



Mapping the politics of waste

An assessment of how the political landscape might shape the UK waste and resources agenda over the next five years



FOREWORD

With the outcome of the UK's General Election in 2015 looking uncertain and Defra 'stepping back' from waste management, our industry faces a period of doubt around governmental policy. For this reason we have commissioned an assessment of how the waste and resource management sector might be affected by potential political changes over the next five years.

This report examines the Coalition Government's waste policy and the manifestos of the five main political parties on recycling targets, zero waste, the circular economy, resource efficiency and investment. These insights are then applied to the uncertainties regarding a more devolved Scotland, EU membership and the 2015 General Election and how various outcomes might shape the country's approach to waste and resources.

Whatever Britain's political future holds, it is FCC Environment's belief that the industry requires legislative and economic drivers to encourage investment in infrastructure as well as market growth. However, overregulation must be avoided as this will stifle competition and damage the long-term viability of the sector.

Paul Taylor
Chief Executive Officer
FCC Environment



THE PAST FOUR YEARS: REFLECTIONS ON A COALITION APPROACH TO WASTE

Has the UK waste management industry benefited under the ruling of a Coalition Government over the past four years? To a certain extent, this depends on geography as waste policy and strategy has developed at a different pace across England, Scotland, Wales and Northern Ireland. Each of the four nations now has its own waste strategy and related targets; the devolved administrations in Scotland and Wales are legislating more heavily in terms of recycling targets and landfill bans/restrictions, as well as setting ambitious goals linked to zero waste and circular economy thinking.

However since the Coalition came to power in 2010, it has done little to encourage these progressive agendas. Waste policy has pretty much stalled in England. The Government's Waste Review, published in 2011, was criticised for setting no new targets or legislative drivers for the country. The Coalition's light touch approach to regulation has seen it scrap mandatory recycling targets for English councils and call a halt to the landfill tax escalator beyond 2014, with no indication of when or if it will be reinstalled.

The Localism Act introduced in 2011 by Communities Secretary Eric Pickles further heightened tensions between ministers

and waste leaders. The Act has created disharmony for household bin collections and triggered deep policy conflict between the Department for Environment, Food & Rural Affairs (Defra) and the Department for Communities & Local Government (DCLG). This, together with the 2013 outcome of the Judicial Review unsuccessfully brought against Defra by recycling campaigners and ongoing confusion over TEEP guidance has served to compound the disjointed nature of the UK's waste collection system.

The industry was dealt a further blow in 2013 when ministers withdrew funding for three major waste private finance initiative (PFI) projects in England. This was followed by a Defra announcement that it would retreat from waste policy intervention and scale down funding activity for the foreseeable future. The continued lack of political leadership has led to fears that England will risk missing its 2020 EU Landfill Directive target unless a more stable environment can be created for the sector.

In contrast, Scotland and Wales have published clear policy roadmaps. Both of these have a legislative backbone and a long-term vision for maximising

waste as a resource. Scotland is demonstrating leadership on the emerging circular economy agenda, and the promise of more devolved powers (see Section 3) could help accelerate action on this front. Northern Ireland's revised waste strategy places a renewed emphasis on resource efficiency, backed by tougher legislative measures such as a partial ban on food waste.

At EU level, the European Commission is looking towards more progressive policies and has published a circular economy package outlining higher recycling targets and a landfill ban on recyclable materials. In the UK, growing support for the circular economy has seen calls for waste policy to be moved from Defra to the Department for Business, Innovation and Skills (BIS). Significantly, these calls are happening from inside Westminster – a flurry of influential MP-led reports have lent the issue greater urgency. In a positive step, the Government has announced plans to draw up a long-term strategy for supporting a waste-based bioeconomy by 2015, and BIS will take the lead on its delivery.

THE NEXT FIVE YEARS: FUTURE POLITICS AT PLAY

This section offers an insight into future policy drivers taking into account the manifestos of the five main political parties in the lead up to the General Election 2015.

Recycling Targets

Cross-sector recycling targets of 70% are already in place in Scotland and Wales, and with Northern Ireland likely to follow suit, it remains to be seen whether England will be politically motivated to do the same. Certainly there is resistance under the current government to impose the 70% combined recycling and reuse target mooted by European Commission under its circular economy package.

