

Chairperson and Committee Members
GRANTS ALLOCATION COMMITTEE

16 MARCH 2017

Meeting Status: **Public Excluded**

Purpose of Report: For Decision

**WASTE LEVY ALLOCATION 2016/17: NEW TECHNOLOGIES
AND SEED FUNDING (CATEGORY 4)**

- 1 The reason for this report being considered in Public Excluded is:

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Grounds under Section 48(1) for the passing of this resolution
Waste Levy Allocation 2016/17: New Technologies and Seed Funding (Category 4) – report IS-17-128	Section 7(2)(b)(ii) – to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied the information.	Section 48(1)(a) - that the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.

PURPOSE OF REPORT

- 2 This report seeks approval of the proposed allocation of Waste Levy funding under Category 4 of the Council's Waste Levy Allocation Policy: New Technologies and Seed Funding.

DELEGATION

- 3 The Grants Allocation Committee may make a decision under Section B.6 of the Governance Structure and Delegations:

“The Committee will consider and allocate grant moneys in accordance with the meeting cycles and criteria of five granting programmes, including the Waste Levy Fund grants.”

BACKGROUND

- 4 The Waste Minimisation Act 2008 requires operators of waste disposal facilities to pay a levy of \$10 per tonne of residual waste disposed of to landfill. Approximately half of this levy money is allocated by the Ministry for the Environment to local authorities to spend on implementing their waste management and minimisation plans. The remaining money is allocated through the national Waste Minimisation Fund. Further information on solid waste and legislation is available in the report SP-10-871.

- 5 The Waste Levy Allocation Policy, approved by the Environment and Community Development Committee on 22 July 2010 and updated on 1 September 2011 (Appendix A attached to this report), sets out how the Council would spend part of this funding.
- 6 The overall objective of the Policy is:

“To ensure optimal and transparent allocation of the national waste levy funding to waste minimisation projects.”

“To increase the range, scale and number of waste minimisation activities on the Kāpiti Coast through effective use of the waste levy fund.”
- 7 In August 2016, Expressions of Interest (EOIs) were called for from businesses seeking funding under Category 4 of the Waste Levy Allocation Policy. Applicants had the opportunity to bid for up to \$50,000.
- 8 Three EOIs were received. One from Kāpiti Biodiesel Cooperative (\$15,000), one from Nufuels Ltd (\$26,000), and one from Organic Wealth (\$10,000). The EOIs were assessed and summarised in report IS-16-032, which was presented with recommendations to the Grants Allocation Committee on 8 December 2016.
- 9 All three applicants were invited to develop their EOIs into full proposals as per the recommendation in report IS-16-032:

“That all three applicants that submitted Expressions of Interest under Category 4 of the Waste Levy Policy 2011 as described in sections 21 to 23 are invited to submit full applications.”

Policy considerations

- 10 The Council’s Waste Levy Allocation Policy sets out the process for allocation of funding for New Technologies (Category 4A) and Seed Funding for businesses using proven technology (Category 4B).
- 11 All three applications meet the objectives and criteria of the policy. They are appended to this report in full as appendices B-D.
- 12 The Kāpiti Biodiesel Cooperative and Organic Wealth have applied for Seed Funding (Category 4B) and are looking to set up stand-alone operations in the short term. Nufuels Ltd has applied for New Technologies Funding (Category 4A) to conduct research and development work, with commercialisation planned if successful.

CONSIDERATIONS

- 13 **Kāpiti Biodiesel Cooperative** has applied for **\$15,000** under Category 4B of the fund to set up a small-scale biodiesel production operation. The feedstock will be waste vegetable oil from local food businesses, and the operation will be set up as a cooperative with members contributing labour and receiving diesel at a discounted rate in return.
- 14 The applicants have submitted a comprehensive application including a three year budget, a production cost estimate, a risk management and mitigation plan, safety information in relation to equipment and chemicals, quotes, and supporting documents from businesses that have agreed to supply waste oil. They plan to set up operations in a shipping container. A suitable site has not

been secured yet, but options are being investigated. All necessary consents will need to be obtained.

