Messrs Barry Sterland & Martin Strokie
Commissioners
Productivity Commission
Locked Bag 2, Collins St
East Melbourne Vic 8003
Submission via online portal

15 September 2025

Re: Five pillars of productivity interim report: Investing in cheaper, cleaner energy and the net zero transformation

Thank you for the opportunity to provide feedback on the interim report "*Investing in cheaper, cleaner energy and the net zero transformation*" ("interim report"). The interim report recognises that Australia needs consistent and comprehensive incentives to reduce emissions, with its primary focus on the importance of large-scale investments and transitioning to clean energy. The report makes recommendations to reduce the cost of meeting emissions targets (Section 1), supports speeding up investment for new energy infrastructure (Section 2) and addresses barriers to investment in adaptation (Section 3).

The Waste Management and Resource Recovery Association of Australia (WMRR) is the national peak body representing Australia's $21 billion waste and resource recovery (WARR) industry. With more than 2,340 members from over 400 entities nationwide, we represent the breadth and depth of the sector, including representation from business organisations, the three (3) tiers of government, universities, and Non-Government Organisations (NGOs), including research bodies. Our members are involved in a range of important WARR activities within the Australian economy, including infrastructure investment and operations, collection, manufacturing of valuable secondary raw products from resource recovery, energy recovery as well as community engagement and education.

WMRR strongly advocates for a systems-based approach to resource management in Australia, advancing a circular economy to drive material productivity through the waste and resource management hierarchy – that is, the avoidance of waste wherever possible, and the diversion of materials from landfill through design for reuse, recovery, recycling and composting of resources. Where residual waste cannot be avoided, the hierarchy prefers producing low-carbon energy from the thermal treatment of waste (Energy from Waste or EfW) over the capture of methane from landfill.

Doubling Australia's circularity rate by 2035 and reaching net zero will require a systems-led approach that recognises and rewards avoided emissions through resource recovery across entire value and supply chains. It follows that the federal government must prioritise driving systemic change that maximises resource efficiency to cut carbon emissions. Reducing carbon emissions through better waste and material management has been identified in government policies such as the *NSW Waste and Sustainable Materials Strategy 2041* and the Federal Circular Economy Ministers' Advisory Group's Final Report *The Circular Advantage* - which calls for Australia to implement a Circular Economy Act to provide the legislative framework for doubling material productivity, setting standards for the design and labelling of imported and locally manufactured goods mirroring the approach in the European Union to use less material for longer (promoting both resource efficiency and carbon mitigation). The recent *Delivering Net Zero Infrastructure: Workforce Report* from

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Infrastructure Australia and the Commission's *Opportunities in the circular economy* report, also recognise WARR's key contribution to both decarbonisation and material productivity.

WMRR appreciates that the Commission has sought to broaden decarbonisation efforts across sectors and government agencies and streamline project approvals for clean energy infrastructure. However, there are some recommendations which need to be clarified to ensure that they do not inadvertently undermine efforts to decarbonise current WARR infrastructure, or expanded to incentivise WARR industries to accelerate emissions reduction efforts across materials supply chains.

WMRR makes the following comments about the recommendations of the interim report.

1. *Expanding the Safeguard Mechanism should explicitly exclude landfills (Draft Recommendation 1.2)*

Given the Commission's emphasis on heavy industry within the report and the unique nature of landfills under the Safeguard Mechanism, it is not entirely clear if draft recommendation 1.2 of the interim report is intended to apply to landfills. In WMRR's view, landfills should be explicitly excluded from the Safeguard Mechanism. Landfills are an essential service receiving the residual waste produced by Australian communities and businesses, including disaster wastes. Landfill operators do not control waste composition received from across communities and businesses or the emissions generated naturally as organic materials break down over time.

The Safeguard Mechanism is a cap mechanism designed to discourage high-emitting industry, including coal and gas facilities from relying on fossil fuels in order that covered facilities can obtain Safeguard Mechanism Credits (SMCs) for staying under their baseline. Currently, landfills are unique to other industries under the mechanism as they are not eligible to create SMCs. The Commission has recommended expanding the Safeguard Mechanism to lower the threshold to include more industrial facilities (potentially down to 25,000 tCO_2e) and phase out trade-exposed baseline adjustment if a border carbon adjustment is introduced. At a 25,000tCO2-e/annum threshold, the majority of landfills with landfill gas capture and abatement projects would be captured under the Safeguard Mechanism.

WMRR appreciates that the recommendation to expand the Safeguard Mechanism is nuanced with the rationale of "*…ensuring that the right policy settings are in place in heavy industry will be critical to achieving Australia's emissions targets at least cost*." It is well known that industrial activities have been the major contributor to climate change, largely through the release of greenhouse gases such as CO_2 from fossil fuel use and chemical processes in sectors like cement, steel, and chemicals.