Depending on the outcome of the General Election next year, this may well change. In its 2013 waste policy document, the Labour Party indicated it would review how recycling targets could be realigned to drive up performance – a move that might see England's 50% target increase to 70%. The Green Party is likely to undertake the same exercise, judging by past comments made by one of the party's senior members that the UK needs to push recycling levels up in a more consistent way.

The Liberal Democrats remain neutral on the matter, but a green manifesto recently put forward by a group of party activists, the Liberal Sustainability Network, calls for binding business waste targets on resource efficiency and

packaging. Significantly, this report has been endorsed by the Green Liberal Democrats.

The two parties most opposed to higher recycling targets are the Conservatives and the UK Independence Party (UKIP). UKIP is anti-bureaucracy and is seeking to deregulate waste management. Its recent local manifesto pledge to reduce (and possibly abolish) landfill tax would make recycling a less commercially viable option and associated targets somewhat irrelevant. The Conservatives are also in favour of less regulation, though not to the same extent, but there would be a reluctance to set more stretching targets.

However, an influential group of Tory modernisers, the 2020 Conservatives Group, are exerting pressure on their party to rethink this approach. A 2020 paper released earlier this year not only called for landfill bans on recyclable materials, but the introduction of incentives and rebates to encourage more household recycling.

No specific references to recycling targets were made by any of the major political parties during the party conference season this autumn, suggesting it is not a priority issue for the time being.

Waste industry viewpoint

There appears to be little support for higher national recycling targets in England until existing targets are met. The recent flat lining of recycling rates in the country and variations in local authority recycling performance suggest that the underlying collection mechanisms need to be standardised yet the industry remains divided on this issue. Infrastructure capability and a lack of investment in new reprocessing facilities is also a pressing concern.

The Zero Waste Agenda

The UK aspires to a zero waste economy, although in practice this means zero waste to landfill rather than waste prevention. Landfill diversion has been aided by the landfill tax escalator, and the growing emphasis on landfill bans and restrictions in Scotland, Wales and Northern Ireland.

The long-term future of the tax escalator will be dependent on the next incoming government. While none of the political parties have revealed their intentions on this, the Lib Dem green manifesto calls for the tax to be maintained and a landfill ban on non-recyclable waste. Labour's waste policy paper indicates it would incentivise the private sector to encourage higher recycling levels, but falls short of mentioning landfill bans.

The Tory 2020 modernisers are most vocal on landfill bans – their paper argues for restrictions on different

materials, and puts forward an economic case for it. However whether the main Conservative party will entertain the idea remains to be seen. In its European manifesto, the Green Party calls for zero waste to landfill and a target to eliminate hazardous waste production, but offers no detail on landfill bans.

UKIP is the only party that is pro-landfill; its manifesto states that in some instances, landfill remains the best environmental option due to the electricity generation potential it can offer. At its annual party conference this year, UKIP announced that it would seek to repeal the Climate Change Act 2008 – a bill that's viewed by many as a helpful driver in diverting methane-generating food waste from landfill.

The future of energy from waste (EfW) is tied into the zero waste agenda. The feasibility of an incineration ban in England

is one of the issues being explored by a parliamentary select committee, together with energy recovery technology mix and capacity issues. The rise in circular economy thinking appears to discriminate against EfW, although the absence of an incineration ban for recyclable materials under the European Commission's circular economy package demonstrates a more pragmatic approach.

The issue of refuse-derived fuel (RDF) exports has also been called into question. Defra has expressed concern that the waste sector's reliance on RDF exports to meet landfill diversion targets may be at odds with the waste hierarchy, and has launched an inquiry to determine whether a common standard for RDF quality needs to be developed.

Waste industry viewpoint

The industry is desperate for long-term certainty on the landfill tax escalator as this will boost investor confidence and enable new infrastructure to come on-stream more quickly. Uncertainty over the future of EfW within a zero waste/circular economy context makes it difficult to predict how it will evolve over the coming

years, but it has a role to play in closing the loop on certain waste streams such as food. The rise of cleaner, more modular EfW plants that can scale up and down depending on the amount of waste available will ease concerns over feedstock levels and be favoured by policy-makers going forward.

The Circular Economy

The circular economy is fast gaining traction within the UK. The Scottish Government is demonstrating leadership on the agenda by working with the Ellen Macarthur Foundation, the Welsh Assembly has undertaken analysis to identify the scale of opportunity for it, while a Westminster parliamentary select committee inquiry has assessed what regulatory and fiscal levers are needed to enable it.

