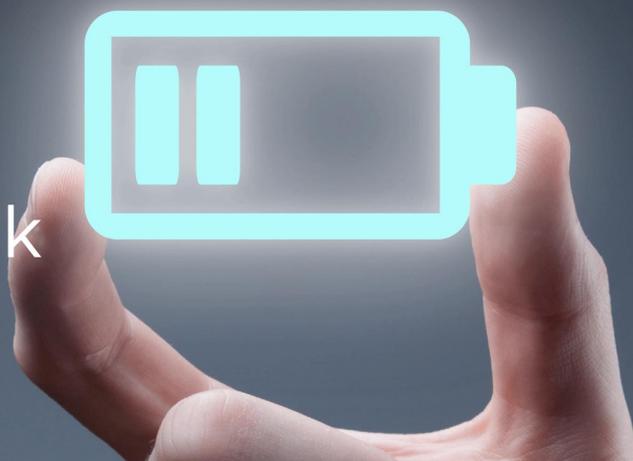


Battery Stewardship Council

BRIEFING NOTE #7 SCHEME DESIGN V3 CONSULTATION Overview of feedback & BSC responses



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Consultation Process



Since the release of Version 3 of the proposed scheme design, the Battery Stewardship Council has been seeking input to explore key issues and refine the approach to ensure the scheme design provides a robust starting point for success. This Briefing Note outlines the key questions and feedback received during the consultation and current thinking on the BSC response.

Targeted consultation has included webinars, forums, presentations to industry associations, and face to face meetings with more than 120 organisations. The following provides a summary of the discussions and identifies changes that will be proposed in the fourth and final version of the design which will form the basis of the application to the ACCC for authorisation.

The webinar and forum presentations can be downloaded from the BSC website: www.bsc.bsc.org.au/resources

Next Steps



Version 4 will be released in October 2019 and will form the basis of the application for ACCC authorisation.

At that time, members will be asked to indicate their in-principle support for the scheme to assist with ACCC understanding of industry engagement and support.

In addition, a brief will be presented to all state and federal environment Ministers at the next Meeting of Environment Ministers (MEMs) expected in November.

Membership Fee



QUESTION/FEEDBACK: Do importers have to pay a membership fee if they also are part of other membership categories?

BSC Response

- No, the scheme design document will be updated to clarify that levy paying members will not be required to pay a membership fee.

QUESTION/FEEDBACK: Suggestion to demonstrate value for membership fees

BSC Response

- Agreed. This will be included in the next version.

QUESTION/FEEDBACK: Suggestion to remove government contribution fee

BSC Response

- Agreed.
- Government agencies however may join as associate or financial members should they desire.
- It is anticipated that governments will also contribute funding on a project by project basis.

QUESTION/FEEDBACK: Government has been paying for disposal for many years and thus should not be subjected to a membership fee. They are not required to pay a membership fee for other schemes. Please also provide further information and rationale as to why State government would pay the highest annual fee in the proposed fee structure.

BSC Response

- See above.

QUESTION/FEEDBACK: Membership fee for local government is too high

BSC Response

- See above.

QUESTION/FEEDBACK: Will each individual battery collection point be required to pay an annual membership fee, or will a collection partner only need to pay one fee for all of their sites?

BSC Response

- As a result of feedback during the consultation, it has been decided not to include a membership fee for collection points.

QUESTION/FEEDBACK: How do fees apply to franchises?

- If a franchise owner wants to pay one fee, they get one vote and they are required to guarantee performance of their franchisees (BSC preference).
- If a franchisee chooses to join on an individual basis, they would get a vote per membership.

QUESTION/FEEDBACK: Why do we need a membership fee? The levy should cover the costs.

BSC Response

- A membership fee has been included to reflect the principles of shared responsibility and to facilitate a supply chain governance framework. To establish a Board with supply chain representatives with the right to vote, it is necessary to have a financial membership base for the organisation.

QUESTION/FEEDBACK: Membership fee for Battery Supply chain category seemed low.

BSC Response

- As the cost of the scheme is to be met through a levy, a membership fee has been set at a low level to enable members to be eligible to have a voting right.

QUESTION/FEEDBACK: How will members demonstrate that their collected volume has not come from an existing stockpile? What validation process is proposed and what existing battery stockpiles in Australia are known to the BSC?

BSC Response

- The BSC will develop audit protocols and tools once the ACCC determination has been achieved. This will include traceability requirements to demonstrate the source of collections.

