

The Australian Local Government Association's submission on the Carbon Pricing Legislation Package – Landfill coverage

The Australian Local Government Association (ALGA) welcomes the opportunity to comment on the important issue of a carbon price mechanism.

ALGA is the peak national body representing the interests of more than 560 local government authorities across the country. ALGA has been active in the climate change policy discussion over several years and supports the need to reduce greenhouse gas emissions including the introduction of price on carbon through a market-based mechanism.

ALGA made a submission to the Government on the carbon price mechanism in May 2011. That submission highlighted several concerns for local government in relation to the technical and practical application of a carbon price.

With the release on 28 July 2011 of the exposure drafts of the 13 Bills relating to the carbon pricing system, ALGA, working with its state and territory local government association members, has examined the Bills to see which of the issues that were highlighted in ALGA's original submission of May 2011 have been taken into account. This Submission reflects that work.

The National Greenhouse and Energy Reporting System (NGERS)

Under the proposed Clean Energy Future package and the associated carbon price, local councils would be required to register their emissions under the NGERS. While some councils have previously voluntarily reported emissions under the NGERS, most local government bodies have had no interaction with the system since it was established in 2007 since local government was explicitly excluded from the need to report. As a result of this, the education and training that the Department of Climate Change has earlier offered to organisations about NGERS has not generally been utilized by councils.

Concerns have been raised across the local government sector about the process of registration and reporting, relating especially to the definition of 'facility' and 'corporation' under the *National Greenhouse and Energy Reporting Act 2007*. ALGA believes that local government will need considerable support in the lead up to the commencement of the carbon price system, if councils are to meet their compliance obligations. The registration and reporting requirements will need to be clear and unambiguous in any regulations and the Commonwealth will need to provide resources to educate local government staff on the NGERS process.

Waste Management and Landfills

Differing thresholds

ALGA is concerned about the two separate emission thresholds that apply to landfills under the proposed scheme. ALGA believes that the waste sector has been singled out for special treatment under the proposed scheme, unlike other areas or industries.

The 25,000 tonne CO₂e emissions threshold applies to landfills, along with every sector in the economy, but a second 10,000 tonne emissions threshold also applies to waste, albeit in specific circumstances (yet to be defined). This remains a special and far more harsh arrangement for landfills which will cause significant cost for councils.

ALGA understands that the motive behind covering lower emission landfills is a pre-emptive move to avoid the possibility of waste diversion from larger landfills by authorities seeking to avoid their liabilities. While such diversion is a theoretical possibility, industry advice on this matter is that in practice contract and license arrangements will more likely than not prevent this from occurring.

These unique and harsh arrangements will impact primarily on local government bodies which own and operate many smaller landfills but which may have little or no capacity to set up compliance mechanisms and which will experience disproportionately high compliance costs. These increased costs will be in addition to the expected general increase in expenses from the carbon pricing mechanism.

Non-legacy waste in the carbon price mechanism

ALGA remains supportive of a market-based mechanism to establish a price on carbon at the lowest cost to the economy. ALGA welcomed the Government's decision not to include legacy waste in the scheme. However, the mechanism this legislation package would create still includes non-legacy waste as a covered sector which means that the carbon price will put a cost on emissions from landfills.

ALGA argued throughout the development of the Carbon Pollution Reductions Scheme (CPRS) that measurement of waste emissions from landfill is problematic. The key issue is that currently there are no cost effective and reliable methods to accurately measure the emissions from waste. Current methodologies rely on estimates, which are unreliable and therefore unsuitable as the basis for applying a carbon price. ALGA believes that applying a price to unreliable estimates of emissions for landfills does not satisfy the principles of sound public policy making or taxation policy. It would be inequitable as well as inconsistent to include landfill emissions based upon such a determination.

Emissions that cannot be affected by a carbon price

It is also important to consider the nature of the production of greenhouse gases from landfill. Unlike many industrial polluters, where a price impact could reduce emissions quickly, methane and carbon dioxide emissions from waste will continue to be produced for

a period of more than a decade, regardless of any carbon price placed on them. Therefore local councils which operate landfills will be required to pay for emissions activity which is beyond their control.

The questionable environmental benefits of putting a price on landfill emissions

Putting a price on landfill emissions will not necessarily reduce greenhouse gas emissions. Councils do not charge residents for the volume of household waste produced and are therefore not in a position to send a direct price signal to rate payers to ensure that residents reduce the amount of household municipal waste they produce. If residents continue to produce waste at current levels, emissions will continue at current levels and councils will be required to pay the carbon price on these emissions. As such, there would be no environmental benefit of this initiative but it will cost councils a significant amount of money. This is especially relevant in jurisdictions that are subject to increasing levels of regulated environmental performance for landfill and landfill gas management.

Policy Alternatives

Given the above issues and their implications for the implementation of an effective carbon pricing regime, ALGA believes that it is important to consider some alternatives that would more equitably address the concerns of local government as well as create opportunities for demonstrable positive environmental outcomes.

Using the Carbon Farming Initiative to cover non-legacy waste

The Government has been working on a Carbon Farming Initiative (CFI) that would enable councils to mitigate emissions from landfills as well as generate carbon offsets for the voluntary carbon market. This initiative would provide incentives for councils to mitigate carbon emissions. While there are still measurement issues to be resolved in this approach, ALGA would argue that it is a better option for dealing with emissions from landfills. The CFI would allow councils to create offsets immediately, rather than seeing councils bear the costs of emissions from landfills that would not reduce for years, regardless of any carbon-pricing behaviour change.

Under the Commonwealth's previous carbon offset program, 'Greenhouse Friendly' many local councils put in place costly infrastructure to create offsets under that program. However, when 'Greenhouse Friendly' was terminated, somewhat unexpectedly, in June 2009, many offset projects were left out of pocket, unable to recoup their investment costs.

The CFI legislation contains a provision to review the program after five years. However, ALGA believes that this provision creates a degree of uncertainty about the duration of the program which, given the history of the 'Greenhouse Friendly' program, the cost of installation/re-installation of offset production infrastructure and certainty of both positive environmental impacts and returns on investment, is likely to have a substantial impact on the take-up of what could be a very beneficial program.

Conclusion

ALGA remains supportive of the Carbon Price mechanism but there are many important issues from ALGA's previous submission on the mechanism design, which have not been resolved and which need to be addressed:

1. Local government has had little exposure to the NGERS process and will require support from the Commonwealth to ensure proper compliance under the Act
2. There are presently no accurate estimation methods to produce a measurement of gas emissions from landfill.
3. Unlike industries that can reduce emissions because of a price impact, the gases from landfill will continue to be produced for many years regardless of the price impact, with the financial effects being felt no matter what the environmental results are.
4. The actual environmental benefit of including non-legacy waste is highly questionable as councils cannot create a quantity-based price signal to rate-payers. There is, therefore, no direct correlation between a carbon price and reduced waste creation.
5. Given the poor correlation between the carbon price impact and proposed reduction of greenhouse gas emissions, ALGA generally supports the use of the Carbon Farming Initiative as an alternative to the carbon price. This approach provides direct incentives to landfill operators to mitigate the production of greenhouse gasses.