



## **Emissions & Abatement in the Waste Sector:**

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## **1. Interim Period**

### **1.1. Which is preferable if there is a delay for Direct Action to be implemented: Fixed abatement price or moving early to an ETS?**

*Policy:* It is preferable to not amend the current Clean Energy Act and to maintain a fixed abatement price until Direct Action can be implemented.

*Reasons:*

- 1) Waste sector Carbon Farming Initiative (“CFI”) projects encourage abatement and existing projects will benefit from predictable demand for carbon units from liable entities.
- 2) Companies such as LMS and EDL will continue to benefit from the CFI, thus reducing the pressure for Landfillers to compensate them for landfill gas capture.

- 3) The waste sector has already established recovery of carbon costs from customers for the CPM.
- 4) If we move to an EU linked ETS sooner then abatement in Australia will be minimal because EUA and CER prices are at historically low levels.
- 5) Another disadvantage of an early move to an ETS is that it removes the momentum for change and the need for implementation of Direct Action.

## **2. Penalty Coverage**

### **2.1. Coverage under the Penalties approach**

*Policy:* The waste sector should not be covered by any future legislation relating to the proposed penalties arrangements set out in the Direct Action plan.

Instead the whole waste sector should be covered by the CFI and be allowed to participate in the Emissions Reduction Fund.

*Reasons:*

- 1) Waste management companies carry more administration burden than other liable entities, as although they amount to only 2% of our nation's GHG emissions, they represent 12% of the entities who would be captured by a 25,000 tCO<sub>2</sub>-e minimum threshold.
- 2) The splitting of the landfill market into large liable landfills and medium non-liable landfills results in unfair competition between neighbouring landfills. There is documentary evidence of customers shifting significant amounts of waste to non-liable landfills. This can have a negative impact on overall emissions and costs because landfill gas capture systems are more cost-effective at large landfills.
- 3) Coverage under the baseline & penalty scheme would deny access to the Emissions Reduction Fund/CFI to the whole waste section; leaving all waste related abatement initiatives – composting, digestion, recycling etc – with reduced eligibility as abatement projects.
- 4) NGER modelling is unreliable on a site-by-site basis.
- 5) Calculating baselines would be very difficult because landfill is the only source of emissions which results in future emissions (over 140 years) from waste disposed of today.
- 6) Landfills caught by the 75% capture rule for National Greenhouse & Energy Reporting (“**NGER**”) may be placed in an unfair competitive position compared to neighbouring landfills capturing less than 75% of their emissions.

- 7) Changes in the 'Global Warming Factor' – when the methane to carbon dioxide conversion factor will increase from 21 to 25 – in 2017/18 will result in some landfills jumping above a 25,000 tCO<sub>2</sub>-e minimum threshold.

### **3. Abatement**

#### **3.1. Reverse auction banding**

*Policy:* Program funding should be divided into bands, with projects competing for funding within each band. Proposed funding bands (taken in part from the Direct Action Plan 2010 p. 22) are:

- Soil carbon and biochar;
- Electricity Generators & Industry;
- Forestry measures;
- Waste coal mine gas;
- Transport;
- Green Buildings/ Energy efficiency;
- Waste (landfill gas, diversion from landfill, digestion, compost, recycling);
- Non-forestry revegetation;
- Other activities, including savannah burning and restoration of wetlands.

*Reasons:*

- 1) Banding will mean that the Emissions Reduction Fund can provide seed funding for abatement projects in all sectors. This will enable all sectors to build up knowledge, industry practice guidance and CFI methodologies, so that by 2020 all sectors have experience working on abatement projects and are working together on reducing Australia's national emissions.
- 2) This would promote innovation and learning-by-doing for a range of abatement activities.
- 3) If all abatement projects are required to compete directly with one another, a potentially large volume of abatement from short-term low-cost activities could 'crowd-out' other higher cost long-term activities.
- 4) To ensure that funding opportunities are available across a diversity of activities, the Government should consider dividing funding into activity bands. A diverse mix of abatement projects would result in a more sustainable and robust abatement market.

