



# ENVIRONMENTAL ALERT

## IN THIS ISSUE

### WASTE MANAGEMENT CHARGES ON THE HORIZON TO TACKLE SOUTH AFRICA'S WASTE CRISIS

In studies conducted by the World Bank in 2012, South Africa was identified as the 15th largest generator of waste in the world. The latest National Waste Information Baseline Study conducted in 2011 recorded South Africa as having generated approximately 108 million tons of waste (with a resource value of R 25,2 billion) in that year alone. However, only 10% of that waste was recycled.

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Despite the financial value of the formal South African waste sector (both public and private) being estimated as high as R 15,3 billion or 0.51% of South Africa's gross domestic product (GDP) in 2012, waste recycling has not reached its full potential. Of recoverable paper waste, 1,1 million tonnes (66%) is recycled and 570,000 tons (34%) could still be diverted from landfill.

The vast majority of all waste generated in South Africa is disposed of to landfill, with significant negative impacts on the environment and health. In 2015, approximately 46,651,988 tons of waste was disposed to landfill, with only approximately 16,804,784 tons of waste being recycled. With the costs of building a new landfill being close to R1 billion and available land for landfills close to urban areas becoming increasingly scarce (resulting in increased transport costs for municipalities), recycling and alternative waste disposal mechanisms must be prioritised.

Legislation regulating waste seeks to reduce the negative environmental and health impacts by, among other things, requiring generators and holders of waste to re-use, recycle and recover it, with administrative and criminal consequences for failures to do so.

Creating financial incentives and disincentives in respect of waste management behaviour through applying waste management charges has been shown internationally to be an effective additional instrument for reducing waste generation and improving levels of re-use, recycling and recovery. A National Pricing Strategy for Waste Management (NPSWM) has been published under the National Environmental Management: Waste Act, No 59 of 2008 (Waste Act) as the framework within which waste management charges will be set in South Africa.

The NPSWM recognises that there is currently an under-pricing of waste services which does not encourage waste generators and holders to reduce waste generation or to re-use, recycle or recover waste, but rather perpetuates the use of landfill which is perceived as the cheapest method of waste disposal.

The NPSWM contains a methodology and approach for waste management charges to be applied in South Africa. It outlines possible waste management charges or economic instruments (EIs) which may be applied within the overall fiscal and taxation policy of South Africa.

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The purpose of EIs is to provide incentives for manufacturers, consumers, recyclers and other parties involved in waste management to reduce waste generation and to seek alternatives to landfill disposal.

The NPSWM recognises "downstream", "upstream" and "subsidy based" EIs:

- "Upstream" instruments would be those that incentivise particular behaviour by parties involved in the production of products that ultimately end up as waste. For example, taxes could be levied on materials used in production which have negative environmental impacts so as to encourage producers to reduce such impacts by using materials with lower impacts, such as those that have already been recycled. Typically, therefore, such EIs would be "input taxes" or "material taxes" which increase the costs of using materials from which large quantities of waste are generated and which have significant environmental impacts.
- "Downstream" instruments would be those which applied to consumers who generate waste and require it to be disposed of, for example, volumetric tariffs or "pay-as-you-throw" charges could be determined and charged relative to the quantities of waste generated and disposed of.

- "Subsidy-based" instruments would be used to encourage and support recycling, re-use and recovery of waste, for example a recycling subsidiary or tax credits to particular industries which use recycled materials.

The NPSWM provides guidance on how and when particular EIs may appropriately be applied. It also considers the implementation of systems incorporating EIs and who the relevant parties would be in respect of such implementation. Parties to be involved in the collection and disbursement of waste management charges include municipalities, SARS and the still-to-be formed Waste Management Bureau (Bureau). Monitoring and evaluation of the implementation of EIs will be undertaken by a range of stakeholders including industry, product responsibility organisations and organs of state such as the Bureau.

Consistent with the NPSWM, the Minister has published a notice requiring the paper and packaging; electrical and electronic equipment and lighting industries to prepare and submit integrated industry waste management plans (IIWMP) for approval under the Waste Act. The IIWMPs are expected to have similar objectives to those of the Waste Tyre Management Plan, which provides for the diversion of waste tyres away from landfill, and for waste management fees and waste tyre levies.

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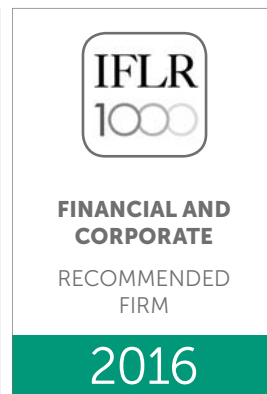
*The Department of Environmental Affairs proposes an additional tax to be imposed on these so-called "free-riders". This means that companies will have to be a part of their respective industry's waste management plan or face higher tax levels.*

Generators of waste which refuse to meet waste management charges pose a problem for authorities. The Department of Environmental Affairs proposes an additional tax to be imposed on these so-called "free-riders". This means that companies will have to be a part of their respective industry's waste management plan or face higher tax levels.

Industry is pushing for funds generated through waste management charges to be ring-fenced and used only for waste management.

Effect will be given to the NPSWM through a new Act, which will define what waste management charges will apply, how and when they will apply, procedures for collection of charges, and for the allocation and use of generated funds. That Act is required to be passed within three months of the publication of the NPSWM, which was on 11 August 2016. We can therefore expect the Act to be promulgated by mid-November 2016.

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### BBBEE STATUS: LEVEL THREE CONTRIBUTOR

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