

# Why a Pricing Strategy for South Africa

A local and international perspective

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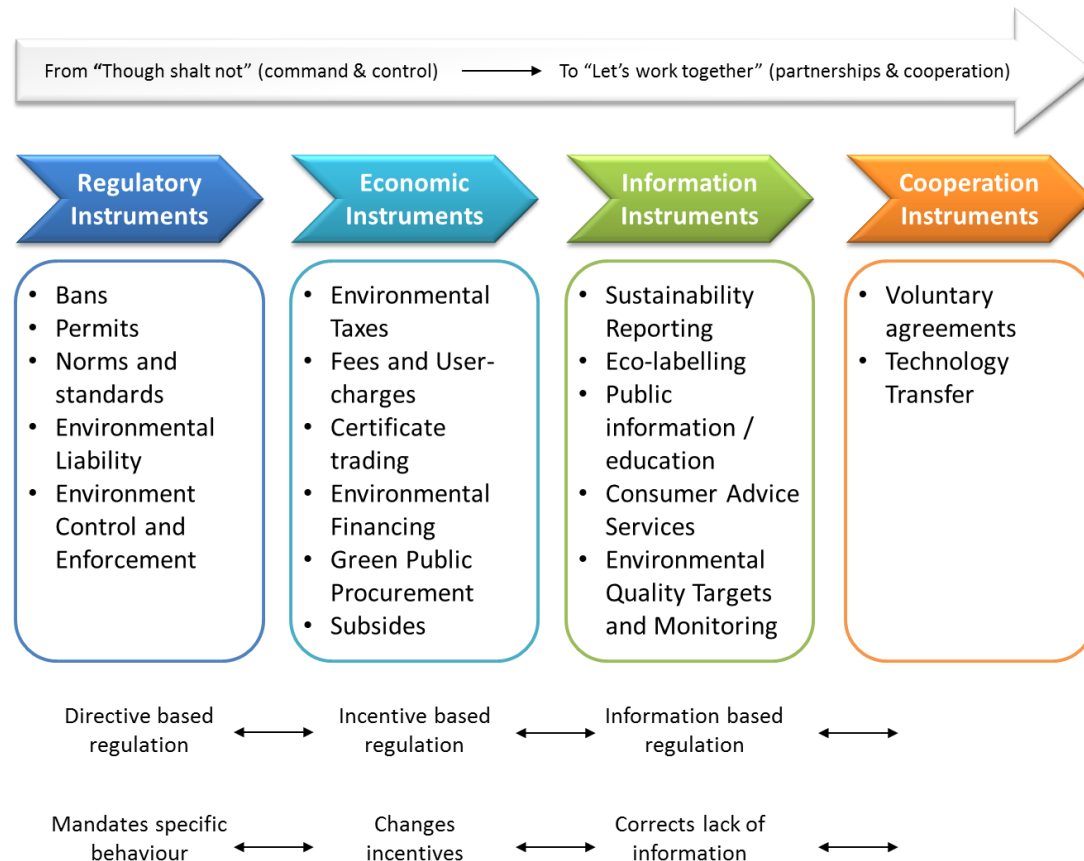
# OUTLINE OF PRESENTATION

- Overview economic instruments
- The National Pricing Strategy
  - Mechanisms to give effect
  - Downstream & upstream
- Extended Producer Responsibility
- Way forward

