

Oil recycling



Operation of the Product Stewardship for Oil Programme and the *Product Stewardship (Oil) Act 2000*

This annual report is prepared in accordance with section 35 of the Product Stewardship (Oil) Act 2000, and covers the operation of the Act and the operation of the Product Stewardship for Oil Programme (formerly known as the Product Stewardship Arrangements for Waste Oil) from 1 July 2004 to 30 June 2005.

Summary

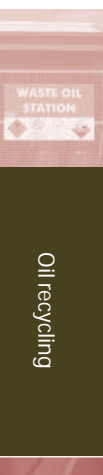
During 2004–05, the Product Stewardship for Oil Programme consolidated national used oil collection infrastructure, with a total of 828 facilities funded by 30 June 2005. South Australia joined the Australian Government/state partnership programme during the year. An innovative programme to recycle household used oil containers commenced and funding was provided for Australia's first ever hydrogenation plant to re-refine used oil to group II base oil. The outreach to Indigenous communities in remote Australia commenced with a pilot project in the Northern Territory. Output of re-refined oil increased by about 70 per cent during 2004–05, resulting in a 20 per cent increase in total benefits paid to recyclers of used oil.

Programme overview

The Product Stewardship for Oil Programme came into effect on 1 January 2001, fulfilling the Government's May 1999 commitment outlined in the 'Measures for a Better Environment' package. The programme's objectives are to:

- provide economic incentives to increase the uptake and appropriate recycling and use of waste oil
- encourage the environmentally sustainable management and re-refining of waste oil and its reuse
- support economic recycling options for waste oil.

For more information on oil recycling, see www.oilrecycling.gov.au.



Key features of the Product Stewardship for Oil Programme

The Product Stewardship for Oil Programme consists of an economic incentives package (levy/benefit scheme) and a transitional assistance grants package.

The product stewardship oil levy was introduced on 1 January 2001 and is currently set at 5.449 cents per litre of lubricant oil produced or sold in Australia. The levy applies to both domestic and imported oils and is paid by oil producers and importers. Under the levy arrangements, no oil is levied twice, no ‘eligible’ lubricant escapes the levy, imported and domestic oils are treated equitably, and exported oil is not levied. The levy is collected as an excise by the Australian Taxation Office and as customs duty by the Australian Customs Service.

Product stewardship benefits are paid to recyclers as a volume based incentive to encourage increased oil recycling. Eligibility requirements for benefits are set out in the *Product Stewardship (Oil) Act 2000*, the *Product Grants and Benefits Administration Act 2000* and associated Regulations. Benefits are provided at different rates, depending on the type of product produced—the lowest benefit being provided for basic burner fuels, and the highest for full recycling into a lubricant base oil. Table 1 shows the 2004–05 benefit rates.

Table 1: Product stewardship benefit rates 2004–05

Category	Benefit (cents per litre)
1. Re-refined base oil (for use as a lubricant or a hydraulic or transformer oil) that meets the prescribed criteria ^(a)	50
2. Other re-refined base oils (for example, chain bar oil)	10
3. Diesel fuels to which the <i>Excise Tariff Act 1921</i> applies	7
4. Diesel extenders (filtered, de-watered and de-mineralised)	5
5. High grade industrial burning oils (filtered, de-watered and de-mineralised)	5
6. Low grade industrial burning oils (filtered and de-watered)	3
7. Industrial process oils and process lubricants, including hydraulic and transformer oils (re-processed or filtered, but not re-refined)	0
8. Gazetted oil consumed in Australia for a gazetted use	5.449
9. Recycled oil mentioned in item 5 or 6 that has been blended with a petroleum product that meets the criteria mentioned in schedule 2	9.557

(a) The Regulations specify a health, safety and environment standard for re-refined lubricants that is consistent with the current requirements for ‘virgin’ products. The basic requirement of this standard is to produce a non-carcinogenic and non-toxic product.

Source: Product Stewardship (Oil) Regulations 2000 (as amended February 2005)



In establishing the Product Stewardship for Oil Programme, transitional assistance funding of \$34.5 million over seven years (2001–2007) was allocated to stimulate the uptake of environmentally sustainable management and re-refining of waste oil and its reuse. The funding complements the levy-benefit arrangements and is an interim measure to engender change that will ensure the long-term viability of Australia's oil recycling industry.

Legislative basis of the Product Stewardship for Oil Programme

The Product Stewardship for Oil Programme is underpinned by a package of legislation including associated Regulations.