QUESTION/FEEDBACK: Would it not be better to allow collections from stockpiles to ensure responsible management of such batteries?

BSC Response

- The scheme is not designed to deal with stockpiling; however, it is intended to monitor the scale of this issue and if necessary work with governments on a solution.

Environmental benefit – potential ban on import of zinc batteries



QUESTION/FEEDBACK: To reduce the import of low-quality batteries, we would like to see the government ban the import of zinc batteries.

BSC Response

- The BSC supports this in principle as it would remove low quality batteries from the market.
- BSC will work with members to prepare a submission to government along these lines and would welcome input from all members to ensure the implications are understood.

Levy



QUESTION/FEEDBACK: General agreement that 4c is a good starting point, acknowledging that the extent of the levy a significant investment for industry.

BSC Response

- As a result of consultation discussions, it is proposed to introduce a net levy for companies who provide take back services for their products. In those cases, a net levy (levy less rebate for take back programs) would be calculated based on past performance.
- It was noted that the scheme is designed to put downwards pressure on the 4c / EBU levy amount by providing industry certainty for investment and by encouraging innovation.

QUESTION/FEEDBACK: Paying the levy in the first year is problematic for some companies because of immediate impact on P&L

BSC Response

- Agreed. Version 4 will include a provision to enable identification of the obligation at the beginning of the cycle but with payments made quarterly to accommodate the sales regime of various importers.

QUESTION/FEEDBACK: It is important that the scheme includes a visible fee to be applied by retailers as this is the only equitable way to ensure a level playing field.

BSC Response

- Currently the scheme design does include a commitment from members to pass on a visible levy to consumers. The BSC is open to ideas about how to strengthen this element of the scheme design and will raise this in its application to the ACCC.

QUESTION/FEEDBACK: We would like to see a visible fee as opposed to a levy as it applies in some Canadian provinces.

BSC Response

- This approach would in effect be a regulated scheme and is not within the scope of the current scheme design which has been developed as an industry led approach.

QUESTION/FEEDBACK: Free riders, free riders, free riders

BSC Response

- The ACCC authorisation process is designed to include member to member agreements to encourage participants to give purchasing priority to other members.
- So long as there are a significant number of large retailers, there will be an effective mechanism to apply consumer pressure on all potential participants.
- Federal government has been lobbied by all stewardship schemes to amend the products stewardship legislation to give a stronger signal to end free riding.

QUESTION/FEEDBACK: Is there any evidence to suggest free riding is really an issue?

BSC Response

- Free riders have been identified by brands as a major issue/concern.
- It is important to note that other schemes have launched without full participation from industry.
- Over time it was found not to be a significant issue as the number and size of free riders was reduced.
- This reduction is due to the member to member agreements and promotion of good corporate citizens involved in the scheme.

QUESTION/FEEDBACK: Mixed feedback on timeframe - Need regular review vs keep levy fixed for 3 years

BSC Response

- BSC has formed the view that regular review is necessary, especially in the early stages to ensure that the scheme is based on cost recovery and to ensure that market failures are adequately addressed.

QUESTION/FEEDBACK: Would this review process enable the Scheme to distance itself from risk, and reduce the rebate provided for collection and sorting activities in the future

BSC Response

- The governance process proposed in the scheme design is intended to avoid this scenario. By including representatives from the entire supply chain on the Board, rather than just liable parties, this risk will be avoided as the decision making process will address both the efficiency AND the effectiveness of the scheme as core principles.

QUESTION/FEEDBACK: Could we include a cap on the levy for those brands with existing take back programs?

BSC Response

- The ACCC would not authorise a cap on the levy by individual companies.
- The ACCC authorisation enables the levy to be passed on to consumers and as such a cap would not be considered equitable.

QUESTION/FEEDBACK: What is the rationale regarding BSC's proposed import threshold for liable parties (>1000 EBU p/a) and why is this fair and reasonable? How many manufactures/importers would not meet this annual threshold and what is their combined total market share/volume?

BSC Response

- The intent is for all liable parties to contribute, however the cost benefit of chasing the very small importers suggests it is not worthwhile is diminishing.
- Threshold is set low (1000 EBU = \$40.00).
- Very small importers are not excluded from the scheme – they could still become members and participate fully in the scheme – i.e. required to self-report and meet other obligations.

- Member to member agreements still apply.
- Other schemes have found that small importers soon see the benefit of participation as it provides a positive marketing strategy and an important gateway for working with retailers who are members of the scheme.

