Blueprint Institute

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Productivity Commission
Locked Bag 2, Collins St East
Melbourne Vic 8003

To whom it may concern,

INQUIRY INTO OPPORTUNITIES IN THE CIRCULAR ECONOMY

The Blueprint Institute welcomes the opportunity to provide a submission to the inquiry into opportunities in the circular economy. This submission outlines policy mechanisms that the Government can implement to boost industry adoption of sustainable practices, thereby facilitating Australia's transition to a circular economy.

As we stand at a crucial juncture in our economic development, it is imperative that we continue to update our approach to growth in ways that will protect the economy and generations to come.

The transition to a circular economy will foster long-term economic resilience in Australia. By rethinking our production and consumption models, we can reduce dependence on finite resources, strengthen our economic security and mitigate the risks associated with resource scarcity and price volatility.

A more systematic approach to designing circular principles into our economy —such as designing products for longevity, promoting repair and reuse, and enhancing recycling efforts—will create a more sustainable economic framework that is better equipped to withstand environmental and economic shocks. This shift not only conserves finite resources but also opens up new markets and job opportunities in emerging sectors focused on sustainability. It will strengthen our economy and ensure a more stable future for all Australians.

The Government has an important opportunity to update incentive structures in ways that reward efforts to reduce waste and pollution; and ensure more accurate upstream reflection of downstream costs. In particular, the existing model of corporate responsibility to create shareholder value, obey laws, and pay taxes should be leveraged to \incentivise circular principles—by driving demand into and legislating compliance with circular technologies and innovations, and creating tax incentives/disincentives for companies demonstrating sustainable practices (see **Figure 1**).

These recommendations will hinge on the development and standardisation of clear nature measures, so that researchers, governments, and businesses can understand which practices are working to improve the environmental impact of industry, and where opportunities to scale practices up are best employed.

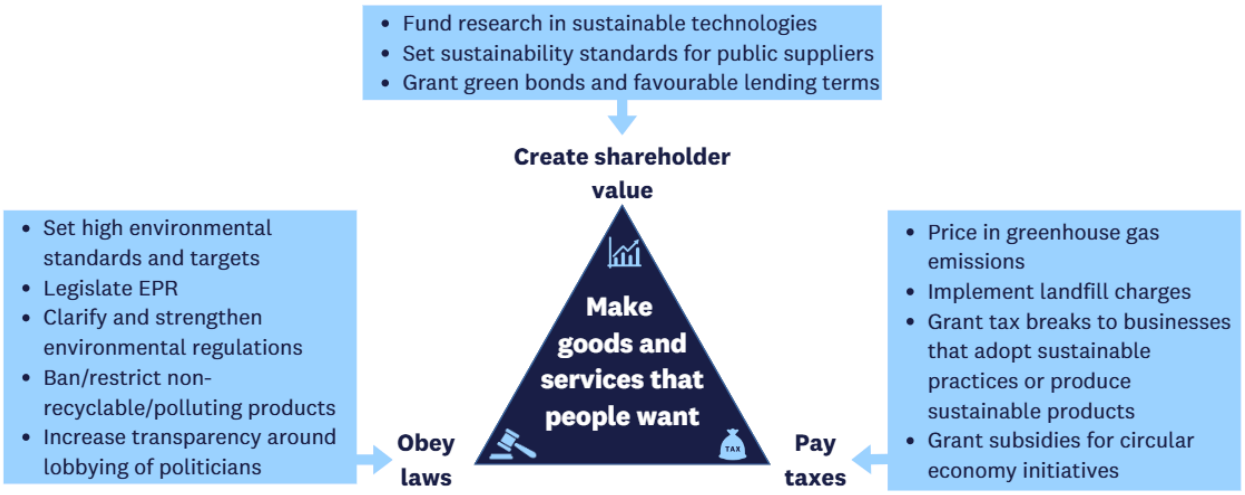


Figure 1: Policy interventions to promote a circular economy based on corporate responsibilities

We have written before about Australia's R&D investment gap—noting we lag behind other OECD countries in public investment in research at all levels. Australia is extremely well-positioned to capture international export opportunities, and increasingly, our export partners are demanding more sustainable supply chains. It is in Australia's interest to take advantage of the window for innovation and to leverage the good work that is already happening (such as in the agricultural sector) to boost research and development into sustainable practices.