- The *Product Stewardship (Oil) Act 2000* is the primary piece of legislation that establishes the general framework and benefit entitlements. The policy settings for the stewardship arrangements are established and governed by the Minister for the Environment and Heritage. The Act also establishes the Oil Stewardship Advisory Council (see Table 2).
- The product stewardship benefit rates are prescribed in the Product Stewardship (Oil) Regulations 2000.
- The *Excise Tariff Amendment (Product Stewardship for Waste Oil) Act 2000* and the *Customs Tariff Amendment (Product Stewardship for Waste Oil) Act 2000* and associated Regulations establish the product stewardship levy.
- The *Product Stewardship (Oil) (Consequential Amendments) Act 2000* contributes to the establishment of the levy and the general administrative provisions in the *Product Grants and Benefits Administration Act 2000*.
- The *Product Grants and Benefits Administration Act 2000* sets out eligibility criteria and establishes the administrative mechanisms used by the Australian Taxation Office to pay benefits to recyclers.

Transitional assistance administration, including general running costs of the Product Stewardship for Oil Programme and general grant funding, is managed under the *Appropriation (Supplementary Measures) Act (No. 2) 1999*.

Regulatory amendments to the product stewardship benefits during 2004–05

In response to an issue raised during the review of the *Product Stewardship (Oil) Act 2000*, the Government implemented a change to the Regulations in the reporting period. This change clarifies the meaning of 're-refined base oil' under

categories 1 and 2 by providing a clear definition for ‘base oil’ and specifying the eligible processes for ‘re-refined oil’. The amendment also includes flexibility provisions, enabling the Minister for the Environment and Heritage to recognise equivalent technologies as re-refining processes. This change, which came into effect on 14 February 2005, reinforces the hierarchy of benefits, simplifies the administration of the Regulations and provides clarity for industry beneficiaries.

Oil Stewardship Advisory Council

The Oil Stewardship Advisory Council provides advice to the minister on the product stewardship mechanisms and their operation, and on the oil recycling and oil production industries and markets. Part 3 of the *Product Stewardship (Oil) Act 2000* establishes the council. Members are drawn from a range of backgrounds so that the oil producing and recycling industries, state and local governments, consumers, and other non-government interests are appropriately represented and can contribute to formulating advice on the Product Stewardship for Oil Programme. The Department of the Environment and Heritage and the Commissioner of Taxation represent the Australian Government.

Table 2: Membership of the Oil Stewardship Advisory Council as of 30 June 2005

Member	Representing
Mr Mike Williamson	Chairman
Mr Rory Collins	Commissioner of Taxation
Mr Peter Burnett	Department of the Environment and Heritage
Mr Ewen Macpherson	Australian Institute of Petroleum
Mr Bob Pullinger	Australian Oil Recyclers Association
Mr Gary O'Connor	Environment Protection and Heritage Council
Mr Mark Borlace	Royal Automobile Association of South Australia
Mr Paul Howlett	Waste Management Association of Australia
Ms Catherine Halliday	Additional member (community representative)
Mr Harold Grundell	Additional member (oil recycler)
Mr Fred Wren	Additional member (oil recycler)

The council held two meetings in 2004–05—in Sydney on 22 July 2004 and in Canberra on 24 January 2005.



Financial information

This section reports on the financial arrangements for the Product Stewardship for Oil Programme for the period 1 July 2004 to 30 June 2005, including levy collections and benefit payments. Information on transitional assistance expenditure is set out under the heading Transitional Assistance.

General operation

The department, the Australian Taxation Office and the Australian Customs Service continue to work together to ensure that the Product Stewardship for Oil Programme is simple to administer and understand. The general administration of the programme is progressing well, with 16 applications for registration during 2004–05, the majority of which are claimants under category 8. There were 69 recyclers registered for benefits as at 30 June 2005.

The Australian Taxation Office's audit programme from previous years continued, with audits on two companies completed during 2004–05. Information on registering for benefit payments can be obtained from the Australian Taxation Office fuel schemes web site at www.ato.gov.au/businesses.

Product stewardship levy

In 2004–05 total revenue collected from the product stewardship levy was \$25.8 million, comprising \$21.1 million in excise collection on domestic production and \$4.7 million in customs duty on imported oils. An amount of \$0.7 million was paid back to clients in the form of drawbacks (for export) and refunds, bringing the balance of revenue from the levy to \$25.1 million.