QUESTION/FEEDBACK: Could customs collect the levy?

BSC Response

- Government intervention in this manner would require a regulated scheme and is what industry is seeking to avoid through development of an industry led scheme.

QUESTION/FEEDBACK: What is the levy based on?

BSC Response

- Research and cost modelling undertaken included the Pacific Environment “Financial Options Study” and the Institute for Sustainable Futures “Channel Characterisation Study”, and established the validity of the costing models which is based on cost recovery.
- The analysis was confirmed in consultation with industry.

QUESTION/FEEDBACK: Have you considered a differential levy based on chemistry?

BSC Response

- Yes, but discussions with interested parties have confirmed that this would be a complex and costly approach to administer. Importantly consumers and the general public have not been able to distinguish between battery chemistries in existing collection systems in Australia, resulting in mixed collections.
- At this stage the aim is to keep it simple to minimise administrative costs.
- This will be kept under review each year.

QUESTION/FEEDBACK: Have you considered a “Wh” (Watt hours) limit on the levy, so any Lithium over 144Wh (or similar) will be exempt from the levy

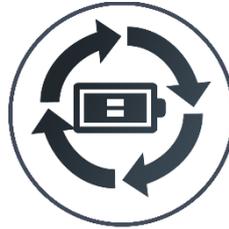
BSC Response

- Wh based levy considered, but discussions with interested parties have confirmed that this would be a complex and costly approach to administer.
- In addition, it is not consistent with priority listing which includes all batteries.

QUESTION/FEEDBACK: Is the levy subject to GST and does consumer pay GST?

- Yes, these are both legal requirements in Australia.

Equivalent Battery Unit



QUESTION/FEEDBACK: Will the Equivalent Battery Unit be set at 24 grams for Handheld batteries under 5 kg only, or for batteries over 5 kg as well?

BSC Response

- The EBU has been designed to suit all types of batteries from small button cell batteries to large energy storage and electric vehicle batteries.
- Some ground truthing for energy storage and electric vehicle batteries is still required and discussions have begun with that sector to confirm application.

Funding model in general



QUESTION/FEEDBACK: Is the funding model a good starting point?

BSC Response

- The response to this question at all webinars and forums was that it does provide a good starting point.
- A number of participants involved in the NTCRS indicated that the proposed BSC scheme presents a preferred model compared with the NTCRS due to its simplicity, the leveraging model and its flexibility.

Collection point incentives



QUESTION/FEEDBACK: Can a collection point receive a rebate to incentivise participation?

BSC Response

- Yes, this is an option if a collection point includes this in their commercial arrangements with a collector who will be the primary recipient of the rebate. The structure of this would become subject to the commercial arrangement between the collector and the collection point.

Collection / rebate model



QUESTION/FEEDBACK: What if there are a number of collections between collection point and the processor? Would the rebate be paid twice in that scenario?

BSC Response

- No, the collection rebate has been designed to bridge the gap between consumer and processor.
- The collection rebate can only be paid once for a particular 'battery'.
- There are however opportunities for commercial arrangements to be entered into to reduce costs in this process.

QUESTION/FEEDBACK: What if an organisation seeks the rebate, but does not have a recycling option? Would this not defeat the purpose and possibly lead to stockpiling or illegal dumping?

BSC Response

- The rebate is only available to accredited members.
- Everyone in the supply chain must demonstrate delivery to another accredited member (collector or recycler) prior to receiving a rebate.

QUESTION/FEEDBACK: What evidence will be required from schemes such as those associated with the National Television and Computer Recycling Scheme to ensure that battery collections are properly tracked and that there is no double counting?

BSC Response

- Once the scheme is launched, operational procedures will be developed to ensure there is no double counting and traceability is ensured.

QUESTION/FEEDBACK: The reduction of the rebate from \$7-10/kg in Version 2 of the Consultation Draft, down to \$2.50 - \$3.50/kg raises the concern that costs will not be covered.

BSC Response

- The \$7-10 was identified in Version 2 as the upper level cost and cap for the rebate.

- It would not be responsible of the BSC to set the actual rebate at the highest cost and in addition, it is anticipated that the leveraging model enables a more efficient and cost-effective approach.
- The revised approach has been supported by representatives from the recycling sector.

QUESTION/FEEDBACK: It is possible that the capped rebate for collection and processing could result in stockpiles in regional areas, as sufficient volumes would be required to justify a collection?