- 15 The total setup costs for the project are forecast to be \$37,710. In addition to applying for this grant, the applicants have also secured a \$20,000 interest free loan from the Wilberforce Trust to go towards the projected set-up costs. The Waste Levy grant is intended to contribute to the cost of the biodiesel processor, and the costs of setting up the cooperative structure using a consultant. Once set up, the cooperative expects to carry itself financially and return a profit. They plan to repay their loan within the first two years, and forecast net revenue of \$21,731.25 in year three.
- 16 The biodiesel processing technology they will use is, according to the information submitted, small-scale, safe, internationally tried and tested (used in every US state and 28 other countries), and has a proven track record of consistently producing ASTM¹-grade biodiesel – fuel fit for commercial sale. The cooperative estimates that they will process 66,000l of used cooking oil into fuel per year.
- 17 The project also aims to create social benefits by creating a network between the various supporting businesses that supply the oil and the cooperative members, and also by offering local students education opportunities about the chemistry of 'fish & chip fuel'.
- 18 **Nufuels Ltd** has applied for **\$26,000** under Category 4A of the fund to prove the technical and economic feasibility of disposing of plastic bags by co-pyrolysis² with tyres. The key objectives of the project are:
 - To show that pyrolysing plastics on a small scale can be achieved at a lower cost than landfilling without unacceptable emissions; and
 - To see if mixed waste streams (particularly tyres and plastics) can be added to their existing tyre processing system and to explore if it will produce higher value products (enhance the fuel output).
- 19 The application submitted by David Laing (Sustained Consulting Ltd) on behalf of Nufuels Ltd describes the technological innovations and intellectual property involved in the project. The programme and process for carrying out the technical feasibility testing and potential commercialisation pathway should the testing yield viable outcomes are described, as well as links to the existing tyre pyrolysis operation run by Nufuels Ltd managing director Leigh Ramsey.
- 20 The \$26,000 applied for would cover the cost of the proof of concept stage of this project. The budget is broken down into costs for literature research, building a laboratory scale test rig, running tests including analytical services to analyse the outcomes, further test runs once a preferred regime has been identified to confirm initial results, and project management costs.
- 21 Nufuels Ltd will contribute an estimated \$14,400 to the project in kind, consisting of labour input and costs to run the pyrolysis kiln. This puts the total project costs at approximately \$40,400.

¹ ASTM International is an American organisation that sets standards defining specifications for different types of fuels. These standards are used in the US and internationally.

² Pyrolysis is the thermochemical decomposition of organic materials at high temperatures and in the absence of oxygen. The process produces gases, liquids (oils), and char. It is commonly used in chemical industries to transform a range of organic feedstocks into products like charcoal, activated carbon, methanol, syngas, fuel oils, and many more.

- 22 If the tests are successful, Nufuels Ltd intends to add plastics as an additional feedstock to their existing tyre processing business model, which is currently at the pilot stage. Nufuels Ltd has secured funding from MfE to build a commercial-scale tyre pyrolysis plant. Their business model builds on processing waste that otherwise has to be disposed of at landfill at a cost, the sale of pyrolysis end-products, and marketing the technology itself to other interested parties.
- 23 **Organic Wealth** has applied for **\$15,291** under Category 4B to roll out their waste minimisation programme for businesses “Save on Waste” in the Kāpiti District. This is **\$5,291** more than initially indicated in the EOI. The “Save on Waste” programme is a service offered to businesses aimed at implementing recycling systems and thereby saving money on rubbish disposal costs. The programme consists of an initial consultation, a waste audit and report, bin implementation support, an education workshop for staff, monitoring services for 12-24 months to ensure the recycling system is working as intended, and finally an awards ceremony to celebrate success.
- 24 The applicant has submitted a comprehensive business plan including a marketing plan, financial projections, SWOT and risk management plan, description of the programme’s unique selling point, as well as estimates of waste reduction and financial savings that can be achieved by participating businesses.
- 25 The requested funding would be used to offer the first ten businesses to sign up to the programme a free waste audit and report, one business a free full programme and two businesses a free half programme (the half programme includes fewer education workshops and monitoring visits). These promotional offers in year one of the programme rollout are intended to establish the programme on the Kāpiti Coast and to create local case studies and success stories in terms of demonstrated savings, which will enable Organic Wealth to sell the programme to further businesses at full cost post Council subsidy.

