Submission 056
Date received: 15/04/2011

Alternative Waste Treatment Provider Carbon Credits Working Group

Submission to the House of Representatives Standing Committee on Climate Change, Environment and the Arts on the Carbon Credits (Carbon Farming Initative) Bill 2011

April 2011

Submission 056
Date received: 15/04/2011

15 April 2011

Committee Secretary
House of Representatives Standing Committee on
Climate Change, Environment and the Arts
PO Box 6021
Parliament House
CANBERRA ACT 2600

Submission on Carbon Credits (Carbon Farming Initiative) Bill 2011

Thank you for the opportunity to make a submission on the Carbon Credits (Carbon Farming Initiative) Bill 2011.

The Alternative Waste Treatment Provider Carbon Credits Working Group (the Working Group) consists of:

- Global Renewables Holding Limited (GRL) which is a private company. GRL operates the largest Alternative Waste Treatment (AWT) facility in the Southern Hemisphere at Eastern Creek in New South Wales; and
- Southern Metropolitan Regional Council (SMRC) which is a statutory authority established by the southern councils in metropolitan Perth. SMRC operates the largest waste processing centre in Australia which serves the communities of Perth.

Together the members of the Working Group implement the largest, most viable, and internationally proven technologies and approaches to divert household waste away from landfill in Australia. Reducing landfill is the priority of the National Waste Strategy endorsed by the Council of Australian Governments because landfill creates more detrimental environmental effects and produces higher carbon emissions than any other form of waste treatment.

The Working Group welcomes the Carbon Credits (Carbon Farming Initiative) Bill 2011(the Bill), commends the Federal Government on its introduction, and urges the Australian Parliament to support the passage of the Bill.

The Bill incorporates the majority of suggestions that members of the Working Group made to the Government during public consultations on the Carbon Farming Initiative (CFI) and draft Bill. The Working Group applauds the responsiveness of the Government, and in particular the Department of Climate Change and Energy Efficiency (DCCEE), to the views put forward by its members.

However one significant issue remains unresolved and the Working Group encourages the House of Representatives Standing Committee on Climate Change, Environment and the Arts (the Committee) to support the recommendations in this submission to address it.

This issue concerns the capacity of AWT providers to trade carbon credits they have accumulated under the previous carbon offset regime called the Greenhouse Friendly Scheme (GFS) in the voluntary market regulated by the Bill. Currently the Bill and CFI do not enable existing GFS credits to be traded in the market as part of the CFI. Collectively the members of the Working Group hold GFS credits equivalent to about 0.4 million tonnes of carbon emission savings (CO_2e savings). Based on the latest domestic price ($7/t CO_2e) these GFS credits are worth about $2.8 million.

Key points to note about these GFS credits are that:

- They were accumulated using methodologies that are as robust as the National Carbon Offset Standard (NCOS) which the government is proposing will apply to govern the approval of carbon credits under the CFI; and
- The expected revenue from trading them is integral to the business models of the Working group members and their decisions to invest in their respective facilities. Their collective investment in their facilities is about $200 million.

The Government has chosen to not recognise accumulated GFS credits in the CFI primarily because of the:

- Need to ensure that credits traded under the CFI meet the NCOS and therefore can be regarded as genuinely contributing to the reduction of carbon emissions; and
- Potential cost to the Federal budget associated with attaching Assigned Amount Units (AAUs) to each credit for the purposes of validating their trade in the market governed by the Bill and using them towards Australia's Kyoto emission reduction obligations.

While we consider that the Government's position may be reasonable when judging GFS credits as a whole, we believe that in relation to GFS credits accumulated by the AWT sector the Government's decision represents a perverse public policy outcome. This is because it fails to recognise that the GFS credits accumulated by the members of our Working Group in particular:

- Already meet the NCOS Eligibility Criteria;
- Would not be available to Government to use to acquit the national account for the purposes of Kyoto obligations if our members had not registered these at their own expense;
- Represent emission savings from waste that would have otherwise been landfilled. If the waste our members treated was landfilled it would have contributed emissions that Australia would have been required to offset anyway in order to comply with its Kyoto obligations; and
- Do not result from an opportunistic and temporary offset scheme, but rather are an integral part of permanent AWT which COAG agrees Australia should increasingly adopt.

For these reasons the failure of the Bill to enable GFC credits accumulated from legitimate AWT activities punishes the members of our Working Group for being early adopters of emission reduction activities.

To address our concerns it is recommended that:

- Via amendment to the Bill or through government policy AWT providers be permitted to trade the carbon credits they accumulated under the GFS to 30 June 2010 in the voluntary CFI market regulated by the Bill;

- AWT providers be able to trade their accumulated GFS credits in the CFI market; and

- The capacity of AWT providers to trade their accumulated GFS credits in the CFI market be subject to the CFI Administrator's approval of the methodologies used to accumulate those credits. This is consistent with the approach proposed in the CFI for approving offsets.