BSC Response

- The rebate for regional areas is greater than that of metropolitan areas to avoid this scenario, however it is the intent to monitor implementation and if necessary, adjust the rebate accordingly.
- The metro/regional rebate structure was based on industry research, but as above, the intention is to monitor this situation carefully.

QUESTION/FEEDBACK: Would the leveraging system enable different approaches depending on state or local government current collection contracts? Would it be possible to enable a government to either work in with existing processes or directly contract for these services?

BSC Response

- The scheme has been designed to enable this flexibility. A council could establish its own integrated recycling chain and work with its contractors to distribute the rebate or contractors could apply directly for the rebate. Obviously this would be an either or scenario.

QUESTION/FEEDBACK: We recommend that the Battery Product Stewardship Schemes provides collection sites for batteries with guarantees of long-term sustainable battery collection (at no cost to the collection sites).

BSC Response

- This recommendation would mean a significant redesign of the approach which is not currently being considered. This would only be entertained if the current approach failed and feedback to date does not support this conclusion at the current time.

QUESTION/FEEDBACK: How will existing state / local collections be integrated into the scheme?

BSC Response

- BSC will work with each state jurisdiction to ensure that current arrangements can be transitioned to ensure the goals of the scheme and the needs of state governments are met.
- It is recognized that state agencies have existing contracts and reporting arrangements that must be met and that it is not desirable to have duplicate payments for a collection service.
- States will be able to access the rebate if that is desirable for them, or arrangements could be made with existing state contractors to ensure an equitable approach is found.

QUESTION/FEEDBACK: Other Product Stewardship Schemes have experienced considerable difficulty engaging State and Federal Governments. The implementation of Paintback in Western Australia was delayed due to problems navigating the Controlled Waste Tracking System, despite Ministerial agreement that exemptions for commercial volumes of paint would be provided. To mitigate such difficulties, it is suggested that the proposal is reframed to secure clear commitments and timeframes for delivery from Government.

BSC Response

- BSC is fundamentally an industry lead scheme and the focus of the scheme is on industry action.
- Governments have endorsed the proposed approach and provided significant funding to support its success to date.

QUESTION/FEEDBACK: Could a state government Household Chemical Collection (HCC) Program be eligible for the rebate?

BSC Response

- Yes, so long as they joined the scheme as a member and met quality, health and safety, and traceability obligations are met

QUESTION/FEEDBACK: Collections in very remote areas may be more costly.

BSC Response

- The rebate level will be reviewed annually.

QUESTION/FEEDBACK: How should BSC respond if collection rates exceed initial projections?

BSC Response

- Regular monitoring against projected targets are intended to ensure BSC have a clear picture of what volume is being recovered and what contingency planning and/or additional interventions may be required to best manage the available program budget.
- If collection rates greatly exceed targets in the first three to six months of the program, an early review of the rebate structure may be needed to see if program efficiencies and cost savings could be achieved.

QUESTION/FEEDBACK: We would like to see delivery of equitable outcomes/benefit across all Australian jurisdictions (report local recovery / processing against waste arising in each state), prioritisation of local processing, and support for circular economy approaches such as reuse (there is a possibility that electric vehicle batteries could be repurposed for use in energy storage systems).

BSC Response

- It is the intention to closely monitor outcomes and to report on performance. It is agreed that it is important to monitor cross jurisdictional performance in order to adapt and improve the outcomes of the scheme over time.

- The BSC agrees that electric vehicle batteries could be repurposed for use in energy storage systems, although additional time will be needed to resolve stewardship issues under this scenario. It will be important to better understand how liability for stewardship changes when the battery has a second life. There is also a need to be able to ensure that testing and repurposing is based on safe and responsible standards, which as yet do not exist.

QUESTION/FEEDBACK: Is it appropriate for state and/or regional quotas to be established noting the issues experienced in regional and remote areas of Australia in the first few years of the NTCRS; separate management plans may need to be developed by zone?

BSC Response

- Initially such quotas are not proposed, however this will be reviewed on a regular basis.



QUESTION/FEEDBACK: There was a question about recovery rates – have they been set?

BSC Response

- A high level of diversion from landfill from participating recyclers will be required.
- Currently considering a 90% diversion from landfill rate for recyclers.

QUESTION/FEEDBACK: What incentives are in place for onshore processing and how is this funded if rebates are only available for collection and sorting?

BSC Response

- Governments have available infrastructure funding for new and expanded sorting and processing facilities.
- There is a growing disincentive from shipping companies to transport large quantities of used lithium and mixed loads of batteries.
- Potential bans on waste export has been flagged as an option by COAG (Council of Australian Governments).