Encouragingly, all of the main political parties recognise the benefits of working towards a circular economy and this momentum is likely to continue. Labour recently called for a cross-governmental strategy to progress the agenda, which if enacted, would likely see BIS take a lead role working in tandem with Defra and the Department of Energy & Climate Change (DECC). A senior figure

within the party has also hinted at the possibility of undertaking an economic review of resource security.

The Tory 2020 group is also calling for waste policy to shift to BIS as part of an overarching strategy that would place circular thinking at the heart of the UK's future economic growth. It wants to see waste reclassified as a resource, and greater recognition given to the reuse and remanufacturing sectors. Specific proposals include incentives for targeted recycling of materials linked to council tax rebates for householders, and landfill bans on wood, plastics, textiles and food.

Further underlining this commitment, Tory 2020 members fed into a Green Alliance pamphlet issued during the Conservative's annual party conference this year which contained a number of significant proposals. These

included the creation of a new commission on resource responsibility to monitor resource risks as well as reviewing certain producer responsibility directives to promote reuse over recycling.

The Green Party's stance is somewhat sketchy, but leader Natalie Bennett is a strong supporter of the circular economy and has said her party would be willing to consider introducing resource taxes. The party's 2014 European manifesto also makes reference to the adoption of circular waste management systems. Proposals for waste reduction targets and new product design standards are featured within the Lib Dem green manifesto, while UKIP's 2010 manifesto stated the party would promote waste prevention and greater reuse – however these pledges have yet to be reiterated four years on.

Waste industry viewpoint

The circular economy represents a 'make or break' opportunity for the industry as it offers opportunity, but also disruption. Many companies are showing appetite for it, but are still working out how their business models might evolve in order to push waste further up the hierarchy.

Clear policy vision and stability backed by financial/regulatory levers will be needed to create the right enabling conditions for investment and innovation, and reduce short-term risk for those looking to take this leap of faith.

Waste industry viewpoint

Remanufacturing is reliant on utilising end-of-life products or component parts to return them into service – as such, competition will likely increase for ownership of secondary materials. Waste policy will need to change to enable remanufacturing to grow as an industry. Guidance on the legal definition of waste will need revision and regulatory barriers removed from certain EU directives such as End of Life Vehicles (ELV) and Waste Electrical & Electronic Equipment (WEEE).

Resource Efficiency: Business-led Innovation

The rise of the resource efficiency business agenda, linked to the circular economy, has resulted in a sharper policy focus on industrial strategies. BIS is taking the lead on this, looking at how it can support different industries with finance, technology innovation and skills. One sector likely to benefit is remanufacture, where waste policy has a direct role to play.

A report by the All-Party Parliamentary Sustainable Resource Group suggests the remanufacturing sector could be highly profitable if certain barriers, such as outdated definitions of waste, were removed. Significantly, both Conservative and Labour MPs have backed the study, suggesting a unity that might pave the way for future political collaboration.

The remanufacture theme could be a popular one in the election lead up. New business resource efficiency targets are proposed under the Lib Dem green manifesto, which also suggests a review to identify how industrial by-products can be used as inputs for other industries. Labour meanwhile has embarked on a policy review to examine the role

of government procurement standards to encourage green manufacturing.

The Green Party is in favour of limiting industrial processes that generate toxic or hazardous waste – the party has gone so far as to suggest setting a target to eliminate hazardous waste production by 2020. On a broader level, the Tory 2020 modernisers have hinted at establishing a 'ReMade in Britain' sector in which resources are regarded as assets. On a broader level, the Tory 2020 modernisers have hinted at establishing a 'ReMade in Britain' sector in which resources are regarded as assets and like Labour, seem in favour of using public procurement as a tool to incentivise remanufacturing.

UKIP's latest manifesto doesn't touch on remanufacture, but the party has stated in the past that it would introduce a series of regulatory and fiscal incentives to encourage manufacturers and their supply chains to adopt recyclable packaging. This would include a 'litter deposit' scheme whereby people are encouraged to return recyclable packaging to retailers in exchange for a rebate.

Section 2 >>>

Mapping the
politics of waste

Green Sector Investment

Securing funding for new infrastructure is critical if the waste industry is to realise its full potential. A study from the UK Green Investment Bank (GIB) has outlined the investment opportunity, particularly in the field of EfW which is one of its priority areas. Its analysis suggests that investor focus is switching to merchant facilities for commercial and industrial waste, given the withdrawal of government funding for local authority projects and the relative maturity of the municipal waste market.