We appreciate that the recognition of GFS credits in the CFI market could be enabled by government policy rather than a specific amendment to the Bill. If this is the preference of the Committee we urge it to recommend that the passage of the Bill be linked to the need for government to address our issue through policy.

We would welcome an opportunity to discuss our concerns and solutions in more detail prior to the finalisation of the Committee's report

Yours sincerely

David Singh
Chief Executive Officer
Global Renewables Holding Limited

Stuart McAll
Chief Executive Officer
Southern Metropolitan Regional Council

CONTENTS

1. ABOUT THE ALTERNATIVE WASTE TREATMENT PROVIDER CARBON CREDITS WORKING GROUP

The Alternative Waste Treatment Provider Carbon Credits Working Group (the Working Group) consists of:

- Global Renewables Holding Limited (GRL); and
- Southern Metropolitan Regional Council (SMRC);

The Working Group was established in 2011 to develop responses to Federal Government carbon policy that affects alternative waste treatment (AWT). The members of the working group represent Australia's major AWT providers. They have operations in New South Wales and Western Australia.

In broad terms AWT is the deployment of modern processes and technologies that divert household and other solid and liquid waste away from landfill or storage and instead deal with waste through a mix of recycling and treatment that result in compost, liquid nutrients and fuels for reuse in domestic and industrial scenarios.

By its nature the processes and outcomes of AWT result in significant carbon emission reductions, particularly when compared to landfill.

Accordingly AWT providers, unlike landfill operators, are early adopters of emission reduction technology and activities and carbon trading opportunities.

1.1 Global Renewables Holding Limited

Background

Global Renewables Holdings Pty Limited (GRL) is an Australian company that provides sustainable solutions for waste management and environmental problems with the objective of diverting household waste from disposal at landfill. These approaches are generically referred to as AWT and can involve a range of patented approaches.

In the Australian market GRL is a pioneer in the deployment of global leading edge technology and an early participant in the voluntary carbon credit trading market promoted by NSW, ACT and previous Federal Government policy. This includes the former Greenhouse Friendly scheme (GFS) in which GRL was a registered participant.

Eastern Creek Facility

GRL operates the AWT facility at Eastern Creek in NSW. This is the largest AWT facility in the southern hemisphere and began operating in 2004. It cost $100 million to establish. It employs over 100 people and has a 25 year NSW Government guaranteed contract to provide AWT to deal with up to 220,000 tonnes of waste per annum. Through this facility GRL is only one of two companies producing compost from mixed waste to the strict NSW compost standard. The facility is part owned by Ironbridge Capital Management Pty Limited

(private equity) and is supported by project finance from the Commonwealth Bank of Australia.

AWT Process

The AWT strategy and process deployed by GRL at its facility at Eastern Creek in NSW is based on separating and recovering resources at their *highest net resource value* to achieve sustainability in consumer materials flows. The outcomes of this approach deliver superior reductions in greenhouse emissions compared to landfill and emission abatement that is permanent.

GRL has integrated state of the art materials sorting and separation technology with the world's best commercially proven fully automated composting technology from Italy[1] to create the Urban Resource - Reduction, Recovery and Recycling (UR-3R™) Process. This leading proprietary technology delivers the following outcomes.

- Reduction in waste through community involvement and education regarding waste generation;
- Reduction in greenhouse gas emissions (ie methane and nitrogen oxides) by processing the gas-producing organic component of the waste stream and through recovering (for recycling) homogenous streams of plastic, metal, glass and paper;
- Reduction in the disposal of potential resources to landfill, avoiding potential leachate contamination of local groundwater and riparian systems;
- Maximum recovery of the major elements of the waste stream, thereby maximising energy conservation and resource recovery; and
- Recycling of carbon and nutrients in the putrescible part of the waste by converting it into organic compost and fertiliser materials that are used in minimising rehabilitation and broad acre agriculture.

The UR-3R™ Process is unique because resources inherent in the waste stream become cleaner at every stage of the process. Shredding and mixing are minimised; and separation processes are maximised using both mechanical and natural biological technologies. Waste is treated gently to enhance recovery of resources such as glass and paper. Both the source separated organics and the residuals waste fractions are separately composted. Resources that have a higher recovery cost than the current net value are rendered inert for either safe landfill disposal or separate storage.

Importantly, all waste is processed within 48 hours of receipt and the product with the longest residence time (the compost) leaves the site after 6 weeks of composting and maturing. This:

[1] GRL's partner is SCT, an Italian company with specific expertise in the separation and composting of municipal waste. SCT is part of the Sorain Cecchini Group, which, in its collective operations, handles and processes over 22,000 tonnes of waste per day. SCT has designed and built over 40 composting facilities in five countries.