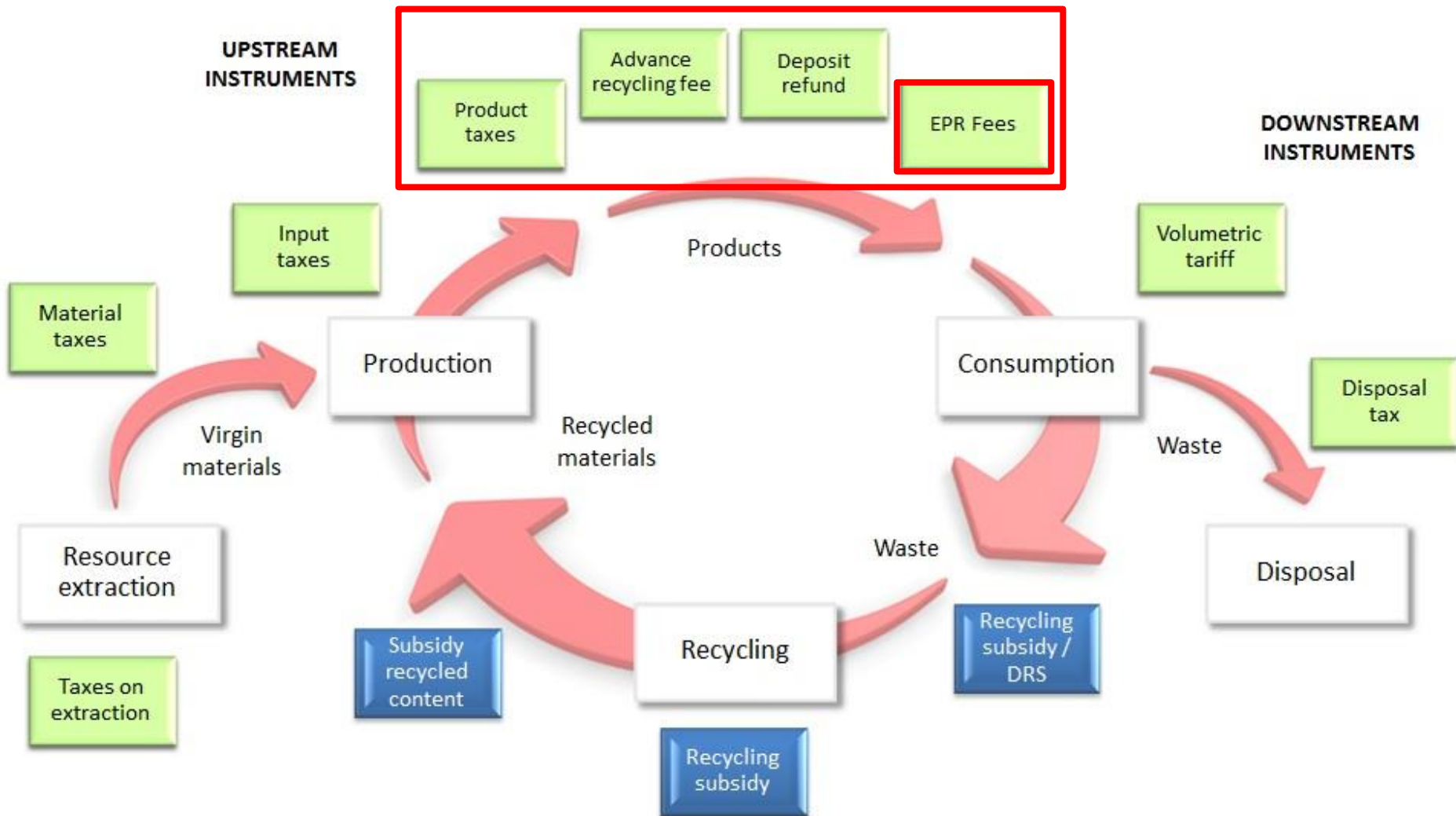


# ECONOMIC INSTRUMENTS

- Economic instruments are an alternative (and advanced) policy instrument to Command-and-Control regulation
- They seek to change behaviour **indirectly**; by changing the **relative prices** (and hence incentives) that individuals and businesses face



# ECONOMIC INSTRUMENTS



# ECONOMIC INSTRUMENTS

- The Waste Act directly allows for the implementation of economic instruments through the following mechanisms:
  - **Priority Wastes** (Section 14(1)) – provides for the identification of specific waste streams to which specific management measures can be applied. This provides a mechanism for managing wastes and the targeting of economic instruments to specific waste streams.
  - **Extended Producer Responsibility** (Section 18(1) and (2)) – allows for the Minister to specify the financial arrangements of a waste minimisation programme in support of EPR arrangements.
  - **Regulations by Minister** (Section 69(1o)) allows for the financial arrangements of waste minimisation programmes; (Section 69(1x)) requirements in respect of the funding or insuring of a waste management activity; and (Section 69(1bb)) incentives or disincentives to encourage a change in behaviour towards the generation of waste and waste management by all sectors of society.

