACCC authorised	Co-regulatory	Regulatory (PSO)
Scope	🟢	🟠	🟠
Objectives	🟠	🟢	🟢
Ease of deployment & administration	🟢	🟠	🟠
Monitoring & reporting	🟠	🟠	🟠
Free rider protection	🟠	🟢	🟢
Scheme funding	🟠	🟠	🟠
Consumer participation	🟠	🟠	🟠
Collection & transport	🟠	🟠	🟠
Recycling	🟠	🟠	🟠

For some criteria, all three models have been rated as orange. This is because outcomes against those criteria will depend on specific aspects of scheme design that are largely independent of the scheme model.

Feedback from stakeholders and reviews of other schemes indicate that voluntary industry-led scheme may likely lead to:

- greater ease of deployment
- lower reporting and compliance costs
- greater flexibility to adjust direction in response to changes in the market

Hence, voluntary industry-led schemes are likely to require lower levies or fees to achieve financial viability for given outcomes. This conclusion is consistent with other studies that have compared the costs associated with industry versus co-regulated or regulated schemes. The conclusion of these studies is that an industry-led scheme would cost significantly less than a regulatory or co-regulatory scheme (see for example Brydges and Florin 2021, Pacific Environment 2018).

A significant barrier to an industry led, voluntary scheme however, is whether it can adequately protect against free riders and whether monitoring and reporting arrangements can be sufficiently focussed and stringent to ensure that key scheme objectives are achieved.

Thus, there may be a trade-off between a flexible, low-cost scheme, on the one hand, which can be delivered through a well-designed voluntary model, and protection against free riders and strong recycling outcomes, which are more likely to be delivered by a co-regulatory or a regulatory scheme.

Scheme Design Features

Certain design features of a product stewardship scheme for used oil containers are likely to be similar, regardless of the product stewardship model adopted. Others are likely to vary considerably depending on the scheme model adopted.
There are certain desirable scheme design features that should be part of the scheme regardless of the model adopted and will be further analysed before finalisation of the scheme design. These include:

Scope

- It is recommended that the scope of containers covered by the scheme should consider all containers that house petroleum based oil lubricants and their synthetic equivalents, including automotive and non-automotive oil lubricants (similar to the range of oils covered under the PSO scheme). The scheme should also seek to recover all container material types, where it is technically feasible to recover those materials. This will reduce the potential for market distortions being created through the scheme.

Objectives

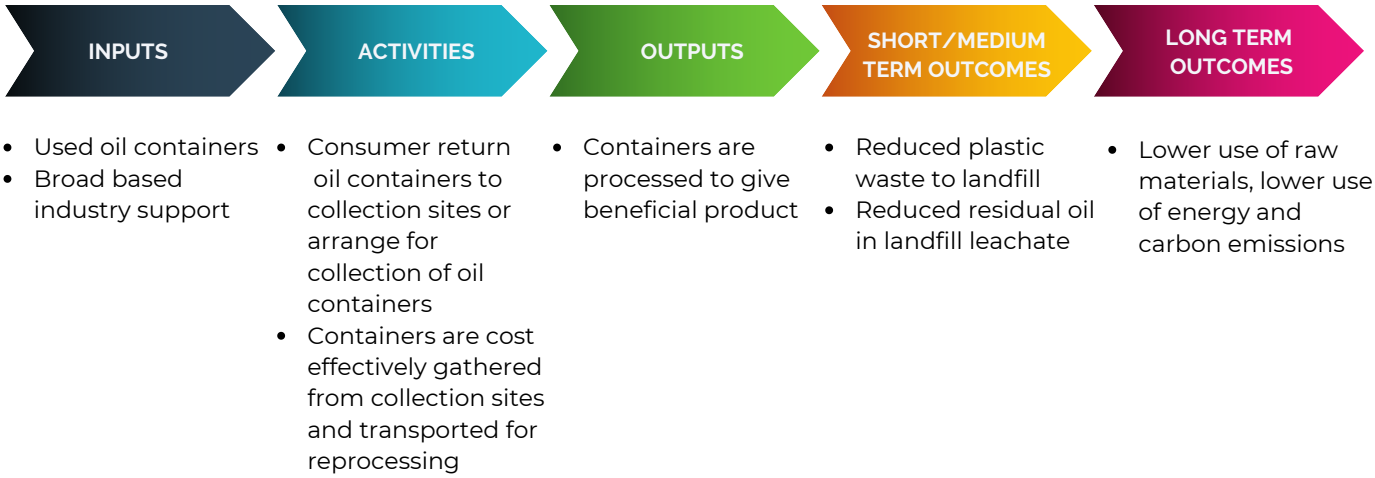
- The most successful schemes in terms of recycling outcomes have very clearly defined objectives in terms of supplier participation, consumer access and/or recycling targets.