In WMRR's view, landfills have little relevance under the Safeguard Mechanism, as they provide an essential waste management service rather than producing controllable industrial outputs. As mentioned above, landfills cannot influence the type of material received for disposal, and landfill operators have already accelerated emissions reduction under the Australian Carbon Credit Unit (ACCU) Scheme through methane capture, flaring, and beneficial reuse projects. Australia is a global leader in solid waste emission reductions and further progress towards reduced methane from the landfill sector is expected through federal and state government organic waste diversion policies leading up to 2030.

Capturing landfills under the Safeguard Mechanism at a 25,000tCO2-e/annum threshold could involve a loss of ACCU Scheme incentivisation for landfill gas abatement, which may perversely lead to increased emissions and material mismanagement of residual material (diversion to unregulated sites, stockpiling or illegal dumping), and in turn, lead to increased costs for community and business.

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To be clear, this position does not imply that landfills should avoid emissions performance requirements. Methane emissions from landfills are more appropriately addressed through targeted measures such as methane capture, ACCUs, and waste-specific regulations emphasising avoidance and reduction. Landfill facilities should continue to comply with their state EPA guidelines and manage landfill gas in line with best practice for their scale and location. Long-term arrangements for landfills will be considered prior to the review of the Safeguard Mechanism in 2026-27 and WMRR would submit this is the appropriate time for any changes to this mechanism impacting the WARR industry.

2. *Incentivising emissions reductions for transport should be captured in all net zero sector plans (Draft Recommendation 1.3)*

WMRR supports the recommendation for the federal government to introduce a new emissions reduction incentive for heavy vehicles to switch from fossil fuels to electric vehicles, low carbon liquid fuels or any other method to reduce emissions.

Given that transport represents approximately 20 per cent of Australia's emissions, and heavy vehicle transport is key to most Australian supply chains (including WARR), it is important that any such incentives are identified in the Net Zero sector plans.

3. *Strengthening frameworks to achieve emissions targets at least cost and improve transparency should also extend to 'renewable materials' (Draft Recommendation 1.4)*

WMRR supports the report's recommendation that the ACCU scheme should be integrated into every national emissions-reduction policy. Given the financial outlays involved in these facilities, WMRR particularly supports strengthening financial incentives for WARR facilities under the ACCU scheme. Major WARR facilities are significant capital assets that can assist with decarbonisation through displacing emissions in intensive energy sources (i.e. Energy from Waste), abating embodied carbon (processing secondary rather than virgin materials), and reducing emissions (i.e. gas capture).

WMRR encourages expanding this recommendation to consider referencing:

- urgently developing ACCU methodologies for Energy from Waste (EfW);
- extending the crediting periods for the revised Landfill Gas method and the remake of the Alternative Waste Treatment (AWT) method; and
- remaking of the Source Separated Organic Waste method, noting that this would benefit efforts to maximise the diversion of organic material from landfill and further reduce methane emissions.

WMRR has recently advocated for the broadening of the Guarantee of Origin scheme (GO Scheme) beyond energy systems to include all materials in the circular economy, given this could improve market access, assist with trade relations and enable recognition of recovered content against circularity goals. Participation will have the ability to offer a market advantage for companies wanting to demonstrate low-carbon credentials or eligibility for 'green' procurement. Expanding the scheme beyond energy system products would assist to level the playing field between recycled and virgin materials within supply chains by providing a credible and internationally consistent emissions accounting scheme that provides an objective account of a product's carbon

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footprint. Arguably, recycled low carbon materials would gain preferential market access driven by green procurement preferences and carbon border mechanisms.

4. *Speeding up approvals for new energy and circular infrastructure is essential (Recommendations 2.1-2.4)*

WMRR supports the Commission's recommendations to streamline approvals for energy infrastructure and suggests that this is broadened to include circular infrastructure. Achieving net zero is inextricably linked to achieving a circular economy, and infrastructure is urgently needed to facilitate the shift in Australia from manufacturing with virgin materials to remanufacturing with recovered and recycled materials. Similarly, the 2030 targets of halving Australia's organic waste to landfill relies on all regions having access to suitable processing facilities. Investment in these facilities requires regulatory certainty and timely government approvals. Accelerating the rollout of food and garden organics (FOGO) processing, EfW and advanced recycling facilities is essential to the net zero transformation.

WMRR welcomes the opportunity to discuss these matters further with the Commission and trusts that our comments will be useful in finalising the Commission's report.

Yours sincerely

Gayle Sloan
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