# ECONOMIC INSTRUMENTS

- Within the South African waste and secondary resources sector, we are currently applying economic instruments to –
  - Plastic bags
  - Waste tyres
  - Incandescent light bulbs
- “Product taxes”





# THE NATIONAL PRICING STRATEGY

- The National Pricing Strategy for Waste Management (NPSWM)
  - is a legislative requirement of the National Environmental Management: Waste Amendment Act (Act No. 26 of 2014) and
- Gives effect to the National Waste Management Strategy (NWMS)
  - Economic instruments
  - Extended Producer Responsibility



# THE NATIONAL PRICING STRATEGY

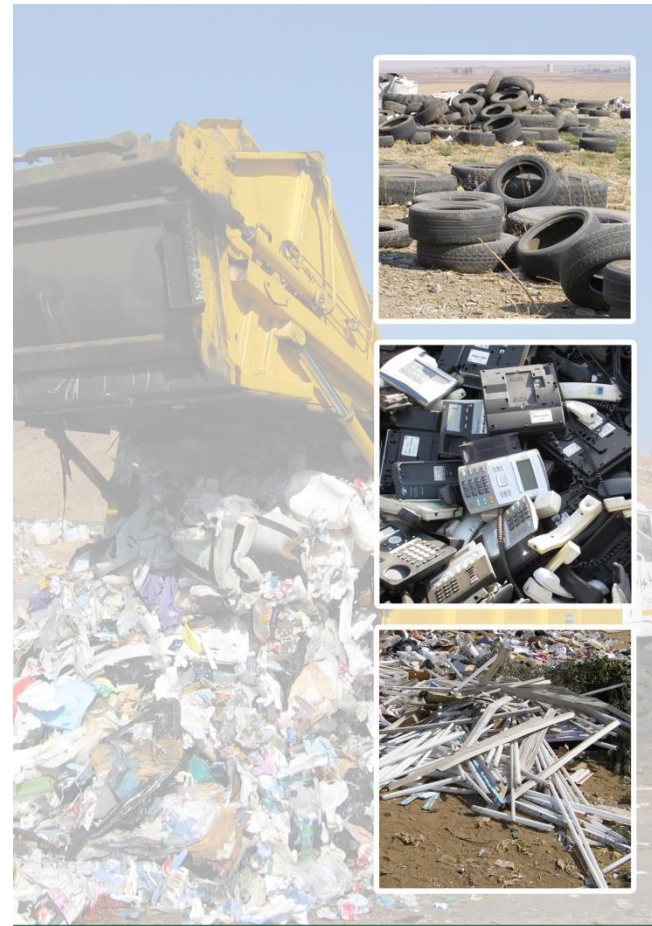
- Aim of the Pricing Strategy –
  - Mainstream **Extended Producer Responsibility (EPR)** in the NWMS
  - Reduce the generation of waste
  - Increase the diversion of waste away from landfill towards reuse, recycling and recovery
  - Support the growth of a southern African (regional) secondary resources economy from waste





# THE NATIONAL PRICING STRATEGY

- **Downstream economic instruments**
  - Volumetric tariffs (Pay-as-you throw)
  - Landfill taxes
  - **Mechanisms** proposed in the National Pricing Strategy
  - Outlined as actions in the Annexure to the NPSWM