The program's objective is to recover used oil containers in a manner that is consistent with circular economy principles and is financially and environmentally sustainable.

- Based on this objective, the key measure of the scheme's success is container recovery rates – measured as a percentage of the number of containers in the market.

Monitoring and Reporting

- The program logic below forms the basis on which a monitoring and evaluation plan can be developed, aiming to track progress indicators against the various input, output, activities and outcomes.
- It is important to note that once the scheme commences, changes and improvements to the program logic and monitoring and evaluation plan are likely to emerge
- Stringency, level of detail of monitoring and reporting will likely vary depending on model adopted



Scheme Design Features

Scheme Administration and Governance

- Under the Recycling and Waste Reduction Act 2020 an overview of potential administrative and governance arrangements under alternative scheme models include

	Voluntary accredited & ACCC authorised	Co-regulatory	Regulatory (PSO)
Scheme regulation	• Voluntary, but scheme accredited through the Recycling and Waste Reduction Act 2020 and authorised by ACCC.	• Australian Government (DAWE) through Recycling and Waste Reduction Act 2020.	• Australian Government (DAWE) through Product Stewardship (Oil) Act 2000.
Scheme administration & governanance	• Administered by not-for-profit company limited by guarantee, governed by an industry board.	• A co-regulatory arrangement is contracted to administer scheme, reporting to the Australian Government. • The arrangement is run as a not-for-profit organisation and governed by an independent Board.	• Australian Government (DAWE) responsible for policy oversight. • An Oil Stewardship Advisory Council provides advice to the responsible Minister on the scheme.

Free rider protection

- Free riders are businesses that benefit from a product stewardship scheme without contributing to its implementation or operation.
- The different models point to distinct approaches for preventing free riders. Proponents of voluntary schemes argue that schemes supported by regulation can still face significant challenges stemming from non-participation, with free riders unintentionally introduced into a regulated product stewardship scheme during scheme design.

	Voluntary accredited & ACCC authorised	Co-regulatory	Regulatory (PSO)
Possible free rider protection approaches	• Manufacturers and suppliers are encouraged/enticed to become scheme participants through a range of strategies including: -accreditation; -privileged access to markets: -industry and consumer pressure; -effective engagement; and -promotional and marketing opportunities	• Companies importing or manufacturing over a specified threshold are liable under the scheme and must join and fund an approved co-regulatory arrangement (or a not-for-profit product stewardship organisation) to provide collection and recycling services on their behalf.	• A levy is collected on all in-scope domestically produced oils under the Excise Tariff Act 1921 and all in-scope imported oils under the Customs Tariff Act 1995.

Scheme funding

- The most widely applied funding mechanism is a levy applied to sales of the product or products covered by the scheme. Levies are widely applied by both regulatory schemes and ACCC authorised voluntary schemes.
- Levies are not the only means of funding a used container product stewardship scheme. Some schemes involve an annual membership fee, generally linked to market share.
- An appropriate scheme funding mechanism is needed to ensure that the scheme remains financially viable.
- Application of a levy does not guarantee the scheme's financial viability.
- Considerable attention would need to be given to the appropriate levy rate in the context of likely scheme costs and risk of free riders.

