Environmental Audit Committee
Sustainability and the HM Treasury

Impact of HM Treasury policy on meeting recycling targets

Background to CIWEM

CIWEM is the leading independent Chartered professional body for water and environmental professionals, promoting excellence within the sector. The Institution provides independent comment on a wide range of issues related to water and environmental management, environmental resilience and sustainable development. CIWEM welcomes the opportunity to respond to the Environmental Audit Committee inquiry on Sustainability and the HM Treasury. This response is informed by Members of our Waste Management technical panel.

Summary

Waste and resource management is still driven by cost in the UK. Although this inquiry's scope is on recycling targets, CIWEM believes that recycling is far too far down the waste hierarchy for us to see a sustainable impact on waste reduction through an overt focus on this over and above other waste reduction measures. This is indicative of the over-emphasis on recycling within UK waste policy generally. Targets have tended to reward recycling and recycling alone, making it hard to think beyond it. Yet there are many ways to prevent waste looking more broadly at buildings, processes and the wider issues of consumption, in other words creating a circular, genuinely resource efficient economy. Recycling is but a small part of this.

With the increased focus on creating a circular economy, fiscal measures have an ever more central role to play. In 2013 CIWEM published a report on waste prevention and resource optimisation[1] which proposed a number of fiscal and policy drivers over and above those related to recycling that the Government could implement to drive a circular economy, but in the intervening years little has changed.

Consumption is taxed through VAT, yet the way it is applied does not always encourage the most sustainable behaviour. An example of this is that VAT is only charged at five percent on energy, regardless of its carbon intensity. It is payable on electronic publications but not paper publications, encouraging more resource use. Another is that no VAT is payable on labour or building materials for new homes, but for repairs and restoration the VAT rate is 20 percent. This is a barrier to refurbishment and re-use and may result in additional

1. CIWEM. 2013. Less is More, waste prevention and resource optimisation across a life cycle http://www.ciwem.org/policy/waste-resources/

construction and demolition waste. A rebalancing of VAT need not affect the Government's income, just the activities it is charged upon.

CIWEM recommended creating a commission-type structure or Office for Resource Management to be set up to monitor the impact of polices on resource use, which we still believe is needed.

Our other recommendations for the Treasury include:

- Redressing taxation to drive sustainable behaviour – taxing consumption rather than labour
- Reducing VAT on second hand or refurbished products (particularly electricals) and those with longer warranty periods
- Encouraging leasing and sharing business models expanding the UK's service economy
- Implementing a sufficiently high carbon price
- Introducing a shadow price for water, similar to that of carbon
- Using Carbon Reduction Commitment (CRC) allowances for recycling and reprocessing activities

Answer to consultation questions

Recycling and waste

1. Has Treasury policy played a positive role towards meeting national and local Government targets on recycling and waste? Are DEFRA and HM Treasury policies coherent?

No, CIWEM does not believe that there is any coherence between Defra and Treasury policies on recycling and waste. Although a cross-cutting issue, thus far, it has been largely left in Defra's remit. Doing so naturally focuses on management measures lower down the waste hierarchy. The department estimates that UK businesses could save more than £20bn per year by taking simple steps to use resources more efficiently, yet there appears to be little involvement from the departments of DECC, BIS, DCLG and the Treasury which should all recognise that such a saving represents a substantial opportunity to improve the competitiveness of UK plc.

In 2014 Defra "stepped back" from waste policy. Current cuts to local authority budgets are also having a negative impact on reaching recycling targets, as local collection authorities seek to make savings on their waste management budgets.

There seems to be a lack of urgency on the issue from wider government, despite its desire to develop a stronger UK economy. The Treasury has an important role to play in ensuring that policies across government are appropriately financed, setting clear and transparent fiscal boundaries against which governmental departments can design policies for a sustainable future. In 2013 it was revealed that a chief economist at DECC had gained support from the Foreign Office, Defra and BIS for a "major review" of strains on renewable and non-renewable global resources but the Treasury vetoed the plans.

It is important that reporting and monitoring of performance is not seen as a burden, but in fact a positive benefit in measuring our successes and providing for smarter planning. This will require the collection of different data and new metrics.

2. What impact has Treasury policy had on the ability to finance recycling and waste projects over the course of the last Parliament?

The Treasury's PFI initiative was withdrawn early, leaving a number of projects without adequate funding. This was because it was deemed by the government that EU recycling and recovery targets would be met without it. There is no coherent strategy for waste infrastructure (where finance and planning should be coherent). It looks as though this may be taken forward by the National Infrastructure Commission in the current Parliament.

3. What impact is current Treasury policy likely to have on the achievement of national and local recycling and waste targets?

The ongoing and staggered application of Landfill Tax has encouraged a slow but significant shift away from landfill as a waste management solution. Yet equally, it is unfortunate that the proceeds were not re-invested into supporting waste management solutions higher up the waste hierarchy. For example assisting local authority recycling efforts against the impacts of austerity; maintaining the financial incentives for heat/ power generated from energy from waste; or most usefully, kick-starting the creation of adequate reprocessing infrastructure in the UK to strive towards higher levels of re-use.

There is also a significant underfunding of landfill aftercare due to the very long timescales involved and the large number of landfill sites whose licences were surrendered prior to the implementation of the Waste Management Licensing Regulations, 1994. Despite the estimated £8bn landfill tax that the government appears to have diverted to other issues, there is a significant funding issue that affects both private and public sector closed landfills. The Treasury should look at the application of discount rates in this case and a possible landfill tax or aftercare provision rebate could be used to encourage operators to actively advance the stabilisation of landfilled waste.

The Green Investment Bank has been a failure in relation to recycling, focusing the majority of its lending on energy from waste schemes (which may hinder rather than enhance recycling), and which are lower in the waste hierarchy.