- Dramatically reduces the potential for the generation of greenhouse emissions compared to landfill; and
- Ensures that the achieved greenhouse emission abatement is permanent.

Carbon Savings and Business Model

One of the fundamental motivations for the creation of GRL and the investment in the Eastern Creek facility and its UR-3R™ Process was to permanently abate and sequester greenhouse emissions to a level that cannot be achieved by waste disposal to landfill. In March 2011 the Eastern Creek facility will have processed 1 million tonnes of waste and mitigated over 400,000 tonnes of CO_2e. This saving has been independently verified and reported to the Department of Climate Change and Energy Efficiency (DCCEE)[2].

The contract that GRL has with the NSW Government to supply AWT services for 25 years is a fixed price contract that only increases in line with CPI. The revenue associated with producing greenhouse emission reductions and trading carbon credits is a key input for the GRL business model. Changes to government policy that deny GRL the capacity to produce eligible emission reductions for offset or trading purposes in line with its revenue expectations compromises the GRL business model.

Independent Validation of Environmental and Economic Value

Based on the achievements of GRL's UR-3R™ Process, the Boomerang Alliance (a peak environmental group which includes Greenpeace, the Total Environment Centre, Clean Up Australia, the Nature Conservation Council and the NSW Local Government and Shires Association) has identified GRL as a new eco-friendly business developing and operating new resource recovery waste management facilities.

Furthermore, the Greenpeace Environmental Trust has published a Study entitled "Cool Waste Management" providing an overview of Mechanical Biological Treatment (MBT) of waste as a preferred approach over thermal processes. The Study concludes that a MBT process route almost identical to GRL's UR-3R™ Process delivers the maximum benefit in terms of[3]:

- Reducing toxic emissions
- Minimising climate impacts
- Improving materials conservation
- Increasing energy conservation.

An independent assessment has also demonstrated that GRL's UR-3R™ Process delivers significant economic and social value. It concluded that the process delivers a net benefit of

[2] Energetics P/L, Greenhouse Friendly Independent Verification Report for Global Renewables Eastern Creek, 7 October 2010

[3] Greenpeace, Cool Waste Management - A state of the art alternative to incineration for residual municipal waste, Greenpeace Environmental Trust, London, UK, February 2003

$150 more per Australian household per year when compared to landfill. If GRL's UR-3R™ was applied nationally it is estimated to add $140 million to Australia's GDP[4].

1.2 Southern Metropolitan Regional Council

Background

The SMRC is a statutory local government authority established by Local Councils in the southern part of metropolitan Perth. It is responsible for developing environmentally sustainable waste management solutions and climate change abatement measures for the communities of Cockburn, East Fremantle, Fremantle, Kwinana, Melville and Rockingham The region encompasses 588.6 square kilometres within Perth's southern metropolitan area and has a combined population of 298,000 people, generating approximately 200,000 tonnes of household waste per year.

The SMRC were recognised for their outstanding achievement in greenhouse gas abatement by government and essential services as the winner of the **2007 Greenhouse Challenge Plus Award**, presented by the then Department of Climate Change.

The SMRC's history of abatement programmes has been well documented since commencing operations. All abatement figures for the SMRC's facilities dating back to 2003 have been either approved and verified under the GFS or reported under Greenhouse Challenge Plus.

Regional Resource Recovery Facility

The Regional Resource Recovery Facility (RRRC) lies at the centre of the SMRC's Regional Waste Management Strategy, delivering many environmental, social and economic benefits. The $100 million facility based at Canning Vale is the largest waste processing facility in Australia. The RRRC is a fully integrated, state-of-the-art processing facility; owned and operated by the SMRC.

World class processing technologies were carefully selected to ensure the Waste Compost Facility (WCF), Green Waste Facility (GWF) and Material Recovery Facility (MRF) work together to manage waste streams cohesively and efficiently. The RRRC strives to maximise the amount of waste diverted from landfill into resource recovery leading to a more environmentally sound and sustainable future.

Waste Composting Facility

The business as usual pathway for waste is to landfill where it anaerobically decomposes producing methane which is 23 times more intensive a greenhouse gas than carbon dioxide. The processing of around 100,000 tonnes of municipal kerbside waste and converting the organic fraction into high quality compost at the RRRC's Waste Composting Facility prevents upwards of 80,000 tonnes of Co2-e entering the atmosphere each year.

[4] NolanITU, National Benefits of the Implementation of the UR-3R Process - A Triple Bottom Line Assessment, July 2004

The compost produced at the facility is utilised in broadacre agriculture wherein it delivers another set of environmental benefits including; soil carbon sequestration, displacement of fossil fuel derived fertilisers and pesticides, improved drought tolerance and disease resistance.