Scheme Design Features

Consumer participation

- Consumer participation will be a key challenge for a used oil container product stewardship scheme regardless of the model adopted. In the absence of access to a kerbside collection system, or a financial inducement, strategies must be found to engage consumers and encourage them to return their used oil containers to designated recycling locations for recycling.

Stategy	Key points
Multi-media information and education	• Strategic use of multimedia platforms to promote the scheme and inform the community about used oil containers, the benefits of recycling them and how and where they can be recycled. • Engage industry and community partners to promote the scheme including Planet Ark, local government organisations, state government platforms and industry association platforms.
Keep scheme simple	• The scheme should be kept as simple as practical. This means minimising: -choices that consumers have to make about what containers can and can't be recycled; and -the steps consumers have to take to enable their containers to be recycled.
Standardised labelling and collection bins	• Use of a standardised recycling label on containers and standardised collection bins
Reasonable access	• Ensure reasonable access by consumers to collection facilities

Collection and transport

- Considerable attention will need to be devoted to strategies aimed at minimising collection and transport costs.
- Preliminary estimates of the current cost of collecting and transporting used oil containers, without the application cost minimisation strategies, are in the range of $500 - $1000/t of containers. Collection and transport costs will be lowest in metropolitan areas closest to recycling or reprocessing facilities and highest in regional and rural areas.
- Strategies for minimising collection and transport costs include; diverse collection and logistics arrangements, achieving synergies with existing services, application of retailer reverse logistics, hub-and-spoke collection system, and the use of collection events.

Recycling

- A detailed review of the benefits, challenges of mechanical and chemical recycling pathways has been undertaken. Based on the review, no clear picture yet emerges as to the preferred recycling pathway, other than noting that chemical recycling and mechanical recycling to low grade plastics are both feasible pathways in technical and market terms and likely to involve similar costs to each other. Thus, the preferred recycling pathway could be a combination of both chemical and mechanical recycling.