Financial considerations

- 26 The three applications add up to a total of **\$56,291** (excl. GST) meaning the fund is oversubscribed by **\$6,291**.
- 27 After consideration of the potential benefits of each application by Council officers, the recommendations for the allocation of the \$50,000 are as follows:
- To grant the Kāpiti Biodiesel Cooperative the full \$15,000 applied for. The comprehensive application suggests a high likelihood of success and significant community benefit from this project. Furthermore, the applicants have already secured a significant loan towards the project (\$20,000), meaning the grant would contribute less than half of the total set-up cost.
 - To grant Organic Wealth \$10,000 (\$5,291 less than applied for). This would still enable them to offer five businesses a free waste audit and report (rather than ten businesses as suggested by the applicant), which is deemed a sufficient volume to establish positive case studies on the Kāpiti Coast. \$10,000 is also the amount that was originally requested by Organic Wealth in their EOI.
 - To grant Nufuels Ltd \$25,000 (\$1,000 less than applied for). This would mean that they would have to fund 50% of the estimated literature review costs themselves, but could carry out all other parts of the project as planned.

Legal considerations

- 28 There are no legal considerations for the Council. The applicants themselves are responsible for ensuring their activities comply with all relevant laws and regulations. The allocation and use of the funding will be subject to audit by the Ministry for the Environment.

Reporting requirements

- 29 As stated in the application guidelines for the Waste Levy Fund for New Technologies and Seed Funding, all successful applicants will be required to report back to the Solid Waste Manager on an agreed timeframe, but at least once every four months, detailing their progress in completing the project, particularly the completion of significant milestones. The applicant must notify the Solid Waste Manager once the project has been completed and accompany this notification with a final report on the project.

SIGNIFICANCE AND ENGAGEMENT

Degree of significance

- 30 This matter has a low level of significance under Council policy.

Engagement planning

- 31 An engagement plan is not needed to implement this decision.

Publicity

- 32 Selected projects will be publicised by the Council through media releases, the Council's sustainability newsletter 'On To It,' and other communication avenues.

RECOMMENDATIONS

- 33 That the Grant Allocation Committee approves **\$15,000** (excl. GST) Waste Levy funding to the Kāpiti Biodiesel Cooperative, *on the condition* that a suitable site and all necessary consents are obtained by the applicant.
- 34 That the Grant Allocation Committee approves **\$25,000** (excl. GST) Waste Levy funding to Nufuels Ltd to test the co-pyrolysis of plastic bags with tyres.
- 35 That the Grant Allocation Committee approves **\$10,000** (excl. GST) Waste Levy funding to Organic Wealth to roll out the “Save on Waste” programme on the Kāpiti Coast.
- 36 That the resolutions and report (excluding Appendices B, C and D) be released from public excluded business.

Report prepared by	Approved for submission	Approved for submission
Katharina Kennedy	Wayne Maxwell	Sean Mallon
Waste Minimisation & Services Officer	Group Manager Corporate Services	Group Manager Infrastructure Services

ATTACHMENTS

- Appendix A: Waste Levy Allocation Policy
- Appendix B: Grant application Kāpiti Biodiesel Cooperative
- Appendix C: Grant application Nufuels Ltd
- Appendix D: Grant application Organic Wealth

APPENDIX A

Waste Levy Allocation Policy³

2 September 2011

Objectives of the Policy

To ensure optimal and transparent allocation of the national waste levy funding to waste minimisation projects.

