

To ACCU Scheme Landfill Method Reforms

From Colin Sweet, CEO
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Subject: ALOA RESPONSE ON LANDFILL METHOD REFORM OPTIONS

Thank you for the opportunity to provide feedback on the *Reform Options for ACCU Scheme Landfill Gas Methods* released by the Department of Climate Change, Environment, Energy and Water (the Department) for consultation.

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 to 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 focussed on the landfill industry; an industry that is an essential service to the community and our membership spans both private industry and local government.

RESPONSE

Methane is a potent greenhouse gas, and methane arising from the breakdown of organic wastes is one of the key sources of methane in Australia.

Under current policy incentives, Australia's is achieving strong success in capturing and abating emissions from landfills over time, with over 8 million tonnes of carbon equivalents now being prevented from entering our atmosphere annually. Indeed, it is one of the world leaders in reducing emissions from waste.

It is now being realised that methane has more than 80 times the global warming potential of carbon dioxide over the first 20 years from its release and, as a short-lived gas, reducing the volumes emitted has near-term positive climate impacts. Indeed, the UN Environment Programme has stated efforts to accelerate methane abatement are the single fastest, most effective opportunity to slow down the rate of global warming over the next 25 years.

It is critical for a safer climate future that the level of success currently being achieved through landfill gas capture be maintained and built on.

ALOA is strongly committed to ensuring the Landfill Method continues to support a sound and supported scheme that drives continuing methane abatement into the future.

As part of working towards revised methods, ALOA greatly appreciates the efforts of the Department to pursue a considered process through the convening of the Technical Working Group. The reflection of some key findings of the TWG in the Options Paper is valuable. However, there are key views about practicable change in the context of technical and regulatory findings that have not been taken into account. Rapidly increasing baselines will not drive a rapidly increasing national capture efficiency, rather they will make investments increasingly difficult.

If the recommendations are implemented as proposed, in totality, they will reduce the ability to invest to achieve real, measured and verified methane abatement from Australia's landfill gas projects. Methane emissions will increase rather than further decline.

We need a method that has integrity and effectively supports the investment needed for abatement to occur. The recommended options (other than measurement requirements) are overly conservative and do not rely on appropriate evidence. If they are implemented, they will result in reduced (or no) investment in landfill methane abatement and, subsequently, drive higher cost of living pressures from higher rates and/or landfill gate fees for even minimum regulatory standards to be met.

RECOMMENDATION SUMMARY

- Acceptance of Option 1 that increase measurement requirements;
- A baseline reset commencing at 33% (or below);
- An upward sloping baseline of around 0.5%, noting that any regulatory changes will be separately provided for by baseline changes; and
- A long crediting period (e.g. 25 years) with 7-10 year review points, for current and future landfill gas projects.

The rationale for these views is provided across the answers to the Option Paper's questions below.

RESPONSE

Measuring methane proportion of landfill gas

- 1. Is the preferred approach (Option 1) appropriate, and will it strengthen integrity of the landfill gas methods?**

Yes – although resulting in increased participation costs, it will assist integrity. Measurements should be required in a manner that is practicable for landfill gas operations.

- 2. Are there any circumstances where conservative default factors should still be available for projects other than flaring projects at closed landfills?**

No comment

Resetting baselines

- 3. Is the preferred option (Option 2A) appropriate?**

Not quite - while the general approach is understood, it is very conservative in its approach. 33% is recommended instead as discussed for question 4.

- 4. Are there other options for resetting baselines, or other impacts of options, that should be considered?**

ALOA recommends a baseline of around 33% to better recognise that electricity generation with flaring projects also clearly involve additional activity. This would address regulatory requirements and unincorporated capture in a conservative manner.

It would be a difficult adjustment due to being a very significant increase (comprising around a 40% lift to the baseline from the current weighted average of around 24%) but it could potentially be accommodated with appropriate certainty in other areas (ie, a revised upward slope choice and multi-decade crediting period).

A lower baseline may be appropriate for smaller, regional flaring only projects (see Q6 below).

- 5. Would requiring project proponents to improve modelled estimates of methane generated at landfills (before capture) so capture efficiencies measurements are more accurate be burdensome?**

All models offer low accuracy given the multiple influences on landfill gas generation, variable waste composition, weather and seasonal variations plus landfill design and management. Models need to be practicable and not overly burdensome.