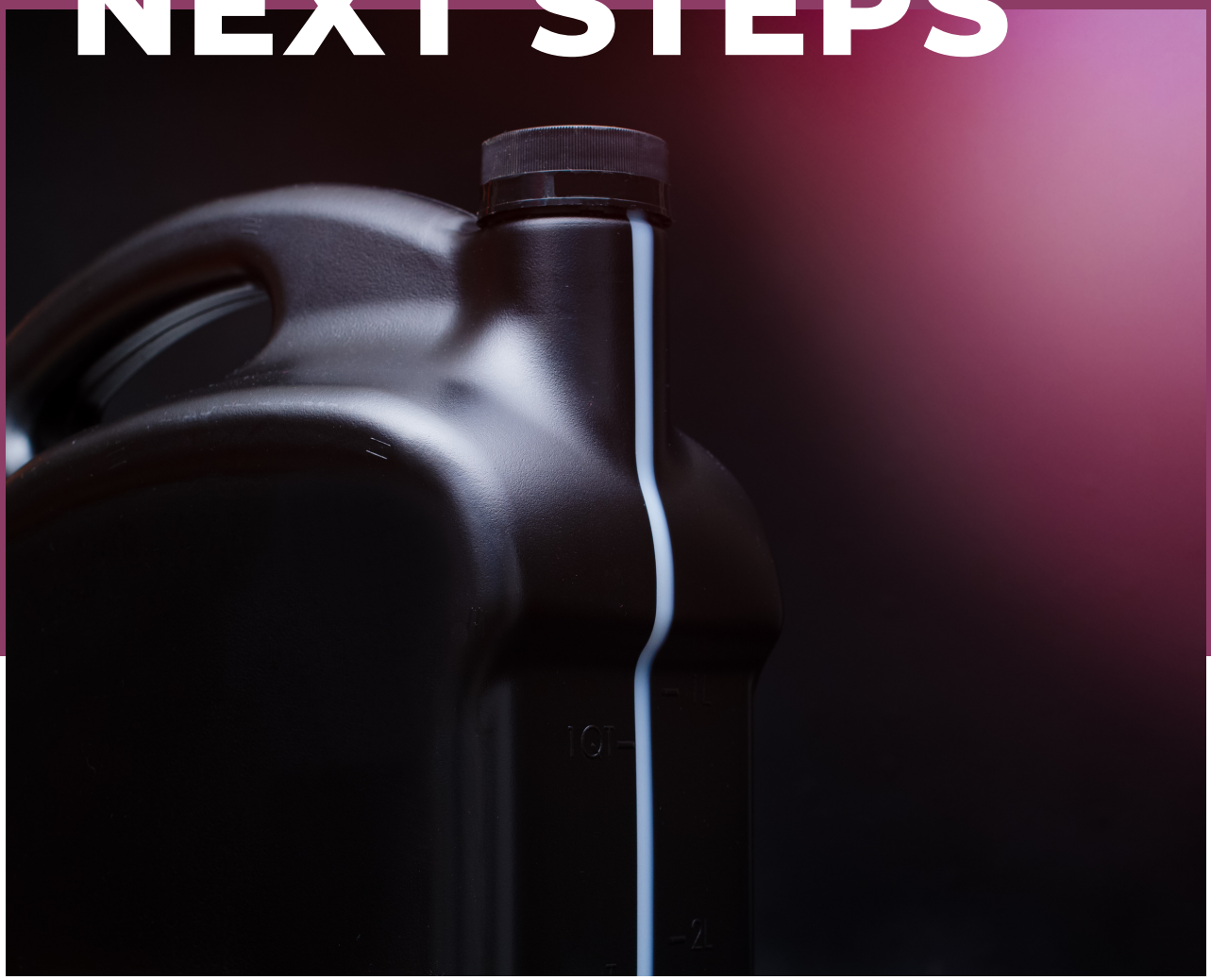
Stakeholder Views

One-on-one consultations were undertaken with stakeholders from across the value packaging chain. The focus of the consultations included:

- Desirability and feasibility of implementing a product stewardship scheme for used oil containers.
- Preference for and advantages/disadvantages of alternative stewardship models.
- Barriers and constraints to implementing a successful scheme and suggestions on how to overcome those barriers through scheme design.

	Views on a used oil container scheme	Preferred model	Barriers/constraints/suggestions
Brand Owners	Conditional support	Regulatory/ co-regulatory	• Prevention of free riders • Difficulty and cost of collecting/recycling
Retailers/Service Centres	Support	Neutral	• Supercheap Auto involved in oil collection • Opportunities for synergies and reverse logistics
Plastic recyclers	Conditional support	Neutral	• Need for guaranteed supply • Difficulty recycling to high grade material
Councils/ transfer stations	Conditional support	Neutral	• Concerns costs are not shifted onto councils. • Lack of space. Considerable capital expenditure may be required to overcome the problem in some metro transfer stations.
Waste management	Support	Neutral	• High costs of collections and transport. • Significant opportunities for synergies through auto parts suppliers, service chains and dealerships.
Other voluntary schemes	Neutral	Voluntary	• Schemes rely heavily on use of synergies to achieve effective and cost efficient outcomes • Considerable effort put into engaging participation of sector in scheme. Free rider problems still encountered however.
State Gov	Conditional support	Neutral	• Used oil containers are not necessarily a priority waste stream but state governments will do what they can to support implementation of a scheme

NEXT STEPS



Targeted stakeholder engagement

April 2022

Collection/logistics & recycling pathways analysis

June 2022

Cost Benefit Analysis

August 2022

Industry feedback on scheme design

End 2022

Final scheme design & implementation plan

March 2023

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Join the conversation

ANZPAC is collaborating with industry to design a holistic and comprehensive scheme for oil containers, this can only be achieved with your input and support.

We welcome any contribution that may support in the design of an effective scheme, please contact anzpac@apco.org.au

Follow this link to stay up to date on the progress of the project.

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