

# REA response to the Environment Audit Committee on their call for evidence on Treasury policy on meeting recycling target



## Introduction

1. The Renewable Energy Association (REA) is pleased to submit this response to the Environment Audit Committee on HM Treasury's contribution to meeting waste and recycling targets to help inform its enquiry into sustainability and HM Treasury. About the REA
2. The Renewable Energy Association represents a wide variety of organisations, including generators, project developers, fuel and power suppliers, investors, equipment producers and service providers, and companies and public sector organisations involved with the management of biodegradable wastes. Members range in size from major multinationals to sole traders. There are over 750 corporate members of the REA, making it the largest renewable energy trade association in the UK. Within the REA, its Organics Recycling Group promotes the sustainable management of biodegradable resources, covering both aerobic and anaerobic technologies.
3. This response comes from the Organics Recycling Group (ORG) of the REA which deals specifically with all issues relating to the collection, treatment and use of biodegradable resources. The REA consulted with its members to formulate this response.

## REA Overview

4. HM Treasury has played a significant role in the development of an improvement in recycling rates within the UK through the implementation of the 1996 Landfill Tax which was in direct response to the EU Landfill Directive. The imposition of the landfill tax escalator has meant that where historically we used to bury the majority of our waste in landfill, we are now recycling approximately 45% of this. The impact of this means that not only are the environmental outcomes beneficial with a reduction in GHG emissions, but this has underpinned investment in a range of treatment options. In short this action has assisted in promoting the circular economy through an increase in recycling rates; the latter however has now stalled and requires additional measures to be put in place if we are to meet our 2020 EU target of 50% recycling.

## Has Treasury policy played a positive role towards meeting Government targets on recycling? Are DEFRA and HM Treasury policies coherent?

5. As mentioned above the REA considers that HMT has taken some useful actions in assisting this ambition, however although our landfill targets have been achieved ahead of target we are struggling to meet the pressing 2020 deadline for recycling and continue to landfill ~20m tonnes of mixed waste annually.

## Energy from Waste (EfW)

6. There is a paucity of Energy from Waste facilities in the UK as a result of under investment in Private Finance Initiative EfW facilities. This is resulting in significant volumes of waste being exported to mainland Europe. This is a wasted opportunity at securing 'home grown' energy needs at the same time as the landfill tax is assisting in driving EfW feedstock overseas due to the price differentiation between UK landfill and treatment in countries such as Germany. It is expected that 3 million tonnes of waste will be exported this financial year, at an estimated cost of over £100 million.

#### **Recycling ambition for biowaste**

7. Local authorities are under severe cost pressures and waste management services have not been spared these cutbacks and this comes at a time when commodity prices for recyclates are falling and costs are rising, a combination of this trio of events does little to encourage recycling at a national level.
8. There has however been a significant growth in recycling over recent years with a number of high profile initiatives driven by the Waste and Resources Action programme (WRAP) with a number focused on food waste collections. Biowaste already makes a significant contribution to household recycling in England, comprising 42% of the material that councils recycle<sup>1</sup>.
9. Whilst garden waste collections are offered by the vast majority of councils, due to cost pressures more are starting to charge for this service (42% in 2015) resulting in lower volumes of waste being collected and treated through composting facilities, this is a retrograde step and undoes all the hard work and effort put into growing these schemes over the last decade (and money invested in the development of these schemes and sites through WRAP support)
10. The REA recently commissioned a report<sup>2</sup> to examine the net costs of introducing measures to mandate source separation of food waste by councils and businesses. Although well received by industry and local authorities, there is widespread recognition that there will be a cost to implementing such an initiative and with a paucity of funding to local authorities this cannot happen without additional funding.
11. The REA believes that if we are to achieve our 50% recycling target by 2020 then HMT needs to increase funding in order that local authorities have the ability to implement the infrastructure changes required which in turn would assist in delivering wider environmental and sustainability benefits. There is a need to create 'demand-pull' for the sector if recycling is to grow and current evidence shows that currently it is flat lining at best.

#### **What impact has Treasury policy had on the ability to finance recycling projects over the course of the last Parliament?**

12. A lack of forward facing policy and coherent waste strategy (last waste strategy of 2007<sup>3</sup> and long since overdue for an update) during the last Parliament means that industry is unlikely to commit long term finance to any projects in fear that policy change will disadvantage them in the future.

---

<sup>1</sup> Defra (2015) statistics on Waste Managed by Local Authorities in England in 2014-2015, December 2015, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/481771/stats\\_notice\\_Nov\\_2015.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/481771/stats_notice_Nov_2015.pdf)

<sup>2</sup> *The real economic benefit of separate biowaste collections, A business case*, commissioned by the REA and written by Eonomia Consulting

<sup>3</sup> Waste Strategy for England 2007

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/228536/7086.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/228536/7086.pdf)

13. HMT should re-examine the aims of the landfill tax as implemented in the last parliament, in order to look at its impacts on recycling rates to date. There is currently a significant volume of waste being exported abroad, which is avoiding landfill, but is not being used within the UK. While the landfill tax is positive, more needs to be done to incentivise the diversion of waste to UK plants in order to meet our own targets.
14. The sudden withdrawal of the PFI finance had a significant impact as by making such a significant about-turn with so little notice, it increased the uncertainty of any investment in the sector and did little to build confidence in future projects.
15. It is important to also highlight lessons which can already be learnt from decisions made since the election last year. For example HM Treasury has already made a series of decisions to cut support for renewable generation which has had the unintended consequence of reducing our ability to meet recycling targets. The sudden cancellation of Levy Exemption Certificates and the removal of energy generation technologies from Venture Capital Schemes have hit all renewable projects including Anaerobic Digestion, Energy from Waste and Biomass projects. Furthermore, both announcements were made without industry consultation, appropriate impact assessments, or regard to the impact on other associated industries. This has damaged the confidence of investors, reducing the potential for projects to come forward.
16. Creating the UK demand for waste is crucial to meeting recycling targets. HMT could help by lowering effective tax rates on infrastructure investment, which are high compared to European competitors. This could, for example, include a form of business rate relief for technologies and projects which use waste as a fuel source. The business rate revaluation set to take place in April 2017 should be used by Treasury as an opportunity to reduce, or provide complete relief for, the liability of a number of energy from waste and waste handling technologies.
17. We would also encourage Treasury to re-examine venture capital schemes to allow support for renewable generation (power, heat and transport) and innovative waste handling technologies. For Treasury this would represent a one-off up-front benefit to developers, while encouraging renewed investment that brings extensive economic returns in the form of energy production, waste management and Green House Gas emission reductions.

**What impact is current Treasury policy likely to have on the achievement of the government's recycling targets?**

18. The most notable impact on recycling is the fact that a lack of funding for local Authorities is inevitably resulting in a lack of investment in infrastructure to support any recycling initiatives.
19. Industry has little knowledge of the process by which decisions are made in respect to HMT's spending allocation for the waste and recycling sector. The policy vacuum which currently exists within the Defra waste strategy means that there is very limited engagement with industry which would indicate that little is likely to change in our ability to achieve the 50% target for 2020.
20. The REA support the idea of an Office of Resource Management (ORM) to act as a catalyst to join up the disparate Government departments which would in turn provide

greater confidence to the waste and resources sector and realise the full potential of this sector.

**In summary**

21. The REA welcome this opportunity to share its views with the committee and would be happy to engage more fully in the future as we believe that industry have both the appetite and knowledge to assist in policy development in the future.

**~ End of REA statement ~**