

Clean Energy Legislative Package

- AlburyCity and the CPM –

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OVERVIEW

- Self Assessment
- Obligations
- Emissions Estimation
- Carbon Accounting
- Opportunities

Self Assessment

AlburyCity commenced its assessment in November 2011

- Covered waste management facilities (solid waste, wastewater)
- Concluded that AlburyCity will have a liability associated with the operation of Albury's landfill
- Assessment extended to the equivalent carbon price
 - Use of energy across the organisation, including embedded energy in procured goods and/or services
 - Concluded that the pass-through effects through the supply chain in relation to energy will have a financial impost, but acknowledged that the impost of the CPM will not be as significant as other driving factors (e.g. maintenance/upgrade of electricity transmission and distribution networks) in the medium term
 - Concluded that the procurement of energy/emission intensive goods and services (e.g. aluminium, cement, steel, etc) could have a financial impost, but AlburyCity hopes that the JCP will manage this potential pass-through effect

Outcomes documented for auditing and ACCC requirements purposes

Self Assessment will be reviewed annually

Obligations (1 of 2)

The self assessment identified that AlburyCity has legal obligations under CEA 2011 with respect to:

- Registration of AlburyCity as a 'liable entity' in accordance with the procedure defined under the NGER Act 2007, as amended by CEA Act 2011 (www.cleanenergyregulator.gov.au)
- Reporting on its accounting of GHG emissions and other relevant information using the OSCAR tool (www.oscar.gov.au) with emission estimates prepared in accordance with the latest version of the NGER (Measurement) Determination
- Carbon accounting and subsequent acquittal of our liability under the CEA 2011 by surrendering carbon units in accordance with rules and procedures defined by this and related Acts and regulations (www.cleanenergyregulator.gov.au)
- Not adhering to these obligations could result in the enforcement of compliance provisions under CEA 2011
 - Presentation from DCCEE later this morning on this important matter

Obligations (2 of 2)

Other obligations placed on AlburyCity with respect to the liability do not relate directly to the CEA 2011. These relate specifically to:

- Our rate-payers in relation to fiscal responsibility and financial sustainability of Council. Hence council has
 - Implemented a process of commercial risk management in relation to the services that Council provides and identified supply chain implications
 - Initiated a process to identify PaMs to optimise our services and operations to minimise the carbon impost with a focus on energy and waste management
 - Developed a *landfill carbon fee* to manage the financial risk of the carbon liability associated with the Albury landfill
- ACCC guidance on transparency and documentation that has resulted in:
 - The development of a *Carbon Liability Financial Management Policy*
 - Documentation of the process, methodologies and assumptions used in deriving a *landfill carbon fee*, as set out in the above Policy, and change management procedures.
- Not adhering to these obligations can have implications under the *Competition and Consumer Act 2010*
 - Presentation from ACCC tomorrow may shed more light on this

Emission Estimation (1 of 2)

- NGER (Measurement) Determination to estimate 'covered emissions'
 - Scope 1 methods available for 'covered emissions'
 - IPCC first-order decay model to estimate landfill emissions ('NGER solid waste calculator')
 - Used to estimate emissions from both legacy* and non-legacy waste
 - However, methane GWP not in line with the 2006 IPCC Guidelines

* Legacy waste only included in threshold test and is not a direct consideration for the liability
- Methodologies* are either Method 1, 2 or 3
 - Specific provisions exist for the use of Method 2 and 3 parameters

* Will the draft revised NGER (Measurement) Determination be available before 1 July 2012?
- Data requirement
 - Tonnage data by waste stream
 - Methane generation constant 'k'
 - Degradable organic carbon (DOC) content and fraction dissimilated (DOC_F)
 - Biogas collected (specific provisions on measurement)
 - IPCC good practice to have landfill waste tonnage data for previous 50 years or the lifetime of the landfill whichever is the longest
- Estimate emissions for each year of the landfill has operated
 - Only non-legacy waste in used in carbon accounting