Through targeted incentives and strategic investments, the Government can support research into sustainable technologies that drive innovation and enhance resource efficiency. By establishing sustainability standards for public suppliers, it can ensure that taxpayer dollars are directed toward companies committed to environmentally responsible practices, thus setting a benchmark for the private sector.

The creation of favourable lending terms, such as green bonds, can also encourage businesses to invest in sustainable initiatives, providing them with the financial support necessary to transition to more circular models. For instance, France's 2017 issuance of €7 billion in green bonds financed projects in renewable energy and sustainable transportation, illustrating how such funding can drive investments that promote circular practices and reduce environmental impact.

The tax system can also drive circular behaviours by incorporating measures like pollution pricing and tax breaks for sustainable practices. By implementing pricing on pollution, such as implementing tax caps on greenhouse gas emissions and establishing landfill charges, governments can create a financial incentive for businesses to reduce waste and lower their emissions. This approach encourages companies to adopt more sustainable operational practices, fostering a culture of corporate accountability for environmental impacts.

Offering tax breaks for businesses that embrace sustainable practices or produce environmentally friendly products can further motivate the transition. For example, subsidies for circular economy initiatives—like the EU's 'circular economy package,' which grants tax

breaks to companies which use recycled materials—provide tangible incentives for companies to invest in transitioning to more sustainable practices. These financial mechanisms not only support corporate responsibility but also align economic growth with environmental sustainability, paving the way for a more resilient and circular economy.

Targeted legislative reforms can also be helpful, with clarity around targets and timeframes for waste reduction—a lever that has proven effective.

Clarifying and unifying environmental regulations—including addressing divergent state waste standards, designating no-go biodiversity hotspots, banning landfill and waste exports, and shoring up confidence in Australian Carbon Credit Units—are tools which will not only safeguard ecosystems, but will also provide corporations with a clear runway for planning and investment.

Additionally, a managed shift towards more companies and industries taking responsibility for the full life-cycle of their products would prove a far more efficient approach than requiring customers or local councils to manage end-of-life waste. This concept—also known as Extended Producer Responsibility (EPR)—ensures the onus of waste management is shifted onto producers, who are best positioned to design products and systems to minimise waste and enhance recyclability.

We would suggest the Government should prioritise more research to understand the health impacts (and associated economic costs) of certain materials such as PFAs, heavy metals, and microplastics. When such health burden costs exist, more economic (and wellbeing) benefits come from acting quickly. Measures may include banning, restricting, educating consumers or taxing—tobacco can serve as an interesting case study. Similarly, providing a more consistent degree of transparency on lobbying activities of corporations not only levels the playing field for smaller organisations, but can help ensure that policy decisions reflect the interests of the public and the environment, rather than solely those of well-resourced companies.

Australia has already demonstrated a capacity for leadership in this field.

An example of work already underway in the transition to a circular economy includes the Australian government's commitment to implementing a national solar photovoltaic system extended producer responsibility (EPR) scheme by the end of 2025—indicating a move toward better management of solar panel waste, though specific details are still pending—and a gradual uptake of EPR-related legislation, such as the Recycling and Waste Reduction Act 2020.

Similarly, the Plastic Reduction and Circular Economy Act 2021 in New South Wales facilitates stewardship programs for regulated items. Additionally, voluntary and co-regulatory product stewardship schemes—such as those administered by the Australian Packaging Covenant Organisation (APCO)—were created with an aim to enhance recycling and reduce waste. The annual Minister's Priority List also identifies products needing urgent stewardship action, guiding the creation of new initiatives.

But this is not enough—we need the Government to commit to driving the transition to circular practices by modifying the rules of the game so that corporations are incentivised to

behave in a way which aligns with environmental goals. This includes the development of nature measures as well as bolstering research into sustainable innovations and changes to the tax regime to encourage circular practices.

By working collaboratively across sectors, we can build an economy that not only thrives but also protects our natural environment for generations to come.

Yours sincerely,



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