To increase the range, scale and number of waste minimisation activities on the Kāpiti Coast through effective use of the waste levy fund.

This Policy supports the Council's zero-waste strategy for waste management. It gives effect to the requirements of the Waste Minimisation Act 2008 to allocate waste levy funding received from the Ministry for the Environment for waste minimisation projects.

Waste Levy Allocation Process

- the Environment and Community Development Committee will review and approve the broad framework or categories for allocation of the funds. This will be reviewed on a three-yearly basis as part of the LTP process.
- the Environment and Community Development Committee will approve the indicative allocation of funds with a three year timeframe and review this allocation annually as part of the formal considerations under the Annual Plan/LTP process.
- the Environment and Community Development Committee will approve the criteria for any contestable process used in the allocation of funding.
- Approval of funding under any contestable process will be undertaken by the Waste Levy Grant Allocation Sub Committee. The sub-committee consists of the Chair of the Committee, the Chair of the Corporate Business Committee, the Mayor, and two Community Board members.

Framework for Allocation of the Waste Levy

- The categories for high level allocation of the waste levy fund are:
 1. Waste Flows: Data Collection

To improve the quality and usefulness of data about total waste volumes and waste streams, and movement of waste within, into and out of the District, as a key input into waste minimisation decisions.
 2. Minimisation Incentives: Contracts

To achieve continual improvement to contract documentation to maximise incentives for waste minimisation by waste operators and service providers.

³ This policy is included in the (draft) Wellington Regional Waste Management and Minimisation Plan 2011, in the Kāpiti Coast District Council action plan.

3. Community Education and Projects

To achieve a high level of community involvement in practical on-the-ground waste minimisation projects which encourage a network of community participation and long term action.

4. Innovation: New Technologies and Seed Funding

To encourage the establishment of waste minimisation businesses on the Kāpiti Coast and maximise opportunities for minimisation and economic development through innovative processes and technologies.

- allocation of funding for Categories 3 and 4 will be via an annual contestable process which calls for expressions of interest to identify potential recipients from the fund.

Category 3: Community Education and Projects Contestable Fund

- the criteria for assessment of applications to the Community Projects fund (Category 3) are:

Minimum requirement:

- the project will lead to long term waste minimisation actions by participants;
- the project has a minimum involvement of either 5 households linked to the project or involves businesses or organisations active around waste minimisation; and
- details are provided on the costs of the project and how the contribution sought from the levy fund will be used.

Other criteria:

- there is a level of involvement of young people in the project ;
- the project involves skills and knowledge within the community about waste minimisation and/or reducing the need for waste;
- the project proposal shows how success will be measured in terms of waste reduction and skills learnt.

Category 4: Innovation: New Technologies and Seed Funding Contestable Fund

- funding for projects under this process will be for up to three years and no more;
- any agreement to provide funds for more than one year will be treated as a contract for service rather than a grant and recipients will be required to provide a performance report;

- funding for new technology initiatives would be provided for technology feasibility and proof of technology (including economics) stages only;
- criteria for the assessment of applications under this contestable process will be:

A. For new technology proposals:

- a proposal that includes:
 - description and/or proof of a unique Intellectual Property (IP) contribution;
 - a programme and process for testing
 - a programme for business development of the end product/results of the project/trial
 - indication of other funding contributors.

B. For businesses using proven existing technologies and processes:

- a business case is provided which includes:
 - evidence that access to necessary waste streams is secured;
 - assumptions around waste stream costs, projected revenue, current and projected operating costs and end-use markets
 - *review and (independent) sign off on one or more assumptions can be required by Council*
 - provision for contingencies and structured response to rising waste resource costs and/or end-use market failure;
 - *review and (independent) sign off of this information can be required by Council.*
- estimates of performance post Council or other subsidy;
- estimates of the scale and performance of the project in terms of waste minimisation;
- clear indication of benefit to the local economy and/or regional economy

<p>This policy was approved by the Environment and Community Development Committee on 2 September 2011. Refer Report IS-11-312.</p>
