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# Landfills and Carbon Abatement

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Last week ALOA wrote to the new federal Minister for Environment, Climate Change, Water and Heritage – Hon Mark Butler - to express concern that full linkage of the carbon price to the European carbon market was not practical for the waste sector and that should this occur then the government should remove coverage of the sector from the carbon price mechanism (CPM).

Since this letter was displayed on ALOA's website I have had a number of queries from impacted parties asking why landfill owners are now concerned, when in the past they have expressed support for the CPM.

In reply to these queries let me say that I believe all landfill owners are committed to reducing landfill gas emissions as is evident from the ever increasing quantity of gas collected since the early nineties. It is worth noting that this emission reduction has occurred because of improvements in operational procedures - compaction, lining, capping, daily cover, organic waste diversion (mainly to composting) and post closure (including electricity generation – that are now common at most larger sites) practices.

Before considering landfills and the CPM it is important not overlook that landfills are highly regulated by state environment agencies and that heavy fines are applied for non-conformance.

Returning to the issue of coverage by the CPM, this is a long story that commenced in 2008 when the government of the day released its climate change White Paper that lead to the Carbon Pollution Reduction Scheme (the CPRS) that in turn evolved into the CPM and a price being applied to carbon July 1, 2012.

Over this long gestation landfill owners consulted extensively with the government on two fronts:

- 1) To develop a workable methodology to model landfill gas emissions under the National Greenhouse Gas Emission Reporting Scheme (NGERS); and
- 2) To remove complicated and potentially unfair provisions from the CPM.

On balance landfill owners are satisfied that in respect to NGERS their efforts have been rewarded and that the most recent (July 2013) NGER determination – although still complicated – provides a consistent basis for emission reporting for most landfills.

However, in respect to the development of the CPM (other than the removal of legacy gas emission back in 2009) it has been completed without serious consultation and landfill owners have been left with a scheme plagued with perverse outcomes and increased commercial risk. To explain let's examine where we are today:

- 1) Landfillers carry more administration burden than other liable entities, as although they amount to only 2% of our nation's GHG emissions but represent 12% of the entities registered on the Liable Entities Public Information Database (LEPID).
- 2) The exclusion of the 'prescribed distance' rule from the current scheme has resulted in unfair competition between medium sized landfills (20,000 to 25,000 tonnes of carbon emissions per annum) and neighboring larger landfills that are captured by the 25,000 tonne threshold.
- 3) The inclusion on a carbon tax in the first three years of the scheme has prevented landfills purchasing and 'banking' permits to match the liability created by the receipt of waste.

- 4) Coverage under the CPM means access to the Carbon Farming Initiative (CFI) is denied to the whole waste sector, leaving all waste related – composting, digestion, recycling etc – abatement initiatives with no access to this successful scheme.
- 5) Communicating carbon cost price increases to customers is difficult and has led to a range of agreements as diverse as deferred invoicing (supported by bank guarantees) to ‘open-book’ reporting.
- 6) Notwithstanding the recent amendments made to NGERs, landfills caught by the 75% capture ‘rule’ may be placed in an unfair competitive position compared to neighboring landfill capturing less than 75% of their emissions.
- 7) The delay in the generation of emissions means new landfills, and landfills expecting an increase in volume in the near future, need to charge for future carbon costs notwithstanding that they are currently below the 25,000 tonne threshold.
- 8) Changes to the “Global Warming Factor” – when the methane to CO<sub>2</sub> –e will increase from 21 to 25 - in 2017/18 may extend ‘coverage’ to those landfills currently positioned just below the 25,000 tonne threshold.

As you can see from this list placing a price on carbon and then passing on a charge for landfill emissions to customers is a complex and confusing task and one that has created a new risk for landfill owners.

Now returning to last week’s announcement by Minister Butler that government will link the Australian CPM to the European scheme from July 1, 2014 (and the carbon price will be reduced to A\$6.00 per tonne) adds more confusion and risk to the scheme.

Should the CPM move away from an Australian ‘cap and trade’ scheme originally proposed and fully link to the much larger European scheme (based on recent experience) carbon prices will:

- i. Become more volatile;
- ii. Be influenced by currency fluctuations to the A\$; and
- iii. Be influenced by climate events and targets set in Europe rather than responding to events here in Australia.

Moving to full integration with the European scheme is seen as just “one step to fall” for landfill owners as they foresee the carbon pricing volatility creating a need for frequent carbon price adjustments, increased administration costs and ongoing confusion with the complexity of the scheme.

Hopefully, as this matter is debated before the election, reconsideration of landfill coverage under the CPM can be reappraised and we can move to a program that will focus on abatement and reduced commercial risk to landfill owners and their customers.

### **Abbreviations**

<b>CPM</b>	Carbon Price Mechanism
<b>CPRS</b>	Carbon Pollution Reduction Scheme
<b>NGERS</b>	National Greenhouse Gas Emission Reporting Scheme
<b>LEPID</b>	Liable Entities Public Information Database
<b>CFI</b>	Carbon Farming Initiative