

## Waste and the Provincial Growth Fund

### Purpose

This paper outlines the Provincial Growth Fund (PGF) approach to investment in waste sector proposals.

### Vision

The PGF will seek to unlock the potential of the waste sector by investing in value-added proposals leading to improved regional productivity.

The key objectives of investment in waste sector proposals are to:

- shift to higher value waste processing that creates new job opportunities in regional New Zealand
- support new technologies that build a more resilient resource recovery sector
- contribute to increased productivity in regional New Zealand.

In progressing these objectives, the PGF will be mindful of:

- supporting projects that reduce the environmental impact of waste and contribute to New Zealand's transition to a low emissions economy
- supporting projects that contribute to New Zealand's transition to a circular economy.

### Context

Waste management and minimisation continues to be a challenge in New Zealand. Since 2008, waste quantities at levied landfills have increased by 20%<sup>1</sup>. There are existing government programmes and funding sources focused on waste minimisation and management. The Waste Minimisation Act 2008 seeks to minimise waste and decrease waste disposal to protect the environment from harm, and provide social and economic benefits.

The Government's Waste Minimisation Fund (WMF) provides \$10-14 million annually to minimise waste, increase resource efficiency and support the shift towards a circular economy.

The Ministry for the Environment (MfE) and regional councils have responsibility for waste management and minimisation activities at a household and community level. Funding for this work and the WMF is generated from the waste disposal levy. The PGF will not crowd out this investment.

To date, the PGF has received a range of waste-related proposals, including recycled household waste, landfill waste, green waste, waste water, tyres, waste from specific sectors such as aquaculture and waste-to-energy.

### Gaps and opportunities

The PGF will seek to invest in projects that have a value-added focus as opposed to predominantly waste management and minimisation, which is already funded through the WMF.

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<sup>1</sup> <http://www.mfe.govt.nz/sites/default/files/media/Waste/Review-of-the-effectiveness-of-the-waste-disposal-levy-2017.pdf> (page 9).

Preference will be given to proposals that support multiple objectives of the PGF: employment, sustainability and resilience, and meeting the overarching objective of lifting the productivity potential of the regions. Opportunities for the PGF are largely sector-based, focusing on value-added investment, such as converting waste by-products into other products or services. Waste generated from primary industries including agriculture, aquaculture, horticulture or wood processing are examples.

Another opportunity for the PGF is in relation to waste-to-energy incineration. The recycling industry in New Zealand, like the rest of the world, has been impacted by China's ban on importing recyclables. Private investors are presenting waste-to-energy incineration as a solution to this current oversupply and investigating potential sites for New Zealand's first waste-to-energy incinerators. Waste-to-energy generation can be renewable or non-renewable depending on the feedstock composition. There is an opportunity for the PGF to contribute to feasibility studies or gap analysis in relation to waste-to-energy technology to determine the potential and better understand the environmental impacts.

## PGF Investment Principles

Investment principles specific to two types of waste projects have been developed and will be used to assess applications. The PGF may invest in projects extracting value from waste that will:

*Add value to by-product. These projects must:*

- result in greater use of by-products to extract value from the resource being processed, such as primary sector produce
- demonstrate demand for products or materials created by processing by-products
- demonstrate reliability of supply to support the production of products and sustainability of the venture
- not involve further land degradation or significant environmental damage.

*Waste-to-energy projects must:*

- demonstrate the reliability of supply to ensure sustainability of the venture
- define and verify environmental impacts
- not advantage projects which would reduce the amount of resources kept in circulation, comparable to other alternatives
- be delivered within the PGF timeframe and create additional jobs in the region/s
- where practicable, contribute positively to the target of reducing greenhouse gases, and demonstrate mitigation or adaptation to climate change effects and a just transition to a low emissions economy
- contribute to the more enduring achievement of New Zealand's waste minimisation objectives
- limit the number of applications supported to reflect the available supply of waste to be converted across the country
- determine appropriate locations for facilities based on location of waste to be converted across the country, with a focus on surge regions
- demonstrate that they will employ current international best practice techniques where practicable.<sup>2</sup>

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<sup>2</sup> The European Commission's Best Available Techniques (BAT) Reference Document (BREF) *Integrated Pollution Prevention and Control Reference Document on the Best Available Techniques for Waste Incineration* is available at: <http://eippcb.jrc.ec.europa.eu/reference/wi.html>.

The PGF strives to create additionality to existing government efforts, and not duplicate work already being undertaken. Based on these proposed principles and other sources of government funding available that support waste minimisation, the PGF will not invest in the following types of waste projects:

- Tyre recycling. The Ministry for the Environment (MfE) currently funds projects related to end-of-life tyres, and is developing the National Environmental Standard on the storage of tyres in response to the issues that arise when end-of-life tyres are not stored appropriately. As a result of MfE initiatives to address these issues, there is unlikely to be a reliable supply of tyres for recycling businesses.
- Regional recycling centres unless a regional assessment has been completed.
- Education campaigns associated with waste minimisation and management as these are unlikely to increase productivity within the regions and funding is available through the WMF.

## PGF Investment priorities

PGF investment will prioritise the initiatives that align with the principles:

- Feasibility studies related to by-products and waste-to-energy initiatives
- Contribution to infrastructure costs related to by-products and waste-to-energy initiatives. This could include purchasing of infrastructure such as biogas generators, or a grinder for mussel shells which creates a synthetic chemical-free pesticide.

It is not expected that the PGF would support investment in more than three waste-to-energy facilities nationwide based on supply and demand.

### ***Feasibility studies***

The PGF may fund feasibility studies that relate to the viability of:

- processing of waste by-products to ensure products can be processed further in New Zealand or exported
- waste-to-energy technology.

The feasibility studies will be used to inform decisions on whether to invest in a specific waste project. Studies will undertake technical, environmental and economic analysis, plus community input and engagement to outline the benefits and costs of particular projects.

### ***Contribution to infrastructure costs***

The PGF will also contribute to construction costs of infrastructure that enables commercial firms to extract increased value from waste products, through energy production or physical by-products.

Given the short timeframes associated with investment by the PGF, we will progress construction projects that can be submitted, signed off and ideally have construction underway over the next two years.

## Next Steps

Officials will apply this guidance when assessing waste-related applications for PGF funding. Advice from MfE will continue to be sought on applications, including whether applications have been declined funding from WMF. The investment principles will also be updated following decisions related to end-of-life tyres.

There may be opportunity for the PGF to fund projects that the WMF is unable to fund if these relate to converting by-product or waste-to-energy. The Associate Minister for the Environment is currently considering proposals from the 2018 funding round.

Document proactively released