

## **ALOA Submission to the Emission Reduction Fund Terms of Reference**

The Australian Landfill Owners Association (**ALOA**) represents landfill owners across Australia, and our members receive and manage over 70 percent of the total solid waste generated nationally.

ALOA's response to the Government call for business and community views on the design of the Emission Reduction Fund is:

Likely sources of low cost, large scale abatement to come forward under the Emissions Reduction Fund

- a. Landfill gas capture and destruction.
- b. Diversion of organic waste from landfill.
- c. Recovery of recyclable waste for reuse.

How the Emissions Reduction Fund can facilitate the development of abatement projects, including through expanding the Carbon-Farming initiative and drawing upon the National Greenhouse and Energy Reporting Scheme

- a. Currently there are a number of landfill projects registered as CFI projects for 'legacy' waste. As the concept of 'legacy waste' will be removed with the repeal of the Clean Energy Act, the first initiative needed to expand the program will be to give coverage to all waste under the existing CFI landfill abatement methodologies. This could be achieved by minor amendments to the existing methodology determinations.
- b. Currently many landfills are denied access to the CFI due to conflicting interpretation of what is the 'regulatory' baseline from state to state.

To expand the scheme it is recommended that all new projects be given the ability to establish their 'regulatory' baseline or have the option of using a default position of 30% capture.

### Explanation

The regulatory limit on the methane emissions from landfill vary from 500ppm in NSW and Queensland, zero in Tasmania, SA and NT and a requirement to notify the EPA if 100ppm is recorded in ACT, Victoria and WA.

These regulations do not convert to a 'direct' capture rate of methane against NGERs and obviously do not allow for a national approach to regulatory compliance being established.

During the development of the current CFI methodology the regulatory default capture rate was agreed at 30% of NGERs.

It is recommended that this default be adopted for use across Australia for all new projects, but that project proponents also have the option of establishing the specific regulatory baseline for their project if they do not wish to use the default rate.

Note: CFI methodologies for transitional landfill gas projects are based on '0' and 24% baselines' and these need to be maintained for the current projects.

- c. As the landfill gas capture is generally capped at 75%, further emission abatement can be avoided by diverting organic waste to landfill. This diversion is most common for domestic green waste but is expanding to processing food waste.
- d. Australian councils provide collection and sorting services for domestic recyclables and the output is reused for paper, plastic, glass and metals reprocessing.

When reused these recycled material reduce the energy required (against the use of virgin resources) during reprocessing and energy emission 'abatement' is created.

Notwithstanding local government's great record for the collection of recyclable, more can be done and this should be rewarded through recognition under a CFI methodology.

- e. NGERs is a complex reporting exercise for the waste industry and notwithstanding annual improvements over the past five years it still requires further amendment to simplify the input of data.

As a result it is recommended that the current 2013 Measurement Determination be reviewed with emphasis being given to simplifying waste composition input.

The details of auction arrangement to deliver cost effective outcomes
---

- **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 are):

- Soil carbon and bio-char;
- Electricity Generators and Industry;
- Forestry measures;
- Waste coal and mine gas;
- Transport;
- Green Building/Energy efficiency
- Waste (landfill gas, diversion from landfill, digestion, compost, recycling);
- Non-forestry re-vegetation;
- 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.

- **Forward Contract**

*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 arrangement 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 businesses delay strategic decisions and investment when there is uncertainty over an achievable price for the emission units generated from an abatement project.

- **Competitive bid approach**

*Policy:* The reverse auction 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 bidder.

*Reasons:*

1. The competitive bid approach would achieve the highest abatement in each band for the available money.

The governance arrangement that will support the Emission Reduction Fund, including the role of key institution such as the Clean Energy Regulator

- Administration – ALOA accepts that the Clean Energy Regulator is the appropriate institution to administer the Emission Reduction Fund.

The details of the monitoring, verification, compliance and payment arrangements for successful bidders at auction

- The waste industry currently operates a number of CFI projects and is satisfied with the reporting arrangements required to be provided to the Clean Energy Regulator.
- In respect to payment arrangements ALOA sees a similar arrangement to that in place now with the exception that the Government will be the purchaser at the price set when each project is successful at auction.

Transition issues relating to the existing Carbon Farming Initiatives

- **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 demand for CFI credits (the Carbon Pricing Mechanism), existing CFI projects would be financially penalized by removal of the original incentivizing source of funding for the projects. To compensate, existing projects under the CFI should receive an abatement price established from the first reverse auction in the waste band.
4. This will ensure companies investing in abatement projects will continue to do so without high risk of project abandonment.

The design and operation of a mechanism applying to emissions above the business as usual baseline.

- **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 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 neighboring 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 gases capture systems are more cost-effective at large landfills.
3. Coverage under the baseline & penalty scheme would potentially deny access to the Emissions Reduction Fund to the whole waste section; leaving all waste related to abatement initiatives – composting, digestion, recycling etc – with reduced eligibility at abatement projects.
4. NGER modeling is unreliable on a site-by-site basis.
5. Calculating baselines would be very difficult because landfill is the only source of emission which results in future emissions (over 140 years) from waste disposed today.
6. Landfills caught by the 75% rule for National Greenhouse & Energy Reporting (“NGER”) may be placed in an unfair competitive position compared to neighboring landfills capturing less than 75% of their emissions.

Australian Landfill Owners Association (ALOA)  
Nov 7, 2013