

---

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

---

**From** Colin Sweet, CEO  
Australian Landfill Owners Association

---

**Date:** 19 September 2022

---

**Subject:** **Safeguard Mechanism Reform - Submission**

---

Thank you for the opportunity to provide feedback on the Safeguard Mechanism Reforms.

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.

## Consideration of landfills under the Safeguard Mechanism

Landfills are currently covered by the Safeguard Mechanism (SGM) but have different coverage and baseline setting arrangements to other facilities because they do not produce a clear output. Landfills generate emissions from safely disposing waste and they generate landfill gas over time as the waste decomposes. Waste received now results in emissions being generated in later compliance periods (and emissions generated now arise from waste deposited in the past).

Because of the 100,000t CO<sub>2</sub>-e threshold in the Safeguard Mechanism, the vast majority of landfills (some 99.5%) are excluded from the scheme.

The calculation of landfill baselines is based on the emissions of non-legacy landfill gas before any of the landfill gas is captured, and on a 'capture efficiency rate' that is set at 37.2 %. Landfills currently will not exceed their baseline if they capture more than 37.2 % of the landfill gas generated at the landfill. Most large landfills capture much more than 37.2 % of landfill gas generated, with many capturing over 70 %.

In contrast to other industrial sectors covered by the Safeguard Mechanism, many landfills have established Emissions Reduction Fund projects. As of August 2022, there some 80 ERF projects that reduce emissions by capturing landfill gas.

Safeguard crediting may not be suitable for landfills because it does not cover legacy emissions. As such, one option is that landfills not generate Safeguard Mechanism Credits during phase 1. Long term arrangements for landfills covered by the Safeguard Mechanism could be considered prior to phase 2. This pause would provide time to consult with the sector and take account of any lessons learned from landfills that begin to be covered by the Safeguard Mechanism. In the meantime, existing ERF projects should be able to continue at Safeguard facilities, as per the proposed arrangements for ERF projects at Safeguard facilities in other sectors.

## Safeguard Mechanism Reforms Consultation Paper

The need for reform of the SGM has been driven by a desire for it to become more effective in reducing emissions. On the other hand, the landfill sector has significantly reduced emissions since 2005, with continued and ongoing growth in abatement. It must be noted that any SGM reform should not inadvertently impact the current successful abatement.

To avoid any adverse emission outcomes, that is, an increase in landfill emissions, status quo arrangements under the SGM must be maintained for phase 1. Detailed industry consultation is required before any long-term decisions are determined for phase 2 and strong consideration must be given to the exclusion of all landfills from the Safeguard Mechanism.

The logic behind maintaining status quo in phase 1 is that:

1. Only a very small number of landfill facilities, comprising a tiny fraction of SGM emissions, are likely to be captured during phase 1.
2. Emission reductions from landfills are already effectively incentivised by the ERF, achieving a 22.4% reduction in net emissions from 2005-2020. This yields quick contributions to the rate of warming, given methane is over 84 times more potent than carbon dioxide over a 20-year timeframe.
3. Any rapid, substantial changes to the treatment of landfills under the SGM in phase 1 could result in adverse emission impacts at landfills, putting at risk the significant emission reductions already achieved in the sector under the extensive ERF LFG project arrangements.
4. Considering this risk, arrangements for landfills must be deferred to enable complex and critical matters to be consulted on and settled across 2023-25, prior to phase 2 SGM reform determinations. Key matters that need detailed consultation and resolution include:
  - 4.1. The Independent Review of Australian Carbon Credit Units is currently underway. Given its terms of reference, the ACCU review creates uncertainty for LFG ACCU projects in future and could affect long-term arrangements for landfills under the SGM.
  - 4.2. The current Safeguard Methodology for calculating landfill emissions relies heavily on NGER reporting results, which for the waste sector are inherently uncertain because:
    - a) The Solid Waste Calculator used for estimating landfill emissions under NGERs/SGM has +/- 35% uncertainty. This level of uncertainty is not acceptable when financial liability is intended to be tied to the emission estimates from this tool.
    - b) The NGER Technical Guidelines set a maximum gas capture rate at landfills of 75% of their NGERs reportable emissions. Under the SGM, this artificial maximum capture rate will operate to actively discourage best practice gas capture by financially penalising those who achieve it. Several large landfills may be close to the SGM threshold at gas capture levels of 75% or less. If these same facilities capture more gas by improving their capture efficiency (e.g. 85%+, which already occurs at many large landfills), their reportable emissions will increase because of the model's 75% maximum capture assumption (i.e. more gas has been captured than possible at 75% so more total gas must be present). This assumption would bring them into SGM scope and the subsequent financial obligations. Clearly, discouraging actual gas capture and emission reductions is not the purpose of the SGM and the 75% maximum capture rate assumption must be addressed as part of any SGM reform pertaining to landfill.
  - 4.3. It is not clear how legacy ACCUs and deemed surrender arrangements will operate at landfills, which is further complicated by legacy waste's contribution to ACCU generation and the prevalence of ERF projects at landfills. These matters have significant financial implications and need to be further investigated and consulted upon with industry ahead of any SGM reforms to avoid any unintended consequences.

Given points 4.1 to 4.3 above, landfills should be excluded from the SGM in the longer-term and a detailed investigation should be undertaken to determine whether it is appropriate for landfills to be covered by the SGM at all ahead of phase 2 determinations and implementation. Landfills have little to no control over waste volumes and composition. They are uniquely different from other SGM facilities in this regard. The

emissions generated at landfills are from waste generated by households and businesses generally disconnected from the operation of the landfill.

The key drivers, beyond the control of the landfill operator, of landfill volumes and waste composition are consumption habits and multijurisdictional government waste and recycling policies.

Landfills are critical to integrated waste recycling and disposal services, with around 27 million tonnes of waste disposed to landfill per annum. The significance of landfills has been highlighted during recent natural disasters where enormous volumes of bushfire and flood-affected wastes have required disposal in very short periods.

The landfill sector has reduced emissions by 22.4% from 2005 to 2020 under incentive schemes (the ERF following on from the CFI and GGAS), proving these methods are an effective and efficient technique to reducing emissions from landfills.

Where coverage under SGM leads to a loss of ACCU income, the cost of abatement activities will be passed onto the taxpayer by higher landfill user-charges. There is no net benefit to the community and current clients would have to bear the costs of managing abatement from previously disposed waste.

### In relation to specific questions from the consultation paper,

#### a) Should landfill baselines decline at the same rate as other facilities?

No - Landfills are unable to prevent triggering the SGM threshold as operators have no control on waste mixes or volumes they receive, which are primarily the result of consumption habits and state and local government planning and waste policy. Declining baselines would affect the viability of an industry that has proved offset incentives as a successful emissions reduction approach. Ongoing and increasing sector emission reductions are already being achieved through ERF LFG projects, with reductions of 22.4% achieved since 2005.

#### b) Should landfills be able to generate SMCs in phase 1?

This depends on arrangements placed on landfills in phase 1 of the SGM and requires the resolution of several key points raised above. In any scenario, SMCs should not be generated to the extent they compromise the integrity of ACCUs or emissions reporting.

#### c) Should long-term arrangements for landfills be considered prior to phase 2?

No - Long-term changes should not occur for phase 1, but should be considered in 2023-2025 ahead of phase 2 implementation decisions. Long term arrangements for landfills require detailed industry consultation given their factual characteristics and extensive ERF LFG projects, with key matters required to be discussed, analysed and settled per the points above.

On behalf of the Australian Landfill Association, we thank you for the opportunity to constructively comment on the review.

We are available for further consultation at your request.

Yours Sincerely



Colin Sweet, CEO