#### **3.2. Forward contracts**

*Policy:* If successful in a reverse auction, a project proponent should be able to sign forward contract for the duration of the crediting period (i.e. a project with a 7 year crediting period should be offered a 7 year contract). Further, the Government should enter into contractual arrangements before projects are implemented

Reasons:

- 1) This approach would give the project proponent a guaranteed buyer and a guaranteed price for the carbon credits they plan to generate, thus increasing certainty of income and therefore likelihood of investment
- 2) Notwithstanding that a contract may be issued; only proven abatement will be reimbursed.
- 3) Ernst & Young have reported that business delay strategic decisions and investment when there is uncertainty over an achievable price for the emission units generated from an abatement project.

### **3.3. Competitive bid approach**

*Policy:* The reverse auctions should use the competitive bid approach. Bids would be ranked by price, and subject to available funding, contracts will be awarded to the lowest cost bidders.

*Reasons:*

- 1) The competitive bid approach would achieve the highest abatement in each band for the available money in the Emissions Reduction Fund.

### **3.4. Existing CFI projects**

*Policy:* Reverse auctions should be held for new projects. Existing CFI projects should be dealt with outside the auction process. The abatement price for existing CFI projects should be set by reference to the waste band auction.

*Reasons:*

- 1) Under this approach early initiators will not be disadvantaged.
- 2) Early initiators should obtain the same price as late arrivals.
- 3) As Direct Action will be replacing the existing source of funds under the CFI (the Carbon Mechanism), existing CFI projects would be financially penalised by removal of the original incentivising source of funding for the projects. To compensate, existing projects under the CFI should receive an abatement price established from the first reverse auctions in the waste band.
- 4) This will ensure companies investing in abatement projects will continue to do so without high risk of project abandonment.

### **3.5. Waste activities & the CFI's positive list**

*Policy:* The following activities should be added to the CFI's Positive list:

- Soil carbon compost
- Diversion of waste from landfill to anaerobic digestion
- Embodied energy of recycled material

*Reasons:*

- 1) If expanded these activities can further reduce emissions.

## **4. CFI**

### **4.1. Legacy waste**

*Policy:* All waste should be eligible under the CFI. There should be no distinction between legacy waste (waste deposited before 1 July 2012) and non-legacy waste (waste deposited 1 July 2012 onwards).

*Reasons:*

- 1) The legacy waste/non-legacy waste categories were artificial creations of the Clean Energy Act. The date 1 July 2012 was chosen because that was the date of the start of CPM.
- 2) Eligibility under the CFI should be opened up to provide an incentive for abatement of *all* emissions from waste.

### **4.2. Capture and combustion of landfill gas**

*Policy:* Capture and combustion of landfill gas has an existing CFI methodology.

However, the baseline should be amended. The baseline for determining whether a landfill is eligible under the CFI should not be based upon the NGER methane generation figure. To prove “additionality” under the CFI, and at the same time cut through red tape, a uniform approach should be applied to all landfill gas CFI projects. This uniform approach should be to a 30% forfeiture of actual landfill gas capture i.e. Abatement = gas capture – 30% gas capture.

*Reasons:*

- 1) Notwithstanding the legislation in each State and the conditions of individual licences, a uniform national forfeit should be applied at the rate of 30%. This is because there is no *consistent* correlation between site methane parameters set in site licences/State regulation and emissions because of the complexity of the biogas mass balance equation and variability in site conditions, especially oxidation.
- 2) Transition projects - Greenhouse Friendly and GGAS - and existing CFI projects should retain their existing forfeit value ( $R_p$ ) for their current crediting period. And move to the uniform national forfeit for any project extension.

### **4.3. Soil carbon biochar**

*Policy:* A CFI methodology should be developed for soil carbon biochar. The company who owns the biochar facility should be the project proponent for soil carbon biochar projects.

### **4.4. Soil carbon composting**

*Policy:* A CFI methodology should be developed for soil carbon composting.

### **4.5. Diversion of waste from landfill to composting**

*Policy:* Diversion of waste from landfill to composting existing CFI methodology should continue, but apply to all waste not only legacy waste.

#### **4.6. *Diversion of waste to anaerobic digestion***

*Policy:* Diversion of waste from landfill to anaerobic digestion could refer to similar existing CFI methodology.

#### **4.7. *Embodied energy of recycled material***

*Policy:* A CFI methodology should be developed to reward Councils and waste generators who initiate new programs to increase the recovery of recyclables.

**Australian Landfill Owners Association**

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