



Senate Economics Committee

Inquiry into the exposure drafts of the legislation to implement the Carbon Pollution Reduction Scheme (CPRS)

Submission prepared by The Australian Landfill Owners Association

Introduction

The Australian Landfill Owners Association (ALO A) is grateful for the opportunity to prepare and present a submission to the Senate Economics Committee Inquiry into the exposure drafts of the legislation to implement the Carbon Pollution Reduction Scheme (CPRS).

ALO A is an incorporated entity comprising landfill owners across Australia sharing a concern for the future viabilities of the environment and their businesses.

ALO A is the representative voice of the landfill industry in Australia. ALO A membership comprises landfill owners from across Australia.

ALO A members operate over half of the landfill capacity across Australia receiving over 14 million tonnes of solid waste annually. They also provide services in waste disposal, waste treatment and resource recovery and employ more than 12, 000 people.

Many landfills employ cutting edge technology to minimise their environmental impact such as capturing methane generated by the decomposition of organic waste to produce renewable electricity.

In many respects, modern landfill techniques are a demonstration that corporate environmental sustainability can deliver complementary benefits to our society, the natural environment and business.

ALO A's submission reflects the views and opinions of its members including:

Blacktown Waste Services Pty Ltd
Boral Waste Solutions
Brandown Pty Ltd
Breen Holdings Pty Ltd T/A Kurnell Landfill Company
Hanson Landfill Services
Hi Quality Group
Integrated Waste Services
Newcastle City Council
SITA Australia P/L T/A Sita Environmental Solutions
Thiess Services Pty Ltd
Ti Tree Bioenergy
Transpacific Industries Group Limited
Veolia Environmental Services
Western Land Reclamation Pty Ltd
WSN Environmental Solutions

Overview

ALOA's submission to this committee of inquiry focuses on two aspects of the CPRS as it relates to the waste sector; that is the start date for waste sector inclusion and the issues pertaining to legacy waste.

1. The CPRS start date

Measurement of CO_{2eq} emissions from organic waste is determined by modeling methane gas generation emanating from a specific landfill and deducting the amount of methane that is collected through gas capturing systems and flared or converted for use as an energy source. The specific parameters of this modeling are not due to be finalised for NGERs until May 2009.

This may ultimately result in inflated charges to customers as landfill companies will need to implement comprehensive risk management systems to avoid complications arising from the unknown accuracy of the modeling.

It is anticipated by industry that modeling margin of error could be as high as +/- 30%. In order to avoid a shortfall, landfill operators are likely to resist incorporating gas collection offsets until they have a reasonable level of confidence in the NGERs modeling.

The External Audit Consultation Paper published in October of 2008 by the Department of Climate Change clearly stipulates that:

"The quality of emissions data that will underpin the CPRS will need to be "investment grade" to provide the market with a sound foundation for decision making".

Clearly, for the waste sector, measurement techniques are not yet at an "investment grade" level and more time is needed to reach this level of confidence.

It is important to acknowledge that landfilling is dependant on a wide range of factors – waste type, design, construction materials, capping and rainfall – and that site specific design and operating procedures will impact upon gas collection and minimise emissions.

The lack of accurate and repeatable measurement techniques may penalize the cutting-edge, environmentally efficient landfills whilst benefiting the poor performers. We recognize that this is not the intention of the CPRS or the Australian Government.

If the CPRS is not delayed then landfill owners are likely to manage their measurement risks by recovering higher fees from their customers if commencement proceeds on schedule in 2010.

2. The inclusion of legacy waste in the CPRS

The inclusion of legacy waste in the CPRS (as of 2018), is the equivalent of retrospectively taxing landfill owners and their customers for waste deposited as early as 1968. This inclusion has eventuated despite our industry's engagement with the various arms of Government, including those who designed and engineered the proposed scheme.

These retrospective provisions, that is, the inclusion of emissions from all waste, irrespective of when it was landfilled, from 1 July 2018 does not in any way align itself to the underpinning values of the CPRS – that is - producing a low carbon future for Australia.

Penalising landfill owners from 2018 onwards does not in any way have an impact on waste generation or waste composition modification as this waste has already been deposited (E.G. The

only behaviour method by which to reduce the amount of CO_{2eq} emissions emanating from landfill is to reduce either the quantity or the amount of organic waste being deposited).

Additionally the creation of a future (post 2018) liability creates three substantial sets of difficulties:

- a) Severe accounting difficulties for companies, creating a liability which must be calculated from an unknown carbon price and for an uncertain duration,
- b) Funding difficulties for local government who may not have a customer base for whom to pass these costs on to, and
- c) Reduced capacity from the industry to fund future capital expenditure for provision of new and efficient infrastructure aimed at reducing emissions.

The creation of this retrospective impost on waste already landfilled means that landfill owners will have to increase their current prices in order to cover their future post 2018 liability. This potential liability will in some circumstances be unrecoverable. This will invariably mean that some landfills will be severely discriminated against commercially and will not be able to compete to recover the additional legacy emission costs.

Further, the cost of legacy waste emissions simply cannot be passed on to our current customers as a CPRS charge as the liability was created by past customers. Therefore, it will have to be pushed into the market as a base price increase.

This is likely to result in smaller customers with less bargaining power receiving higher charges.

Additionally, as the quantum of the post-2018 liability depends solely on the length of time a landfill has been open before commencement of the CPRS, older landfills will be disadvantaged simply by virtue of their age and will be burdened with charges of up to two and three times that of newer landfills.

This inequity will surely cause severe market distortions, and will lead to the early closure of some older landfills. The legislation as it stands will, without doubt, cause significant perverse economic and financial outcomes.

As a result, ALOA believes emphatically that this retrospective discrimination against the waste sector is unfair and is certainly not in accordance with the stated intentions of the CPRS.

Conclusion:

ALOA calls for the delay of waste sector inclusion in the CPRS to at least 2012 and the complete removal of legacy waste provisions from the draft legislation.

As the official voice of the landfill industry in Australia, ALOA humbly requests to testify before this inquiry.

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