Emission Accounting (2 of 2)

Issues and challenges

- Waste stream data
 - Direct measurement data is better than applying default NGER fractions ('approximations')
 - Proxies in most cases will be necessary to estimate complete waste data time series
 - Limiting assumptions (e.g. no waste diversion in historical waste data)
- Evidence emerging that the use of Method 2 can reduce emissions by up to 50%
 - But there are specific conditional provisions relating to the use of a Method 2 'k' factor and other parameters
- Use of NGER solid waste calculator for emissions and carbon accounting is problematic
 - Data management and quality control issues
 - Even more problematic in managing change
- Change management and impacts on carbon accounting a real challenge
 - Not clear as to how a change in methane GWP will be managed in the context of the NGER solid waste calculator in estimating the carbon potential of 1 tonne of waste over its lifetime, and the impact of this change on the subsequent accounting of this carbon emission under the CEA 2011
 - Not clear as to how quality control and improvements in the certainty of activity data and related emission parameters used to estimate emissions in earlier years will be managed in the context of carbon accounting and annual acquittal of liabilities

Carbon Accounting (1 of 2)

Need to account for the carbon emission that has been estimated in accordance with the NGER (Measurement) Determination.

- Does not consider emissions estimated from legacy waste
- NGER calculator includes an assumption on the time lag that results in zero emissions in the first year of the CPM (2012/13)
 - However, waste deposited on 1 July 2012 will contribute to the carbon liability in subsequent years
- Carbon potential of 1 tonne of waste deposited on 1 July 2012 will not be realised for at least 40 years
- Need to include in the NGER calculator effects of PaMs on waste tonnage data and/or biogas collection
- Carbon leakage an issue, but only for nearby landfills
 - However, the Government removed the 'proximity rule' provision from CEA 2011 and will review it in 2014/15

Carbon Accounting (2 of 2)

Issues and challenges

- Landfill Carbon Fee (LCF)
 - Based on carbon potential of 1 tonne of each waste stream over a 40 year time horizon
 - Department of Treasury 'Government Policy Scenario' forecast of the carbon price (in 2012 dollar terms)
 - NPV of 6%
 - For MSW, C&I and C&D
- Developed a *Carbon Financial Liability Policy* that sets out the process and procedures to quarantine LCF revenue and limits its use to remittance of our liability
 - Procedure to review the policy and LCF annually to identify under-/ or over-charging of the LCF in earlier years
 - However, we have not defined how we would manage under-/ or over-charging of the LCF
- A related issue is whether change(s) in NGER methodology is to be applied to all waste deposited since 1 July 2012 and how this will be retrospectively managed in carbon accounting.
- GWP change not trivial and will have significant impact on the carbon accounting
 - GWP will increase by 20%, but how can it be applied retrospectively on waste already deposited in landfill that continues to generate emissions and a LCF already applied to it?
- Waste sector is 2% of Australia's national accounts, but it is also a significant proportion of the carbon accounting headache

Opportunities, Solutions and PaMs

- Local government will be affected by the CPM
 - Either through obligations arising from being a liable entity and/or via the equivalent carbon price
- However, there are opportunities for local government
 - Carbon Farming Initiative (credits for abatement measures)
 - Community Energy Efficiency Program (grant funding to invest in energy efficiency measures)
 - Internal strategic initiatives
- These opportunities enable local government to explore policies and measures to reduce its carbon liability or to drive down the cost of an equivalent carbon price
 - PaMs could include waste diversion measures, biogas collection, supply- and demand-side energy efficiency measures, incorporating carbon in procurement guidelines, abatement on the land (e.g. forestry)
- Implementation of policies and measures can also supplement a process to achieve environmental / sustainability outcomes
- Key solution is to be prepared for the CPM, have capacity to understand and manage its requirements, and have options to manage its impost
- Opportunity (for DCCEE) to think about what guidance can be provided to landfill operators on how a change in the NGER Determination is to be managed with respect to retrospective and annual carbon accounting