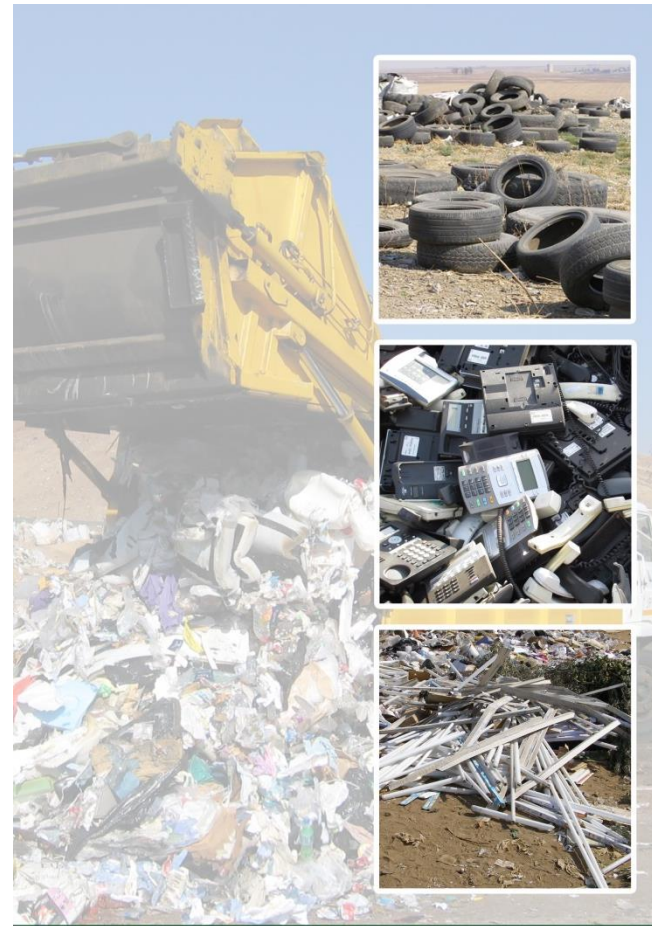
National Pricing Strategy  
Waste Management Charges

# MECHANISMS: DOWNSTREAM INSTRUMENTS

- **Under-pricing of waste services is corrected**
  - Municipalities to be supported in implementing correct tariff setting and pricing for waste management services which takes into account the **full costs of waste management**
  - All municipalities **are charging** for waste management services **by 2016**
  - All municipal charges for waste management services are based on **full-cost accounting by 2017**
- **Implementation of Downstream Instruments**
  - **Assess the readiness** of municipalities to implement **volumetric tariffs**
  - Assess the readiness of municipalities to implement **waste disposal taxes**
  - Further research into implementing or extending the downstream instruments **once under-pricing has been corrected** (commitment under the NWMS)

# MECHANISMS INCLUDED IN PRICING STRATEGY

- **Upstream economic instruments**
  - Focus specifically on EPR
- Outline some of the **mechanisms proposed** for the National Pricing Strategy
  - Considering International Best Practice
  - Given the limitations placed by the Waste Amendment Act
- Approach **included** in the gazetted Pricing Strategy (*for comment*)



National Pricing Strategy  
Waste Management Charges

# EXTENDED PRODUCER RESPONSIBILITY



- EPR is an “*environmental policy approach in which a producer’s responsibility for a product is extended to the post-consumer stage of a product’s life cycle*” (OECD, 2001).
- Relieves municipalities of some of the **financial burden** of waste management
- Provides **incentives** to producers to reduce resources, use more secondary materials, and implement product design changes to reduce waste
- EPR **shifts the responsibility** for waste management away from government to industry



# POLICY ENVIRONMENT FOR EPR

- Waste Act (No. 59 of 2008)
  - (S18) Give effect to EPR through a **Gazette notice** –
    - Identify a product or class of products
    - Specify EPR measures to be taken
    - Identify person or category of persons to implement
  - (S28) Preparation of Industry Waste Management Plans
- National Waste Management Strategy (NWMS) (2011)
  - IndWMPs can include **voluntary** EPR schemes
  - **Mandatory** EPR schemes declared by the Minister where IndWMPs have been ineffective
  - Maps out the process for declaring an EPR scheme

