



Cabinet Secretary
Parliamentary Secretary for Climate Change and Energy Efficiency
Parliamentary Secretary for Industry and Innovation

Australian Landfill Operators Association (ALOA)
GPO Box 1398
Melbourne VIC 3001

Dear Mr Spedding

I am writing in response to the press release ALOA issued on 12 April 2012 on the potential impact of the carbon price mechanism on landfill operators with a view to clarifying some areas of confusion on the part of your organisation with respect to the carbon price mechanism and its implications for landfill operators.

As you are aware, only landfills with more than 25,000 tonnes of carbon dioxide equivalent (CO₂-e) emissions will be covered by the carbon price mechanism. There will be no carbon price liability for landfill facilities with emissions of less than 25,000 tonnes (CO₂-e) of carbon pollution a year for at least the first three years of the carbon price.

There are a range of activities that could substantially reduce landfill emissions, including capturing landfill gas to flare or generate electricity and diverting waste from landfill to recycling and composting facilities. In many cases these activities can reduce landfill emissions below 25,000 tonnes.

A tonne of mixed waste deposited in landfill will generate emissions for approximately 40 years and one tonne of waste will emit approximately one tonne of carbon dioxide equivalent over this period. There are no reportable emissions in the year the waste is deposited so landfill operators will not need to pay any carbon price in 2012/13. Depending on the composition of the waste and the location of the landfill, around eight per cent of total emissions from each tonne of waste will be emitted in the year after it is deposited, seven per cent in the third year and so on.

The carbon cost of a tonne of mixed waste can be estimated by working out the emissions in each year for 40 years, multiplying this by the estimated carbon price in that year and then discounting this by an appropriate rate (for example six per cent) to determine the value of the liability today.

Based on the current Treasury carbon price estimates for the Government policy scenario, the carbon price of a tonne of municipal solid waste, or commercial and industrial waste, will be between \$20 and \$30 per tonne if there is no gas capture at the landfill facility and none is installed over the 40 year period. In reality, however, many of the landfill facilities that exceed the 25,000 tonne threshold have or could install gas capture equipment. The Treasury modelling suggests that incentives to install such equipment will result in waste emissions dropping from 15 mega tonnes now to 2.5 mega tonnes by 2030. If this equipment operates at

average efficiency, capturing 50 per cent of the methane from the facility, the carbon cost of a tonne of waste will be reduced by the same percentage to between \$10 and \$15 per tonne of waste. In some cases, gas capture equipment can reduce emissions by up to 70 percent, which would reduce the cost below \$10 per tonne

In addition, the Carbon Farming Initiative (CFI) provides an opportunity for landfill facilities to generate credits by reducing legacy waste emissions. CFI credits can be sold to companies with a carbon price liability or used by a landfill facility to offset its own carbon price obligations. Councils can participate in the CFI whether or not the landfill will be liable under the carbon price.

As you are aware, the Department of Climate Change and Energy Efficiency is working with stakeholders including ALOA to settle final details of the approach to additionality. It is a key aspect of the CFI's environmental integrity principles that credit will not be given for abatement action that is already required by law. Nonetheless, I understand there remain many opportunities for landfill operators to participate in the CFI and to reduce their liability through gas capture and flaring.

I am aware that some councils that do not operate their own landfills are currently negotiating waste contracts. It is important that commercial landfill operators do not mislead councils and other customers about the impact of the carbon price on their operations.

The Government has given the competition regulator, the ACCC, additional funding to prevent price gouging and to ensure that customers are not misled about the impact of the carbon price.

Yours sincerely



MARK DREYFUS QC

13/4/12