

Rapid Review Research Funding

Industry Challenge

CONTACT

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BACKGROUND

The NSW Circular Taskforces bring together industry and research to help secure the social, economic and environmental benefits of transitioning to a circular economy. Cross-sector collaboration with industry, government, social enterprises, investors, and local communities will drive innovation and the development of new products, services, businesses and skills. NSW Circular has set out the value proposition for the state and its citizens (The circular economy opportunity in NSW) and has begun producing regular updates on sectors and trends.

NSW Circular is commissioning four Rapid Reviews, setting out the evidence - state of play, opportunities and next steps - on priority topics to advance the circular economy in New South Wales.

INDUSTRY TASKFORCE

NSW Circular's Industry Taskforce was renamed in early 2021 from its original namesake title of 'Policy', to better reflect the focus and needs of the membership. Regardless of this name change, there is still a very clear reliance by industry on supportive policy to enable a successful transition and adoption of a circular economy. This connection between industry and policy has thereby informed the direction of this Challenge Statement, in supporting research into fiscal policy and settings that will support and encourage industries' transition to a circular economy.

RAPID REVIEW PROCESS

In 2021, an initial tranche of Rapid Reviews will focus on problem statements or challenges identified by four of NSW Circular's Taskforces: Precincts & Infrastructure; Finance & Investment; Government; and Industry.

NSW Circular is dedicating \$68K (\$17K each) to four of its Taskforces to catalyse research that will assist in the delivery of the Taskforce's agreed Objectives. This research will be conducted by four research teams selected based on research proposals submitted through an EOI process.

Our Rapid Review calls for EOIs from researchers and universities across NSW, in response to Research Questions determined by each of the four Taskforces. These EOIs will be reviewed by a Research Assessment Panel (the Panel), to determine the most suitable candidate to undertake the work.

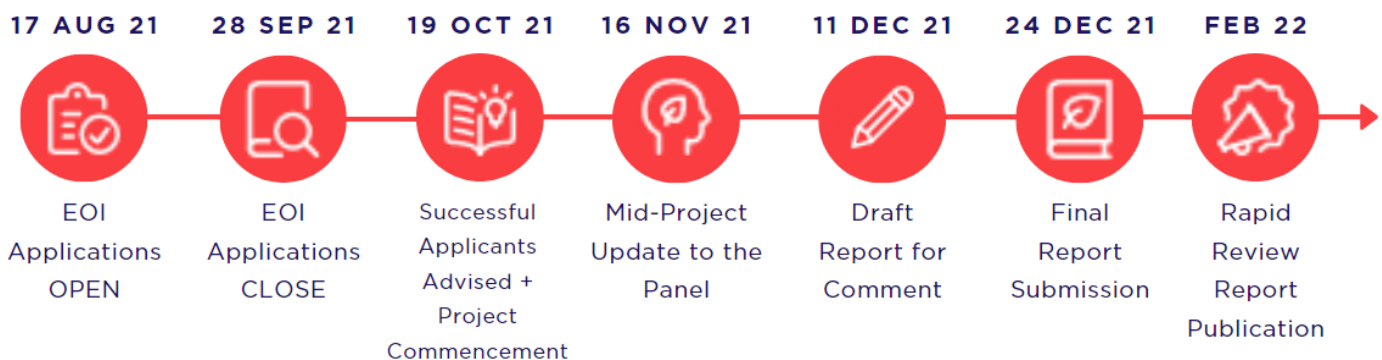
The core Panel will consist of:

- Ms Jodie Bricout (Panel Chair, Member of the NSW Circular Board)
- Ms Lisa McLean (CEO, NSW Circular)
- Dr Donald Hector AM (nominee of The Royal Society of NSW)
- Dr Suzanne Pierce (Office of the NSW Chief Scientist & Engineer)
- Mr Christopher Lane (Sustainability and Government Relations Manager, The Woolworths Group & Industry Taskforce Representative)



TIMEFRAME

The four Rapid Review Challenge Statements are being released gradually during August 2021, and so each review will hold a unique project timeline, though with consistent time allowances for each component of the project. The timeline for the Industry Rapid Review is as follows:



SELECTION CRITERIA

To be eligible for the Rapid Review Research Funding research teams must be connected to a NSW university.