# POLICY ENVIRONMENT IN SOUTH AFRICA

- Waste Amendment Act (No. 26 of 2014)
  - Intention is to (amongst others) –
    - Establish a **Pricing Strategy** and provide for the content
    - Establish the **Waste Management Bureau** and provide for policy, oversight, functions, funding, reporting
  - (S13) **Pricing strategy** to “*contain the basis and guiding methodology for setting waste management charges*”, including –
    - Funding the implementation of IndWMPs
    - Establishment of incentives and disincentives
    - Differential charges (e.g. geographic area, type, impact)
    - Process for collection and allocation of funds

# EPR IN SOUTH AFRICA

- South Africa has a number of voluntary ‘EPR schemes’
  - Operating for various lengths of time
  - Established by industry (e.g. manufacturers, retailers)
  - Numerous ‘Product Responsibility Organisations’ (PROs) – both within and across waste streams
    - Different models of operation
    - Providing different types of support
    - Most are supporting projects to encourage recycling rather than driving regional or national collection systems

# VOLUNTARY 'EPR SCHEMES' IN SA

- Tins
  - Collect-A-Can (1993)
- Waste oil
  - Rose Foundation (1994)  
collection by NORA-SA (2005)
- Paper
  - PRASA (2003) subsidiary of  
PAMSA



# VOLUNTARY 'EPR SCHEMES' IN SA

- **Plastics**
  - PETCO (2004)
  - Polystyrene Packaging Council (2009)
  - Polyco (2011)
- **Glass**
  - Glass Recycling Company (2006)
- **WEEE**
  - eWASA (2008)

# MANDATORY EPR SCHEMES IN SA

- Waste tyres

- Government Gazette No.35927 (2012)
- Integrated Industry Waste Tyre Management Plan
- Managed by REDISA Pty Ltd
- Waste tyre management fee levied by REDISA on waste tyre manufacturers and importers
- R2.30 + VAT (14%) per kg of manufactured and/or imported tyres and casings



# NPSWM – IMPLEMENTING EPR SCHEMES

## Proposed

- Identify product, product groups or waste streams for EPR
- Design EPR scheme
  - Establish Product Steering Committee
  - Develop Product Plan (**Co-development**)
  - Develop Industry Waste Management Plan (including calculation of EPR fees)
- Give effect to EPR
  - Voluntary producer responsibility
  - Mandatory producer responsibility
    - Section 18 of the Act (Gazette Product Plan as notice of EPR)
    - Section 14 and 15 of the Act (Prioritise waste stream)
- Implement and monitor the EPR



## Gazetted

- Identify product, product groups or waste streams for EPR
- Design EPR scheme
  - **Operationalise Waste Management Bureau**
  - Develop Product Plan (**Waste Bureau**)
  - Develop Industry Waste Management Plan (including calculation of EPR fees)
- Give effect to EPR
  - Voluntary producer responsibility
  - Mandatory producer responsibility (**government intervention**)
    - Section 18 of the Act or
    - Section 14 and 15 of the Act
- Implement and monitor the EPR

# IDENTIFYING PRODUCTS FOR EPR

- Criteria for selecting products, product groups or waste streams for EPR –
  - 1. Risk of harm** - Products with **toxic constituents** that may become a problem at the end of life (e.g. batteries, electronics, used oil, pharmaceuticals, paint and paint products, pesticides, radioactive materials, products containing mercury and cadmium, thermostats, electrical switches, fluorescent lamps)
  - 2. Large products** – that are not easily and conveniently thrown out as waste (e.g. appliances, furniture, carpets, building materials, tyres, end-of-life vehicles, propane tanks and gas canisters)
  - 3. Complex products** – Products with multiple material types that make them difficult to recover in traditional recycling systems (e.g. packaging, electronics, and vehicles)
  - 4. Voluntary measures insufficient** – where participation rates or waste diversion from landfill remain low for voluntary EPR schemes
  - 5. Current waste stream recycling/recovery low** – where the diversion of specific waste streams from landfill is low, as benchmarked against developing and developed countries (e.g. % recycling)



