

Wednesday July 17, 2013

Hon. Mark Butler
Minister for Environment, Climate Change, Heritage and Water
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600
Email Mark.Butler.MP@aph.gov.au

cc: D'Ath.MP@aph.gov.au

Dear Minister,

Early introduction of an ETS

Further to our letter of Friday July 5, 2013 introducing our Association and confirming our commitment to reducing landfill gas emissions as part of the 5% emission reduction target by 2020, I now write to express our concern that the Prime Minister's plan to link our carbon price to the European Carbon Trading scheme from next July will significantly impact on our industry.

This concern stems from the carbon price mechanism's (CPM) coverage of the waste sector (as landfills generate methane emissions) and the practical difficulty landfill owners have in reconciling carbon liabilities created when waste is received against actual emissions that are released 50-100 years after landfilling.

As I am sure your records will confirm, ALOA (and the broader waste management sector) have expressed concern over coverage of the waste sector as far back as discussions with Senator Wong concerning the CPRS in 2008. This exchange of views has continued with the most recent being with Parliamentary Secretary Yvette D'Ath on May 9, 2013.

Applying a carbon price to landfill emissions is a complex issue as waste composition, actual landfill gas collection and the future carbon price need to be combined and the resultant cost communicated to customers in a clear and convincing manner.

(Note – depending on location carbon costs can increase waste disposal costs at landfill from 2 to 40%).

Over the past twenty years landfill owners have introduced landfill gas collection systems to reduce methane emissions and are one of the few sectors that have been able to report a reduction in emissions. This good work is continuing with additional abatement being achieved with the support of the Carbon Farming Initiative (CFI).

Turning to the issue announced this week - linkage to the European Emission Trading Scheme from next July - our concern is a practical one:

“How do we price our services when the carbon price is highly volatile and influenced by events away from Australia?”

Over the past year we have watched, due to oversupply, the fall of the European carbon price and the painfully slow reaction of the European parliament to correct the scheme. Today, notwithstanding the approval of 'back-loading' we have some industry analysts predicting a return to €15 levels in a year (and should the A\$ continue to fall against the € a price of A\$20 – A\$22 of carbon) whilst others suggest nothing will change.

Following our meeting with Ms D'Ath we received a response which included:

"The Government has considered the issues that you have raised regarding the carbon pricing mechanism and the waste sector. The current policy provides sufficient incentives to encourage the waste sector to improve their competitiveness, while reducing their emissions. The Climate Change Authority will review the coverage of the carbon price, which may include the waste sector, and will make recommendations in the second half of 2016. This will allow for a thorough consideration of the current arrangements, including consideration of the impact that the carbon price has had on covered sectors such as the waste industry. However, as discussed, the Government will consider any further evidence that the industry may have concerning potential issues with the way in which the application of the carbon price may be affecting particular business".

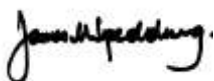
This time last year our industry managed to reduce its emissions, pass on a fair carbon price to customers and participate in the CFI. However, this was not done without tremendous effort and administrative expense.

The European waste industry is not covered by their emission trading scheme. It is incongruous that in less than twelve months Australian landfills will be linked to a scheme that does not cover similar activities in that jurisdiction.

Should linkage of the Australian and European carbon schemes be implemented, as we cannot see any practical pricing methodology for our industry if it is buffeted by volatile carbon price variations, we respectfully ask that CPM coverage of the waste sector be removed as soon as practicable.

Should you have any queries in respect to this letter please do not hesitate to contact me at info@aloo.com.au or 0400 880 677.

Yours faithfully



Max Spedding
Secretary/Spokesperson
Australian Landfill Owners Association (ALOA)