Levy collections are recorded against a number of categories based on the type of oil, and customs duty is recorded under international customs classifications. Tables 3 and 4 show excise and customs tariff collections for 2004–05 by category.



Table 3: Product stewardship levy collection (excise) by category 2004–05

Item number	Category	Levy collected
1501	Lubricant base oil	\$3 863 451
1502	Prepared lubricant additives	\$976 003
1503	Engine lubricant	\$8 690 924
1504	Gear, transmission, transformer and heat transfer oils	\$3 483 174
1505	Hydraulic and brake fluids	\$2 173 416
1506	Metal working and process oils	\$823 953
1507	Lubricant base oils (recycled)	\$494 871
1508	Prepared lubricant additives (recycled)	0
1513	Petroleum based greases and synthetic equivalents	\$577 595
	Total	\$21 083 387

Please note the total amount may differ slightly from the sum of the components due to rounding.



Table 4: Product stewardship levy collection (customs tariff) by category 2004–05

Item number	Category	Levy collected
27101991	Petroleum based oils including lubricants, hydraulic fluids and transformer oils	\$2 378 049
27101992	Petroleum based greases	\$173 024
27109191	Petroleum based oils including lubricants, hydraulic fluids and transformer oils	\$8 034
27109192	Petroleum based greases	\$892
27109991	Petroleum based oils including lubricants, hydraulic fluids and transformer oils	\$101 378
27109992	Petroleum based greases	\$14 630
34031110	Preparations for the treatment of textiles, containing petroleum oils, solid	\$1 083
34031190	Preparations for the treatment of textiles, containing petroleum oils, liquid	\$5 154
34031910	Other preparations (for example, cutting oil, anti-corrosion) containing petroleum oils, solid	\$32 644
34031990	Other preparations (for example, cutting oil, anti-corrosion) containing petroleum oils, solid	\$330 442
34039110	Preparations for the treatment of textiles, containing petroleum oils, solid	\$7 988
34039190	Preparations for the treatment of textiles, not containing petroleum oils, solid	\$17 210
34039910	Other preparations (for example, cutting oil, anti-corrosion) not containing petroleum oils, solid	\$119 500
34039990	Other preparations (for example, cutting oil, anti-corrosion) not containing petroleum oils, liquid	\$228 452
38112110	Additives for lubricating oil, containing petroleum oils, solid	\$9 460
38112190	Additives for lubricating oil, containing petroleum oils, liquid	\$1 244 825
38190000	Hydraulic brake fluids	\$51 487
	Total	\$4 724 254

Please note the total amount may differ slightly from the sum of the components due to rounding.