# PRODUCT STEERING COMMITTEE

- Concept of **Product Steering Committee** was recommended based on international models, e.g. French model of the EPR committee, of *“inclusive governance”*
- Key stakeholders in government, industry and civil society have *“a chance to participate in decision-making on the design and ambition of the scheme”*
- Intention of the Product Steering Committee –
  - Ensure **transparency and consultation** in the EPR scheme design, monitoring and evaluation
  - Consist of people from National Government, industry (producers, retailers, recyclers), the PRO, and consumer and environmental NGOs

# THE PRODUCT PLAN

- Sets out high-level objectives of the EPR scheme (Waste Bureau)
- Product plan (*short*) to include –
  - Clear description of the **problem** to be addressed
  - **Product, product groups or wastes** to be included in the scheme
  - **Financial arrangements**, including –
    - Appropriate economic instruments to be applied in the EPR scheme
    - What the EPR scheme will fund, e.g. partial or full contribution to product collection/take-back and recycling
  - **Institutional arrangements**, including –
    - Need for a Product Responsibility Organisation, roles and responsibilities
    - On whom charges are to be levied and where in the product/waste value chain
    - Level of government involvement in the EPR scheme
  - **Targets** – clearly defined phased targets for waste diversion
  - **Legal nature** of the EPR scheme (voluntary or mandatory)

# INDUSTRY WASTE MANAGEMENT PLAN

- In addition to content required under S30 of the Waste Act, the IndWMP must outline –
  - **How** industry will achieve the objectives of the Product Plan (business plan)
  - The **roles and responsibilities** of various role players, including –
    - the role of municipalities in the EPR scheme
    - the role of the formal and informal sectors
  - The **costs** to achieve the objectives of the Product Plan
  - The corresponding **charges** to be levied on products to generate the funds required to cover EPR costs.
    - This will include the detailed breakdown of costs per (i) product category, (ii) geographic area, etc
  - The **research and development** required to support improved collection, sorting, recycling and recovery efficiencies and reduce costs