Proposals will be assessed on the following criteria:

1. Team Strength: Demonstrated knowledge and understanding of the problem/challenge to be addressed
2. Approach: Proposed approach to undertaking the review
3. Experience: Quality and experience of the team in undertaking reviews of this type and published works
4. Value: Time commitment and value for money
5. Collaboration: Weighting will be given to EOIs of equal merit which involve collaboration between two or more universities.

DELIVERABLES

- A verbal presentation mid-project to confirm progress and report any findings of note
- A draft report in electronic format six weeks from project initiation
- A final report eight weeks from project initiation
- The Review Team must be available to present their research findings to the relevant NSW Circular Taskforce

NOTE: Researchers will be encouraged to publish in international journals, conference proceedings, or other media.



INDUSTRY CHALLENGE STATEMENT

CHALLENGE DESCRIPTION

Circular Fiscal/Taxation Policy

The promotion and sought outcomes of the transition from a linear to circular economy have yet to have had significant influence on fiscal/taxation policy in Australia. Currently, the primary instruments relied on are:

- a levy on end of pipe disposal at landfill, which is not consistently applied across States and Territories
- direct grant funding, which is often sporadic.

This may result in perverse or unintended outcomes, and does not actively support the actors along the value chain to adopt circular economy approaches. In many cases, it may even inhibit the opportunities or implementation of circular practices.

Various enablers can be activated to support the holistic system-shift needed to achieve a truly circular economy. These include fiscal/taxation policy, changed procurement methods, regulation, new business models for delivery of services, products and infrastructure and more.

This research task offers the opportunity to explore the potential fiscal/taxation policies that could promote and accelerate this transition in a more efficient and holistic way. Specifically, evidence is required to both demonstrate how current practices disable a circular economy and, importantly, to demonstrate how different fiscal measures could support and enhance circular outcomes. There are many positive policy changes enacted overseas that are purposely supporting circular economy outcomes that could be beneficial or appropriate to an Australian context.

Current valuations often do not properly account for the true life cycle cost of a material/product/resource, so when compared to a recovered or pre-loved equivalent, the cost of the second-life material is often higher than virgin materials. Taxation could provide an opportunity to balance this conundrum and provide greater opportunity for secondary materials and products in procurement.

The circular economy promotes opportunities for new business models but these business models face considerable challenges in Australia's fiscal context.