- 6. Should small, regional landfills (landfills located near small population centres that receive less than 50,000 tonnes of waste per annum) have lower baselines, and if so, what should the baselines be?**

Yes – it would be appropriate for them to have a lower baseline of 30% or less. Any lower baseline for such smaller sites should not increase barriers for sound gas capture at sites receiving the majority of Australia's waste given the patterns of waste disposal.

Increasing baselines over time

7. Is the preferred option (Option 3A) appropriate?

No, Option 3A (1.9% p.a.) and Option 3B (1.5% p.a.) are entirely inappropriate. Adoption of either Options 3A and 3B would cause rapid declines in the ability to generate ACCUs and revenue from these. They will result in less investment and increased methane emissions.

The approach has been nominated to ensure 'common practice' improvements are recognised. This is flawed for a number of reasons:

- Even with incentives, this rate of rise is not being achieved in the highest-achieving nations where gas capture rates exceed the Department's proposed baseline (36%), subsequent increase rates are much lower.
- In Australia, the last 9 years of data show an average rate of increase of 0.36% p.a.
- Mature sectors with gas capture systems on a high proportion of disposed waste cannot continue to expand at the same pace as those in early development phases.
- These rates do not appropriately value incentivisation for success overseas.
- Landfill gas project technology options will not drive such steep common practice improvements, as acknowledged in the Options Paper (p21) and rapid step changes in landfilling practices are also not expected.
- Under any (unclear) regulatory approach to try to drive these changes, the many discretionary activities incentivised under the ACCU Scheme would not be able to continue due to waste management cost pressures, so increased emissions would result.

Ongoing investment is required for high gas capture. Costs are increasing. A reduced ability to generate ACCUs under a steep, increasing baseline (and without other drivers occurring) only makes investments and funding innovation harder due to reduced revenue.

Notably, if more stringent methane capture provisions were to be made by any State (despite not currently being proposed, with a focus on landfill diversion and organics recovery instead), such regulatory impacts are proposed to separately incorporated into baselines by the Options Paper outside of this upward slope.

Great care needs to be taken to avoid adverse results such as those observed in the UK, where capture efficiencies are observed in the UK from 2017 as incentives have reduced.

8. Are there other options for increasing baselines, or other impacts of options, that could be considered?

Option 3C is the preferable option within the Paper, an upward slope of 0.5% p.a. is preferred. This remains conservative noting actual Australian performance and the impacts observed overseas with declining incentives. A 0.5% rate could bring confidence in the method and avoid excessive risk to the ACCU Scheme's Objects to avoid emissions of greenhouse gases.

The intention in the Option Paper that, if new landfill gas regulations are introduced requiring methane abatement above baseline levels, baselines for impacted ACCU projects would be adjusted accordingly ensures continued conservatism if relevant regulatory changes are made.

9. Is legislating a process for reviewing the baselines beneficial? Is the chosen review period time appropriate? Why/Why not?

Landfills continue to produce methane for decades once closed and continuous investment is needed to maintain methane abatement. Crediting periods and review points need to reflect this.

We believe that the review period of 7 years or more is needed to better support investment decisions for infrastructure and operations whatever mechanism is used. An open review every 5 years and the potential for more ad hoc reviews is too frequent.

Evaluation

10. Are the proposed evaluation criteria appropriate for assessing options? Do you agree with the assessment? If not, why?

If investments cannot be made, this equates to more methane emissions – the exact opposite of what is desired through carbon policy. As such, a weighting of only 20% for investor confidence does not support core goals. This weighting should be increased significantly – to around 40%.

Other issues

11. If crediting periods were to be extended for waste methods, what would be the appropriate extension or end date, taking into account the Offsets Integrity Standards?

With landfill gas systems requiring continuous capital and operational investments through into several decades after a landfill stops receiving waste, crediting periods should be multi-decadal (e.g. 25 years) to ensure methane abatement continues at landfill sites.

12. What evidence supports the application of a similar approach to waste diversion methods? (possible crediting period extensions alongside increasing baselines)

No comment.

Yours Sincerely



Colin Sweet
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