QUESTION/FEEDBACK: The processing of batteries needs a subsidy as there is a cost involved which varies by chemistry. Failure to address this may see some chemistries being avoided or mismanaged.

BSC Response

- There is no consistent industry agreement with this issue. After discussion with the recycling industry the initial sorting rebate has been split into a sorting and processing rebates.

QUESTION/FEEDBACK: What methodology and validation system will govern or calculate performance measures?

BSC Response

- BSC will develop performance measures and protocols for implementation.

QUESTION/FEEDBACK: Are there only targets for recovery? Do targets exist for material recovery?

BSC Response

- It is the goal of the scheme to collect as many batteries as possible rather than set an arbitrary target.
- Recyclers will be required to meet minimum diversion from landfill rate for example 90%, however this % requires additional consultation.

QUESTION/FEEDBACK: Are states required to provide specific types of support for expanding processing capacity?

BSC Response

- Discussions with state governments indicate that infrastructure funding is available through existing programs to support this initiative.
- BSC will work with state governments to explore priorities for such funding.

Containers/promotion



QUESTION/FEEDBACK: Will the collection containers be a requirement of participation?

BSC Response

- No, the BSC container will not be a condition of participation, but is offered as a stand-alone solution or may be used to complement any other approved collection box systems.
- Members may use their own systems if they have demonstrated that they meet the Australian Dangerous Goods Code requirements.
- Members will be required to promote the scheme as part of their service.
- Distribution of container was raised as a question – The distribution model for the container is yet to be determined.

Other points of discussion



QUESTION/FEEDBACK: The terminology of voluntary scheme is a misnomer as participants accepted that there was an inherent compulsion to implement a product stewardship scheme once a product is listed.

BSC Response

- A change to the Product Stewardship Act would be required to replace the terminology “voluntary” to “industry led” scheme would be needed to resolve this.

Verification process



QUESTION/FEEDBACK: Will the verification process involve unannounced audits of the recycling chain?

BSC Response

- Yes, random unannounced audits are planned.

Timing



QUESTION/FEEDBACK: It is imperative that the BSC establishes and communicates clear timeframes for delivery of the Scheme, this includes full implementation within 2 years. We recommend BSC includes the following time frame: 2019: Consideration and agreement by Environment Ministers to Scheme Design; mid 2020 - ACCC Accreditation; late 2020 – Scheme commencement, including implement levy, establish best practice; 2021 – Ensure a specific number of best practice collection sites are in place and collect and process (onshore) 10% of waste arising.

BSC Response

- Agreed. BSC is currently working to confirm the transitional phase between authorisation and implementation. The time frames above are slightly longer than

necessary, however it is intended to include each of these stages in the revised approach.

QUESTION/FEEDBACK: When Paintback was established there was a clear expectation by many commercial painters that collection sites would be in operation from the first day of the Scheme. Concerns were expressed by this stakeholder group when this did not occur.

BSC Response

- The Paintback model is quite different from the proposed BSC approach. Paintback relies on a small number of contractors, while the BSC is relying on market forces to achieve a more rapid response. By leveraging existing collection networks, it is anticipated that the roll out will occur more quickly once the scheme is up and running.
- None-the-less, BSC intends to establish performance measures.

QUESTION/FEEDBACK: We would like to see the Battery Product Stewardship Schemes be implemented within the next 2 years.

BSC Response

- Agreed.
- If the scheme is not up and running by that time, it is anticipated that state and federal governments will take a variety of regulated approaches. The BSC is seeking to avoid this scenario.

QUESTION/FEEDBACK: It is important to establish what best practice is, prior to signing up collection, sorting and processing partners.

BSC Response

- Agreed. The intention is to establish operational requirements and procedures prior to the launch of collections.
- It is the intention of the BSC to develop best practice approaches in consultation with stakeholders
- The Australian Standard for e-Waste collection, storage and transport is currently under review and will include improved standards for batteries. If this review is effective and timely, it is the intention of the BSC to use the standard in its accreditation process.

Did you miss previous briefing notes?

You can download past briefing notes and other battery stewardship documents from the BSC website www.bsc.org.au/resources.

Gerry Morvell
BSC Chair
Telephone +61 408 990 825

Libby Chaplin
BSC CEO
Telephone +61 467 515 260

Email: contact@bsc.org.au

You are receiving this Briefing Note because you are a valuable member of the Battery Stewardship Council.