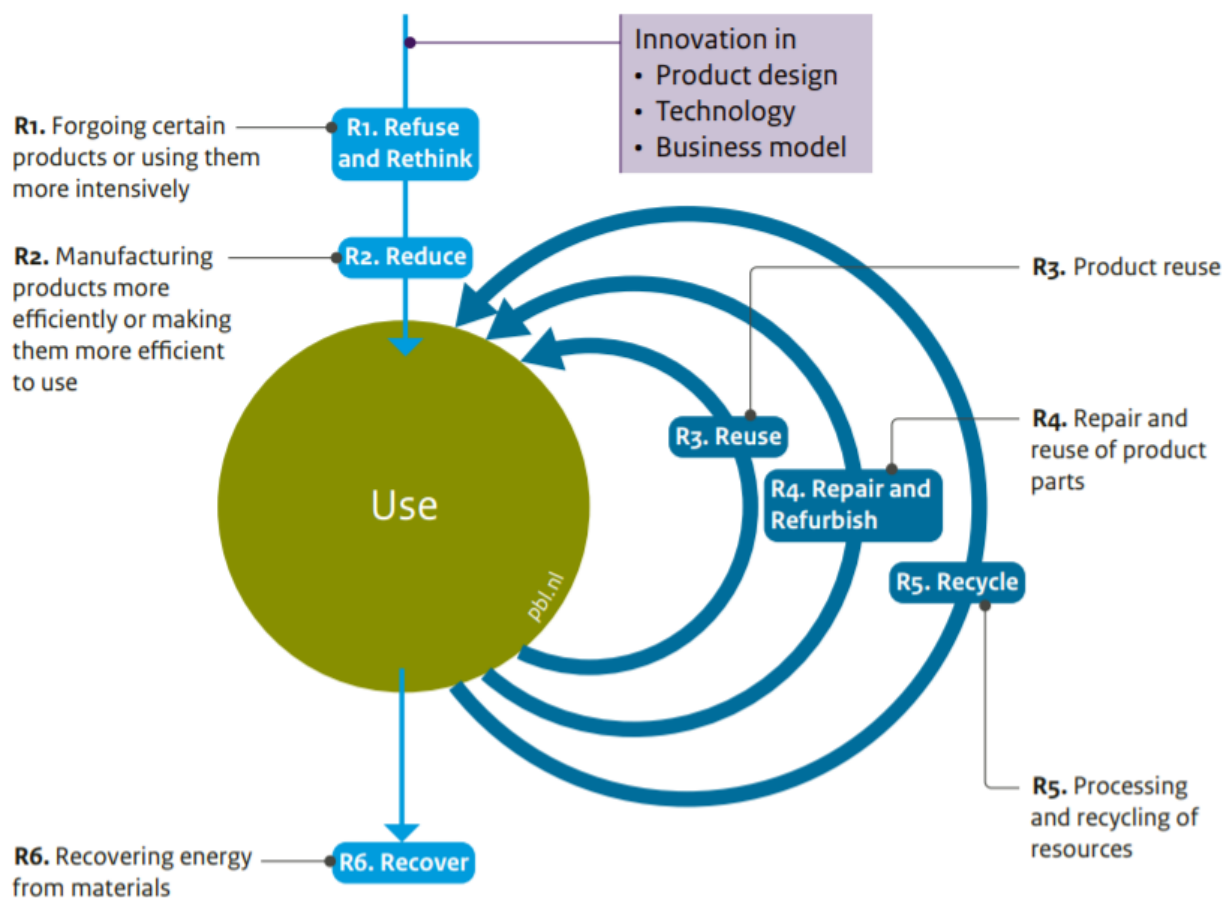
ALIGNMENT & PRIORITY

This research would directly support the Industry Taskforce Objective No. 2: Circular Fiscal/Taxation Policy.

The challenge is to develop a report including case studies on how future Australian (State and Federal) fiscal and taxation policy could support circular economy in line with the R-Ladder of Circular Strategies, including:

1. Literature review of international best practice tax/fiscal to support the circular economy.
2. Identification of barriers in the current Australian tax/fiscal environment that are hindering circular practices.
3. Gap analysis or mapping of opportunities to implement fiscal measures to promote circular outcomes.
4. Scenario testing based on defined circular value chains (to be agreed) of current and potential opportunity fiscal measures that could promote sustainable circular outcomes.

R-ladder of circularity strategies



SOURCE: PBL Netherlands Environmental Assessment Agency, Outline of the Circular Economy, 2019



CURRENT KNOWLEDGE

Limited fiscal and tax measures have been employed to support a circular economy in Australia. Moreover, in Australia there is significant structural bias towards purchase of new plant, products and services primarily through annual tax write-offs. This was compounded and enhanced as a stimulus measure during COVID.

Internationally, there is significant change happening with regard to fiscal and taxation measures, particularly in Europe. For example, Sweden have a reduced GST on repair activities and the EU recently announced importation tariffs on goods with elevated carbon footprints. These examples could be an inspiration to Australian policy makers at State and Federal levels, and are also important to consider for Australian businesses as these international shifts in tax and fiscal policy can impact their exports and supply chains.

Australia does not have a carbon tax and therefore it is often not a priority for industry to focus on reducing the carbon footprint of its materials or products and the externalities associated with the materials and production are often not addressed. This can negatively compound the opportunity for a circular economy.

There has been little or no research undertaken to our knowledge on what fiscal/tax policies would be appropriate to an Australian context.

The only metrics available relate to collection and hypothecation of the landfill levy on a state by state basis.

IMPACT

The desired outcomes of this work will:

1. Demonstrate what is economically viable with and without changes to the taxation system.
2. Identify current loopholes in State and Federal Australian fiscal policy/taxation that may result in perverse or unintended consequences.
3. Provide evidence-based case studies of what can be adopted to an Australian context, where there are clear barriers in our system which would require substantive intervention.
4. Provide context on how new circular business models can perform in an Australian fiscal environment.
5. Articulate the disparities of key actors and agencies delivering services to the 2nd life market and provide recommendations of measures that could level the playing field for these groups, through the scenario testing.



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