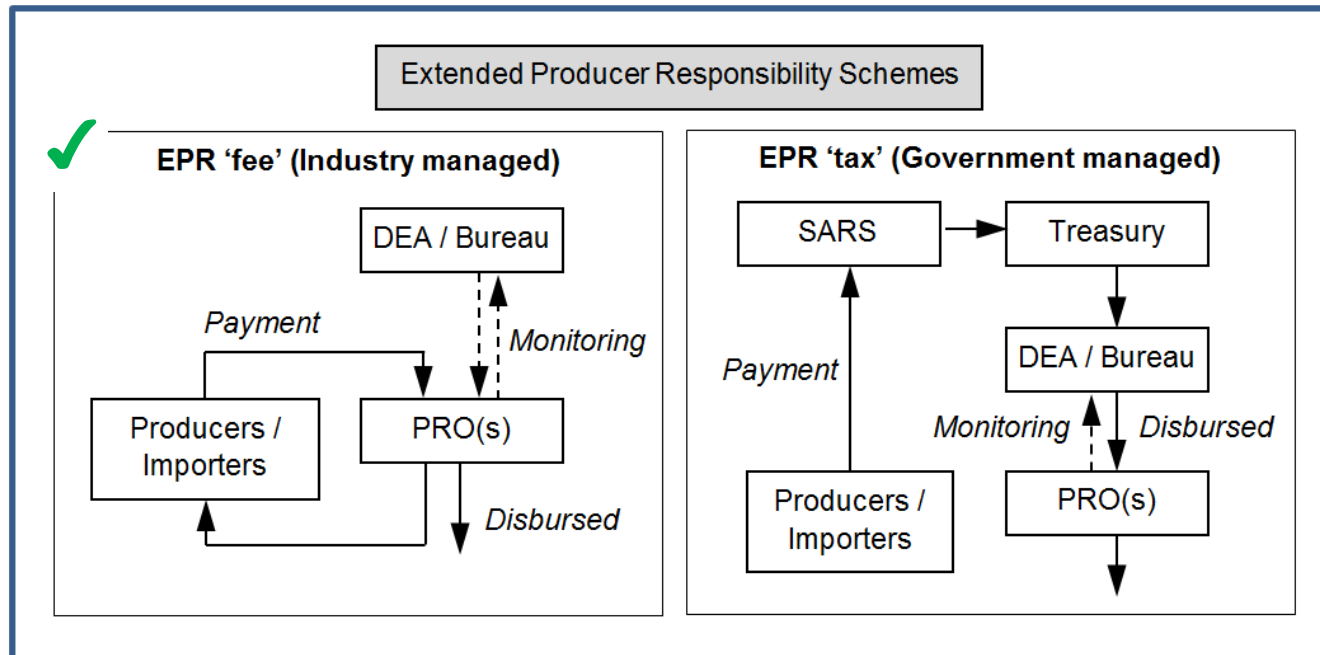
# PRODUCT RESPONSIBILITY ORGANISATION

- Suggested requisites for PRO (international practice) –
  - The PRO must be registered and operate as a Non-profit Company.
  - Multiple PROs per IndWMP will be considered, preference is for a single PRO
    - Unites sector under single plan, unified approach, reduced administrative costs, and economies of scale
    - *(However, no single organisation has 'control' over the waste stream and the end-of-life solutions)*
  - PRO administrative costs (of managing the EPR scheme) should be <5-10% of total revenue (administrative costs of 3-5% are being achieved by PROs).
  - PROs and employees have no vested interest in any waste recycling, recovery or disposal businesses (avoid conflict of interest).



# COLLECTION AND DISBURSEMENT OF CHARGES

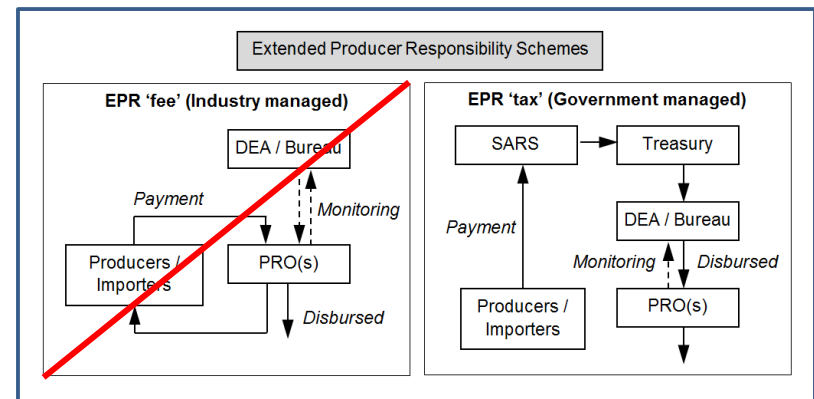
- Recommendation –
  - EPR fee (industry managed) – voluntary or mandatory EPR
  - EPR tax (government managed)



# INDUSTRY OR GOVERNMENT MANAGED

- Gazetted Pricing Strategy proposes –
  - The Government managed EPR scheme (*EPR tax*) for mandatory EPR schemes
  - Allowance for a two year transitional period from the date of signing of the Pricing Strategy
  - For Industry-managed schemes to align with the Pricing Strategy by becoming Government-managed schemes

- Mandatory = Government-managed
- Voluntary = Industry-managed



# WAY FORWARD

- **Draft Pricing Strategy** for Waste Management
  - Gazetted for public comment period 2 Feb - 3 Apr 2015 (No. 38438)
  - Consideration of public comments
  - Government to finalise and gazette
- Department of Environmental Affairs to –
  - Establish and operationalise the **Waste Bureau**
  - Intent (2015) to **prioritise** (mandatory EPR schemes) –
    - Paper and packaging waste
    - WEEE
    - Lighting
  - Call for associated **IndWMPs**

# WAY FORWARD



- Issues that the sector needs to consider wrt implementing EPR –
  - What does a South African EPR scheme look like for your sector?
  - What will the relationship be with municipalities (if any)?
  - How will we integrate the informal sector into these EPR schemes (jobs)?
  - How far into the value chain will EPR schemes be pushed? (kerbside?)
  - Who will pay the “tax”? (manufacturer, brand owner, retailer?)

# Thank you

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Pricing Strategy available at

<http://sawic.environment.gov.za/>