The Lib Dem green manifesto proposes to extend the remit of the GIB to give it borrowing powers and issue green bonds. It suggests giving the bank a regulatory power to oversee a national plan for green infrastructure development, including waste projects. Meanwhile the Tory 2020 Group has called for the Government's Enhanced Capital Allowances scheme to be renamed the Efficiency and Productivity Allowance and extended to include resource-efficient equipment and processes.

Future job creation will be driven predominantly by the growth of the recycling and reuse sectors. Promoting recycling/reuse as an economic, rather than an environmental, opportunity is featuring quite strongly across the political spectrum. Labour's waste policy not only intends to create more green jobs within the waste industry itself, but looks to reposition the industry as an accelerator to drive growth across the wider economy.

As waste treatment and reprocessing technologies advance this will necessitate the need for a higher skilled workforce. The Green Economy Council, which is working with BIS, Defra and DECC, has established a taskforce to examine how businesses could be assisted on this front, however it's not clear if this work will continue post-election.

Waste industry viewpoint

Opinion is divided on how much, and what type, of infrastructure is needed given that the industry is in a state of transition – this presents an investment dilemma, both for the government and private equity firms. There are also conflicting views over the waste treatment capacity gap, which remains unclear. One market opportunity would be to identify smarter technologies to extract greater value from waste and help close the loop on material streams.

WHAT WILL FURTHER DEVOLUTION FOR SCOTLAND MEAN?

This section examines the possible implications for waste policy across the UK when Scotland is granted more devolved powers as promised before the Scottish independence referendum.

It remains unclear at this point in time whether further devolution in Scotland, which isn't scheduled to take effect until 2015 at the earliest, will directly impact on waste policy as much of the country's waste law is already fully delegated. At a national level, Scottish waste policy is unlikely to deviate from its current direction of travel, but conflicting priorities could come to the fore.

The Scottish government is expected to fight for a 'devo max' package of powers; essentially far-reaching devolution, which could see it gain control over a number of key policy areas such as tax, welfare and defence. Some environmental lobbying groups are also calling for Scotland to be given full control of energy policy. If these demands are granted, existing budgets would be subject to review and waste investment could potentially be scaled back as a result.

On the flipside, devo max might offer an opportunity for Scotland to push ahead with certain waste reforms. Greater tax powers are likely to assist here. Landfill tax has already been transferred across, with the initial 2015/16 rate set to mirror the rest of the UK, but the country could introduce fiscal levers relating to incineration or pay-as-you-throw. There may even be an opportunity to review UK-wide producer responsibility directives concerning WEEE, ELV and packaging, particularly around the PRN (Packaging Recovery Note) system.

On a broader level, Scottish waste policy is becoming more integrated with wider thinking around the green economy. Significantly, the Scottish government's White Paper on independence proposed a new environment, rural Scotland, energy and resources portfolio. Such an approach would allow waste to be positioned as an

economic opportunity, at the heart of a circular economy, and this could see new targets or incentives introduced for reprocessing capacity and investment.

If Scotland did start to differentiate itself from the rest of the UK by setting a higher rate of landfill tax in the future and building more reprocessing infrastructure, this may potentially affect the flow of waste across the border. Most industry observers believe it is 'business as usual' and that little will change for the foreseeable future but, as pressure grows for devolution to be rolled out across the rest of the UK, calls could intensify for a more decentralised approach to waste policy and practice across England and Wales.

EXITING THE EUROPEAN UNION – A STEP TOO FAR?

This section examines the possible implications for the UK's waste agenda if an EU referendum was held in 2017 and Britain voted to opt out of Europe.

The overwhelmingly positive effect that EU membership has had on UK waste policy makes bailing out of Europe a daunting prospect. There will likely be two options on the table – an EU exit whereby the UK remains part of the European Economic Area and retains an association agreement with the single market, or a complete withdrawal.

As existing EU waste legislation and targets have been transposed into UK law, the less extreme scenario may mean few changes in the short-term. The UK would be expected to continue to abide by any waste-related directives and it would remain a signatory to the Basle Convention that governs transboundary waste regulations. Any further push

for deregulation would likely be met with EU resistance due to existing trade agreements. Britain would have no input into new European regulations, however, and statutory targets might become more aspirational.

