



Submission – Elan Energy Matrix

Elan Energy Matrix is pleased to put forward the following submission to be considered as part of the inquiry into opportunities in Australia's circular economy, which is being conducted by the Productivity Commission.

The inquiry is taking place at a time when the federal, state and territory governments are nearing making major decisions about the future regulation of recycling of waste tyres in Australia.

The primary focus of Elan's submission is recycling of waste tyres.

About Elan Energy Matrix

Elan Energy Matrix or "Elan" (www.elanem.com.au) operates an advanced tyre resource recovery facility – a tyre recycling plant – located in Welshpool, in the eastern suburbs of Perth. Previously known as Tyre Recyclers WA, Elan employs approximately 25 people.

Elan has aspirations to expand our tyre recycling operations to all other Australian states and territories.

Information provided in this submission is drawn from our extensive experience operating in Australia's tyre recycling industry over a period of more than 12 years.

Tyre Resource Recovery – Welshpool

Up until the ban on the export of whole waste tyres which commenced in late 2021, Elan's operations at our Welshpool site for the recovery and recycling of waste tyres included a mix of exporting whole waste tyres, as well as shredding and crumbing of waste tyres after we receive them. In 2024, the entire focus of our Welshpool operation is shredding and crumbing of waste tyres, with the processed shred transported overseas to federally accepted pyrolysis plants, for recovery of oil and steel. Elan is in the process of exploring other new cutting-edge technologies for processing of recycled waste tyres, including a wholly onshore solution. All technology used by Elan is developed and implemented entirely within Australia.

Primary focus – off-the-road tyres

Any changes to the model for the regulation of recycling of waste tyres in Australia must specifically target the area where market failure exists and the level of recycling of waste tyres is lowest – off-the-road tyres (OTR) tyres.

According to Tyre Stewardship Australia (TSA) data, 89 per cent of both passenger and commercial (truck and bus) used tyres are recovered in Australia. According to figures published by the Western Australian government Department of Water and Environmental Regulation (DWER) – on behalf of all federal/state/territory governments – 77 per cent of passenger tyres and 78 per cent of truck tyres in Australia were recovered in 2022/23.

The corresponding figures for OTR tyres are:

- 12 per cent recovered (TSA); and

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- 8 per cent recovered (DWER figures).

In addition, the federal government's existing National Waste Policy Action Plan stipulates that there should be an 80 per cent average recovery rate from all waste streams by 2030. The passenger and commercial tyres waste stream is already either meeting this target or exceeding it (according to the percentages outlined above).

Given this, there is currently no credible public policy evidence that the recovery and recycling of passenger and commercial used tyres warrants any form of intervention in the market as it currently exists – regulatory/legislative intervention or otherwise. If there is intervention in this market, there is a risk that the current levels of recovery and recycling of waste passenger and commercial tyres could decrease, resulting in negative community and environmental outcomes.

This is tangible evidence that the only segment of the waste tyre recovery and recycling market where intervention – regulatory/legislative or otherwise – should be considered is OTR tyres.

Tyre recycling fragile ecosystem

Tyre recycling companies play an integral role in the recovery and recycling of waste tyres. Therefore, any new commercial hurdles which are faced by tyre recyclers – i.e. increased costs – will force recyclers out of the existing market, reducing competition and driving up the costs of recovering and recycling waste tyres. This reflects the fragile ecosystem that all stakeholders in Australia's tyre recycling chain exist – consumers, tyre manufacturers, tyre retailers/users, waste tyre transporters and tyre recyclers.

This is why operators in the tyre recycling industry, such as Elan, should not be ignored when decisions are made about the future model for the regulation of waste tyres in Australia. Further, the views of the tyre recyclers industry should take precedence over stakeholders, such as local government, on the basis that if a tyre recycler faces financial difficulty, it will close. If, for example, local government faces financial difficulty, it has the option of increasing the amount it charges rate-payers. Tyre recyclers do not have the luxury of a financial backstop, such as this.

Inadequate industry representation – TSA

Under TSA's scheme guidelines, the constitution of TSA requires its board to consist of "a minimum of one and up to two representatives from the tyre recycling industry with suitable knowledge and experiences".

TSA has never complied with this requirement. At present, it still does not have a representative of the tyre recycling industry on its board. Among other things, this prevents the tyre recycling industry from having an adequate voice around the TSA table.

One of the consequences of this inadequate representation of tyre recyclers on the TSA board involves the \$0.25 which is collected by TSA from every equivalent passenger tyre unit for every tyre which is imported into Australia. TSA receives all of the funds generated by this levy and the tyre recycling industry receives nothing. Among other things, this is detrimental to innovation, as well as research and development in the tyre recycling industry.