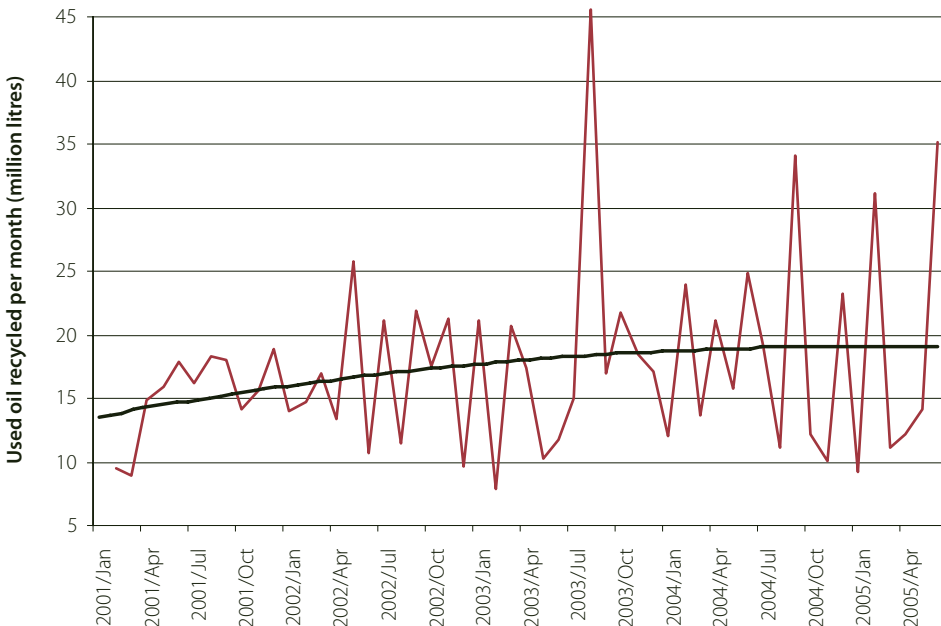
Product stewardship benefits

A total of \$15.7 million was paid as product stewardship benefits in 2004–05, with \$13.7 million paid to recyclers for the recycling of used oil. This is an increase of almost 20 per cent on total benefit payments made in 2003–04. This increase is partly attributable to an increase in category 1 benefits—the volume of used oil being re-refined has increased by almost 70 per cent from approximately 5.5 million litres in 2003–04 to over nine million litres in 2004–05.

The volume of oil on which benefits were paid in 2004–05 was 220 million litres, compared to 233 million litres in 2003–04. While this constitutes a slight drop in overall volumes of used oil recycled, the reporting period is too short to establish a reliable trend. Industry estimates that 150 to 165 million litres of oil were being recycled annually prior to commencement of the Product Stewardship for Oil Programme in 2001.

Figure 1 shows the increase in the volume of used oil recycled since the commencement of the programme. Table 5 provides a breakdown by product category for 2004–05, indicating volumes recycled and benefit payments provided.

Figure 1. Volume of used oil recycled per month over the life of the Product Stewardship for Oil Programme



The large spike in 2003 was a result of a backdated claim covering several months of recycling activity.



Table 5: Product stewardship benefit payments by category 2004–05

Category	Benefit payments	Litres
1. Re-refined base oil (for use as a lubricant or a hydraulic or transformer oil) which meets the specified criteria	\$4 614 480	9 228 960
2. Other re-refined base oils	\$53 461	534 610
3. Diesel fuels to which the <i>Excise Tariff Act 1921 applies</i>	\$1 204 763	17 210 898
4. Diesel extenders (filtered, de-watered and de-mineralised)	0	0
5. High grade industrial burning oils (filtered, de-watered and de-mineralised)	\$5 009 867	100 197 331
6. Low grade industrial burning oils (filtered and de-watered)	\$2 796 156	93 205 197
7. Industrial process oils and lubricants, including hydraulic and transformer oils (re-processed or filtered, but not re-refined)	0	Data not available
8. Gazetted oil consumed in Australia for a gazetted use	\$1 349 175	24 760 048
9. Recycled oil mentioned in item 5 or 6 that has been blended with a petroleum product that meets the criteria mentioned in schedule 2	\$667 065	6 979 858
Used oil recycled (excludes categories 8 and 9 ^(a))	\$13 678 727	220 376 996
Total	\$15 694 967	252 116 902

(a) Benefits paid under categories 8 and 9 do not contribute to the overall volume of used oil recycled

Transitional Assistance Grants Programme

Transitional assistance funding is provided under the Product Stewardship for Oil Programme to facilitate projects that remove structural barriers to oil recycling, such as lack of adequate infrastructure or technology. When the funding ends, \$34.5 million will have been provided over seven years (2001–2007).

Table 6: Transitional assistance funding

Financial year	\$ million
2000–01 (Jan. to June 2001 only)	1.323
2001–02	2.581
2002–03	8.826
2003–04	6.400
2004–05	5.537
2005–06	5.393
2006–07	4.440
Total	34.5

Priority areas identified for funding include:

- improving the environmentally responsible management of waste oil
- general waste oil market development and expansion
- related environmental issues such as handling and management of filters, drums and ‘do it yourself’ packaging
- community and industry awareness of waste oil management issues.

In addition, funds are used to cover the operating costs of the Product Stewardship for Oil Programme, including the relevant running costs of the department, the Australian Taxation Office and the Oil Stewardship Advisory Council.

Transitional assistance funds may be provided through specific grants or projects, consultancies and/or strategic partnerships for the provision of goods and services. Major initiatives funded under the transitional assistance component include the following.

Collection infrastructure 2004–05



Tailem Bend waste oil collection facility in South Australia.

Photo: M Jeffery

This initiative aims to establish a nationwide network of used oil collection facilities at local government sites throughout Australia. It comprises two components—direct grants to local governments through the Local Government Waste Oil Collection Infrastructure Small Grants Programme and grants to state-based agencies under the State Partnership Programme.



To date \$7.6 million has been spent on the Local Government Waste Oil Collection Infrastructure Small Grants Programme for establishing 519 collection facilities across 324 local governments throughout Australia. This includes \$267 000 for 18 new facilities in 2004–05.