A complete exit would likely destabilise the waste industry and create a period of policy uncertainty, which would have significant implications for infrastructure investment. It is probable that European-owned waste firms will review their operational strategy in the UK. Some might wish to adapt their approach to extract more profit out of UK operations in order to fund innovation and development elsewhere in Europe.

With less new facilities coming on-stream, recycling rates could stagnate and even go backwards. Local authority waste budgets could be slashed further, impacting on recycling collections, gate fees and communication campaigns. Overall this could lead to a shortage in raw secondary materials and hinder circular economy progress. RDF exports might also be thrown into jeopardy if the UK is longer subject to EU standards on waste-derived fuels.

GENERAL ELECTION 2015: ANOTHER HUNG PARLIAMENT?

This section assesses possible implications for future waste policy under a second successive coalition government if there is no outright party winner at the next election.

In the lead up to the General Election 2015, current polls suggest no one political party will have an absolute majority, indicating a strong possibility of another Coalition Government. It is likely such a coalition would be Conservative or Labour based. The prospect of both parties forming a unity with each other is doubtful – both party leaders have rejected such a scenario.

A Conservative-led coalition would set the wheels in motion for an EU referendum (see Section 4), especially if UKIP MPs, rather than Lib Dems, form part of the mix. There would likely be further cuts to public spending affecting local authority waste services, and the possibility of mandatory weekly bin collections for households

– a recent pledge made by Communities Secretary Eric Pickles if his party were voted back into power.

A Labour-led coalition, most likely with the Lib Dems although the Green Party is also an outside bet, would likely see the resource security agenda prioritised as a policy area and a stronger business case made for waste. This could see BIS's involvement deepen in order to link it in more with wealth and job creation.

Besides green growth, waste policy could also be geared to help underpin regional development and spatial planning strategies – a move which would boost investment in new infrastructure. That said, public purse strings are likely

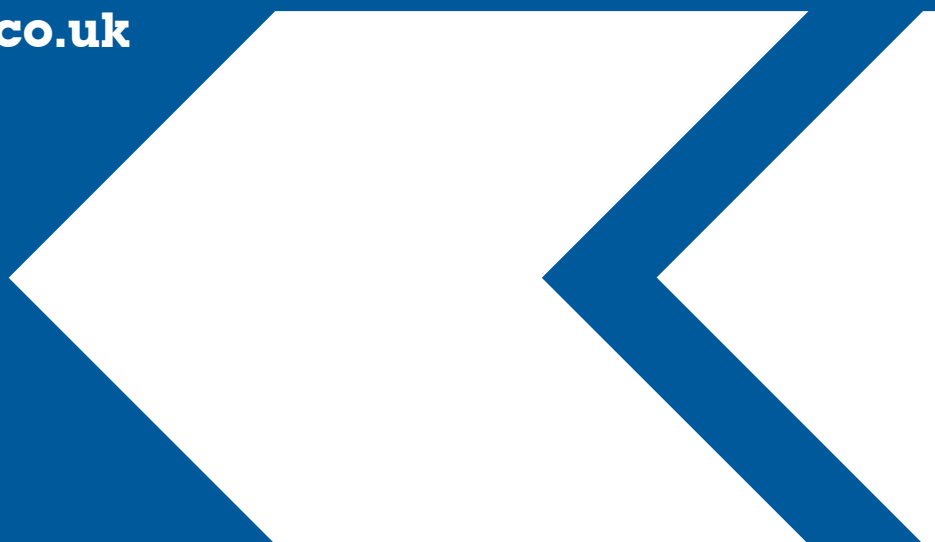
to remain tight as Labour will look to show its commitment in reducing government debt further.

An EU referendum is unlikely to take place under a Labour-led coalition – the party believes there is an overwhelming economic case for EU membership. There would be an acceptance of higher EU targets relating to waste and recycling, and the prospect of more progressive legislation to encourage the UK to move towards a circular economy.

www.fccenvironment.co.uk

Published by

FCC Environment,
Ground Floor West,
900 Pavilion Drive,
Northampton Business Park,
Northampton,
NN4 7RG



Author

Maxine Perella

Acknowledgement

During the research of this article, the author consulted with various experts through a series of interviews and factual briefings. The author would like to thank the following for their time and insight:

Professor Chris Coggins
Philip Falcutt
Jon Molyneux
Dr Adam Read
Mike Tregent