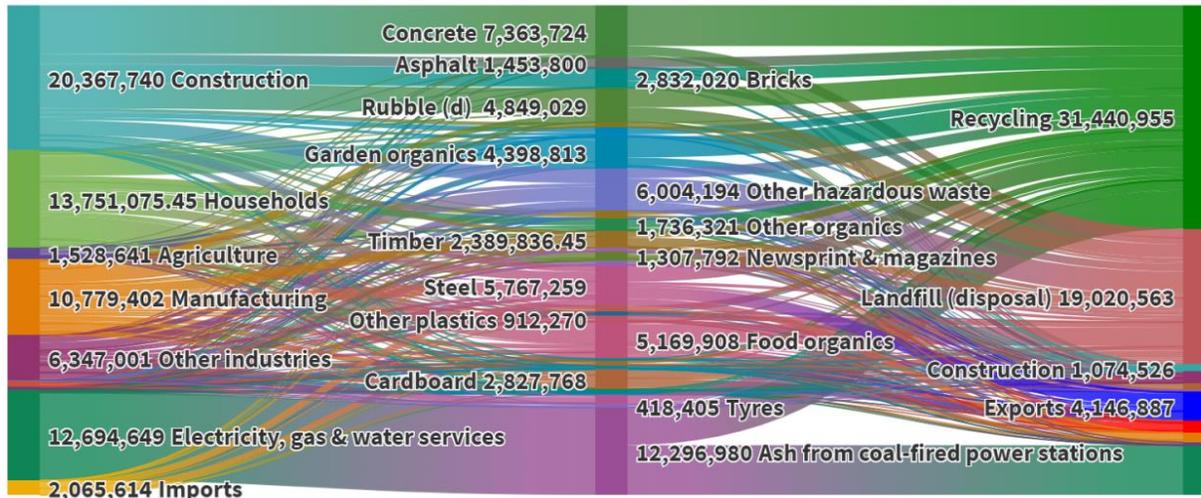


The Economics of the Circular Economy

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Where does Australia's Waste Go? 2016-17 volumes in tonnes



Source: ABS Waste Account Australia, Experimental Estimates, 2016-17

Pandemic effects on the circular economy: what do we know so far?

In 2019, the NSW Environment Protection Authority commissioned a foresight analysis on possible megashocks that might significantly alter the landscape of the waste industry, including – somewhat presciently – the [possible impacts of a pandemic](#).

Many of the predicted stressors have indeed materialised, such as increased awareness of household consumption, changes in waste generation, and increased pressures on supply chains and the environment.



In fact, the importance of strong local supply chains – from resources generated, reused or recycled locally – has never been as important as now.

In light of this, what role can the circular economy play in Australia’s economic recovery?

The circular economy as a flagship of Australia’s recovery strategy

In 2014, the [World Economic Forum](#) estimated that the cost savings from adopting a circular economy would be over a trillion dollars per year by 2025 globally.

For Australia, a [recent study](#) estimated that if the country’s food, transport and built environment sectors alone were to transition to a circular economy through several key initiatives, this could grow the economy by \$25 billion by 2025, and \$210 billion by 2048, generating 17,000 jobs along the way.

Thinktank Beyond Zero Emissions’ takes this a step further in its [Million Jobs Plan](#) which sets out a template for what a sustainable circular post-pandemic economy could look like – accompanied by 1.8m new jobs in 5 years.

Interestingly, in the [latest ABS weekly jobs data](#), only one industry saw an increase in both total wages and jobs since the COVID crisis broke: the electricity, gas, water and waste services sector: all essential services managing resources that are critical to the circular economy.

This relative resilience and untapped growth potential in job prospects, coupled with the need to strengthen our domestic supply chains, lays open a once-in-a-generation opportunity for policymakers to transition towards the circular economy a flagship of Australia’s economic recovery strategy.

Converging focus on circularity by governments, industry and communities is putting us on the right track

It has only been recently that we have seen concerted progress at the national level, with recent Federal Government announcements to catalyse the circular economy in Australia. These include the [\\$190m Recycling Modernisation Fund](#) (expected to generate up to 10,000 new jobs), the [\\$20m Product Stewardship Investment Fund](#) and a [product stewardship Centre of Excellence](#). All of these form part of the lead up to the phased bans on the exports of glass, plastics, tyres and paper commencing from next year, with even [possible criminal penalties to be introduced for breaches](#).



State/territory and local governments have, of course, longer experience in supporting the move towards a circular economy, having frontline responsibility for waste and recycling policy. Melbourne and Sydney both have zero waste targets by 2030, and all states and territories have longstanding programs supporting waste and resource recovery initiatives. These have largely been very successful in delivering value, particularly in recent years where a 2018 [evaluation](#) of Victoria's recycling infrastructure investment program reported that every \$1 spent returned nearly \$20 in economic benefit to the community: an outstanding return by any measure.

Internationally, communities and institutional investors now also demand evidence of corporate environmental responsibility as part of their consumption and investment priorities. Key sustainability principles, such as responsible use of materials, now have to be part of any business's DNA as part of its investment proposition and social license to operate.

To this end, many businesses have already adopted targets and frameworks to not only manage their own environmental responsibilities, but to be a part of the solution to improve economy-wide outcomes.

For example, the Australian Packaging Covenant representing over 1,000 corporations is an industry-led program to make 100% of Australia's packaging reusable, recyclable or compostable by 2025. Progress towards this target will be supported by recent corporate activity in the recycling sector, such as Visy's acquisition of the local operations of glass manufacturer Owens-Illinois with a commitment to increasing the recycled content of glass bottles from a third to two-thirds, and the recent joint venture announced by Pact Holdings, Cleanaway Waste Management and Asahi Beverages to process up to 28,000 tonnes of plastic bottles and recyclables into recycled packaging material.

Australia's \$180b infrastructure pipeline is an opportunity for circular economy leadership

Newer masterplanned precincts are increasingly designing for circularity, where businesses and local communities operate as micro-economies to reduce waste and maximise the productive use of resources within their own ecosystem. These offer long term net savings and environmental benefits to owners and occupiers. Examples include the Lendlease development Barangaroo South (which recently became Australia's first carbon neutral precinct) and plans for eco-industrial parks in regional centres like Lansdown, Coolum and Parkes.



The Government's [\\$180 billion in committed spending on infrastructure](#) over the coming decade is a critical opportunity to embed these design principles on a national scale, while also jumpstarting large-scale, long-term procurement of locally recycled materials. This includes recovering glass and plastic that can be re-processed to use in laying road base, pipe bedding and construction materials. It includes food waste that can be composted for use in landscaping and farming. It includes residual waste that can be used as fuel to power new industrial precincts and their local communities.

Moving the dial together

The collective desire of government, industry and community to take charge of our waste, coupled with the real need to identify economic drivers for our post-pandemic recovery, have clearly accelerated urgency and momentum towards a circular economy.

The Prime Minister said to the United Nations General Assembly in 2019, "A truly circular economy is not only possible, but is achievable. And it's of course, essential. And Australia intends to do more." This is now even more imperative than before.

Read more in the Policy Forum article [here](#).