

To Department of Climate Change, Energy, the Environment and Water

From Colin Sweet, CEO
Australian Landfill Owners Association

Date: 26 September 2022

Subject: **Independent Review of Australian Carbon Credit Units (ACCU)**

Thank you for the opportunity to provide feedback on the ACCU review.

The Australian Landfill Owners Association (ALOA) was formed in late 2008 and is the national body representing landfill owners across Australia.

Our primary purpose is work with our members and government to develop and amend legislation that maximises the benefit the community receives in having well located, professionally operated and highly compliant engineered landfills.

ALOA is the only Association entirely focused on the landfill industry; an industry that is an essential service to the Community and our membership spans both private industry and local government.

Submission

Methane is a potent greenhouse gas that is produced by the natural breakdown of waste disposed of by Australian households and businesses. Methane forms part of the total volume of landfill gas generated.

In Australia, methane destruction is an important climate strategy to reduce the impact of the 27 million tonnes of waste that is sent to landfill each year. Landfill operators have little to no control over waste composition and quantity. It is vital that while we work to reduce and recover more waste, the potent greenhouse gases that landfills produce are captured and destroyed.

Landfill operators and specialist biogas companies capture the methane generated and convert it into clean, reliable renewable energy or destroy it using flares, with encouragement from ACCUs.

The millions of tonnes of abatement achieved using the Landfill Gas (Electricity Generation) Methodology (LFG Method) are real, measured and verified. Indeed, with incentives in place, there has been a 22.4% reduction in net emissions from landfills between 2005--2020¹.

The review may consider whether all of this abatement activity would continue without ACCUs. The industry considers that it is unlikely.

A number of safeguards within the ERF and the LFG Method already exist to ensure the abatement achieved is additional, high integrity and meets the Offset Integrity Standards (including the use of baselines). Only a portion of physical abatement (around 60%) is rewarded with ACCUs, reflecting a conservative level of regulatory additionality.

The Emissions Reduction Fund's (ERF) carbon credits scheme is critical to the financial viability of landfill biogas to electricity projects – large and small.

Landfill gas projects have extremely high ongoing capital and operating costs compared to other renewable energy projects. They operate in volatile electricity markets (with accelerating negative pricing frequency as variable renewables rapidly expand and multiple interconnection challenges). The modular nature of landfill biogas operations to electricity power stations means these projects do not benefit from economies of scale

¹ National Inventory Report 2020 Volume 2 (May 2022), Australian Government Department of Industry, Science, Energy and Resources

that are common for other renewable energy projects, such as wind and solar. Given the character of landfill gas, significant investments are needed in both power station and gas capture infrastructure on an ongoing basis across decades.

Without ACCUs, many landfill biogas to electricity projects would not be financially viable. In their absence and without significant new cost imposts on ratepayers and business, continuous investment in gas capture infrastructure and power stations would cease and increases in methane emissions would rapidly occur, undermining Australia's climate goals. Australia's carbon framework is driving continued emissions reduction outcomes using the LFG method. To ensure its integrity (perceived or actual) is maintained, it is acknowledged that regular review is important.

Consultation on the following matters could further enhance the integrity of the Method whilst supporting long term certainty for the industry without putting critical methane abatement at risk:

- Exploration of more uniform baselines across current projects.
- Consideration of a flexible and gradient baseline setting mechanism for projects beyond a defined size threshold based on actual MWh produced each year (i.e. the first MWhs generated at a site receive a lower baseline).
- Extension of the LFG Method crediting period to 20 years to promote more long-term, sustainable emissions reduction investments noting the particular characteristics of landfill and landfill gas abatement.
- Adoption of periodic reviews to address electricity market and LFG cost movements (which may vary by NEM jurisdiction) and impact on baselines, to help preserve financial additionality and integrity across time.
- Enabling any excess flaring at power generation sites to be fully additional (i.e. no baseline applied to the abatement achieved), given the challenges and limitations to grid connection at this time.

Through the review process, it is essential that we maintain the important benefits arising now under the LFG methods and pursue viable future outcomes for a safer climate future.

As an Association we have been and are keen to continue to liaise and consult with the Department to achieve the best environmental outcome at the best value to the community.

We look forward to further engagement with the Department.

We are available for further consultation at your request.

Yours Sincerely



Colin Sweet, CEO