The State Partnership Programme has gradually taken over from the direct grant programme. Multi-year grant agreements were signed with Victoria, Western Australia and Queensland in 2002–03, with NSW in 2003–04 and South Australia in 2004–05 (transitional assistance funding to SA of \$280 000). Delivery of the programme through state partners achieved the desired multiplier effect. Economies of scale have enabled state partners to establish a total of 309 facilities by the end of the reporting period, well above the 230 facilities originally envisaged.

The combined number of collection facilities funded under both programmes by the end of 2004–05 was 828. More than 80 per cent of these facilities were fully operational by the end of the reporting period and the remaining facilities are expected to be operational by December 2005. Information about the locations of these facilities is available at www.oilrecycling.gov.au.

Public awareness raising

As the national network for the collection of used oil nears completion, a concerted public awareness campaign was considered necessary to inform the public of its existence and to encourage individuals and industry to dispose of used oil in an environmentally responsible manner.

A national advertising campaign ran from May 2004 to October 2004 with advertisements on radio, in newspapers, magazines and on selected internet sites. Information was provided also in Arabic, Chinese, Greek, Italian, Spanish and Vietnamese.

A series of 17 educational segments was produced for screening on a television programme titled *On the land* at no cost to the Product Stewardship for Oil Programme. The segments focused on how local government and communities around Australia have dealt with used oil and the benefits they have achieved by participating in the Product Stewardship for Oil Programme. The segments were screened from September 2003 until mid-2005.

Technologies

A \$2.5 million multi-year grant was provided to the Australian Institute of Petroleum in the reporting period to establish nationwide infrastructure for the collection and recycling of household plastic oil containers. This is a first in Australia and the project will continue until 2007.

A \$2 million multi-year grant was provided to Transpacific Industries Pty Ltd in the reporting period to establish Australia's first hydrogenation plant to re-refine used oil to a group II base oil. The grant will increase Australia's re-refining capacity by 200 per cent.

An earlier grant to Australia's other re-refining plant that produces group I base oil (Southern Oil Refinery) has paid off, and plant output is now close to full capacity with an annual production of nine million litres of re-refined group-I base oil.

Remote and Indigenous projects

In November 2004 the Minister for the Environment and Heritage approved the extension of the Product Stewardship for Oil Programme to Indigenous communities in remote Australia and endorsed its broadening to also address integrated waste management issues.

This has allowed the department to develop a three-year action plan (2004–05 to 2006–07) that will establish a national network of education and demonstration nodes at which appropriate used oil and waste management issues can be demonstrated.

Transitional assistance funding of \$680 000 was granted to the Northern Territory Local Government Association to commence a pilot project that will benefit Indigenous island, coastal and desert communities across the Northern Territory. Work has commenced to establish complementary demonstration projects in Queensland (Torres Strait and Cape York), NSW, Western Australia and South Australia.

Operating expenses

The department's 2004–05 operating costs for running the Product Stewardship for Oil Programme were \$1.3 million. This covers all costs associated with running the programme, including staff salaries and allowances, consultancies, advertising (for example, for tenders) and other related expenses.

Under new arrangements with the Australian Taxation Office, the Transitional Assistance Grants Programme no longer covers the Tax Office's operating costs.



However, \$25 454 was provided from transitional assistance grants funding to cover costs associated with implementing regulatory changes made during the year. Services provided by the Australian Taxation Office include processing registrations and claims for benefits, compliance monitoring and client liaison.

The Oil Stewardship Advisory Council's operating costs were \$32 178. This includes all costs related to the activities of the 11-member advisory council including venue hire, sitting fees, air fares and other travel costs and allowances.

Monitoring and Evaluation

Monitoring and evaluation are an ongoing programme responsibility and have revealed areas where remedial action was required, for example, an inappropriate collection facility on Thursday Island which has now been rectified.

Two reviews of the Product Stewardship for Oil Programme were conducted during 2003-04. The Australian Government response to the recommendations from the Independent Review of the *Product Stewardship (Oil) Act 2000* resulted in an amendment to the Regulations, clarifying the definition of re-refining. The Government is expected to respond to other recommendations made by the two reviews during the coming year.

The two reviews were tabled in both Houses of Parliament on 17 November 2004. The reports are available on the web site at www.oilrecycling.gov.au/publications.