Future regulation of recovery/recycling of waste tyres

Elan does not support any of the options for future models – in their current form – for the recovery and recycling of waste tyres which are currently under consideration by the federal, state and territory governments.

If government moves to regulated product stewardship and/or a government fees/rebate system for the recycling of waste tyres, there will be significant negative commercial and other impacts on tyre recyclers which will force recyclers to exit the waste tyre market and even close. This will reduce competition between tyre recyclers and drive up recovery and recycling prices, which will ultimately result in lower percentages of waste tyres being recycled. The end result will be worse outcomes for the environment and the community.

Tyre recycling – shared stakeholder responsibility

In order to maximise the positive outcomes from the recovery and recycling of waste tyres for the environment and the community, all stakeholders in the fragile tyre recycling ecosystem – consumers, tyre manufacturers, tyre retailers/users, waste tyre transporters and tyre recyclers – must share responsibility.

Although advocacy on behalf of tyre recyclers is limited in comparison to other stakeholders in this ecosystem, this must not equate to the future regulation of waste tyres in Australia imposing additional unnecessary burdens on tyre recyclers. If any new regime was to result in such burdens – either directly or indirectly – being placed on tyre recyclers, then the consequential financial losses for tyre recyclers will result in lower levels of recycling of waste tyres (for the reasons outlined above).

Future regulation – Elan's preferred option

In the event that there is to be regulatory change, to increase the current level of recovery and recycling of waste tyres in Australia, Elan recommends that the following should be considered.

Our recommended model has two core elements:

1. The model must only apply to OTR tyres – not passenger and commercial tyres – because OTR tyres is the only segment of waste tyres in Australia where there is market failure; and
2. The model must not be mandatory for tyre recyclers.

In relation the model only applying to OTR tyres, consideration should be given to conducting a “soft” introduction to the new model, by trialling the new model on OTR tyres for a period of not less than 12 months. The trial should then be independently evaluated to determine whether or not it has been successful, before a commitment to extend the model beyond this is made.

Elan's recommended new model consists of the following elements:

- The introduction of obligations for sorting of tyres to take place at the point where they become waste tyres, i.e. the source;
- Better capturing data for the tracking of tyres – all imported tyres should be tracked and all waste tyres should be tracked, including where transporters drop off waste tyres;

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- Consideration should be given to establishing designated waste tyre collection points;
- Capturing and preventing “free riders” (i.e. stakeholders who are receiving funds for the collection of waste tyres, but are not recycling them);
- A free market for tyre recyclers must be maintained – meaning Australia must not adopt a model where there is one recycler (e.g. British Columbia, Canada) or a model where there is one recycler per district (e.g. Italy);
- Given the serious market failure in recycling of OTR tyres, consideration should be given to federal government subsidies and/or grants being made available to tyre recyclers to establish operations in parts of Australia where there are high numbers of waste tyres, but there are inadequate or no local tyre recycling operations, e.g. the Pilbara region of Western Australia;
- Government must require that the governance challenges that TSA has are fixed, as a priority; and
- Altering the distribution of funds retained by TSA from the \$0.25 levy on each equivalent passenger tyre unit for imported tyres so that in addition to TSA receiving a share of this, a separate fund is established where tyre recyclers are able to apply for financial support for innovation, research and development and other initiatives which are designed to enhance the tyre recycling industry (as things stand, TSA is receiving the entirety of funds from this levy – and, among other things, it is using this resource to actively lobby against the interests of tyre recyclers in many instances).

In relation to claims the only way to increase the percentages of tyres which are recovered and recycled is to make participation in Australia’s tyre recycling scheme mandatory, this is false. Therefore, Elan does not support such change.

The most effective way of increasing participation in the tyre recycling scheme is through the establishment of a separate fund to provide financial support to tyre recyclers (as outlined above). This initiative would create a financial incentive for tyre recyclers to be involved in the scheme, which in turn would ensure that more tyre recyclers would actively participate in the scheme than is currently the case.

Other recommended immediate changes

Other immediate changes that Elan recommends to improve the percentage of waste tyres which are recycled in Australia:

- Landfill disposal of waste tyres must be banned;
- Disposal in-pit of mining OTR tyres must be banned;
- It must be a requirement for all tyres imported into Australia are linked to an accredited tyre recycler, as part of improved tracking methods for such tyres; and
- Australia’s export ban on whole baled waste tyres must be adequately enforced.



Other recommended immediate changes

If any further information about the content in this submission is required and/or if representatives from the commission wish to meet with us, Elan would welcome the opportunity to do this.

Date: 1 November 2024