This innovative facility was a GFS Abatement Project and the first and only local government project approved by the then Australian Greenhouse Office.

2. GOVERNMENT WASTE POLICY

2.1 National Waste Policy

In November 2009 the Council of Australian Governments (COAG) agreed to a National Waste Policy (NWP) that would govern waste management to 2020. The aims of the NWP are to:

- Avoid the generation of waste, reduce the amount of waste (including hazardous waste) for disposal;
- Manage waste as a resource;
- Ensure that waste treatment, disposal, recovery and re-use is undertaken in a safe, scientific and environmentally sound manner; and
- Contribute to the reduction in greenhouse gas emissions, energy conservation and production, water efficiency and the productivity of the land.

The policy sets our six key areas of policy focus, three of which are specifically achieved by AWT. These are:

- *Improving the market*: efficient and effective Australian markets operate for waste and recovered resources, with local technology and innovation being sought after internationally.

- *Pursuing sustainability*: less waste and improved use of waste to achieve broader environmental, social and economic benefits.

- *Reducing hazard and risk*: reduction of potentially hazardous content of wastes with consistent, safe and accountable waste recovery, handling and disposal.

The policy includes sixteen strategies to achieve its objectives including, continuing the focus of governments to reduce the amount of waste going to landfill. These areas and strategies are consistent with the waste hierarchy because it recognises that landfill is the least preferable option for dealing with waste.

Figure 1: The Waste Hierarchy Governing Government Waste Policy

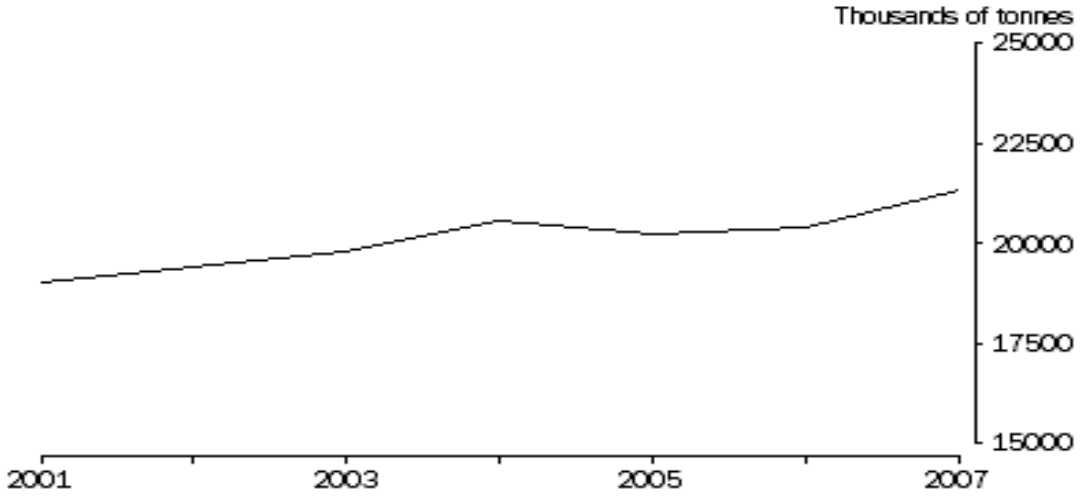
The NWP does not prescribe approaches that governments should use to divert waste away from landfill and towards alternative waste treatment (AWT). Rather it enables governments to choose their own approaches.

Accordingly, although the NWP is useful in affirming national agreement on the need to reduce the reliance on landfill, it does not represent any form of national regulation, policy and/or pricing regime that incentivises the use of AWT. Thus the AWT market cannot rely on the NWP to attract investment and growth.

It is too early to gauge what impact the NWP will have on diverting waste from landfill. Between 2001 and 2007, the volume of waste deposited into landfill increased markedly in line with overall waste generation.

Increases in Australia's population and per capita income over the period are suggested to have contributed to the rise in waste production[5]. On this basis waste generation will continue to trend upwards, unless there are significant falls in population and economic growth. In 2001, 19 million tonnes of waste were disposed to landfill, and by 2007 this figure had grown to 21.3 million tonnes (a 12 per cent increase)[6].

Graph 1: Total waste disposed to landfill 2001-07[7]



In 2006–07, Australia generated about 43.8 million tonnes of waste. Nearly half (48 per cent) of all waste was disposed to landfill. Approximately 60 per cent of municipal waste, 44 per cent of commercial and industrial waste and 43 per cent of construction and demolition waste was disposed to landfill in 2006–07. The percentage of municipal waste disposed to landfill is particularly relevant to the issues we have raised about the Carbon Farming Initiative (CFI) because AWT can deal with such waste more effectively and with lower resulting greenhouse emissions.

[5] ABS, Cat No 46130, Australia's Environment Issues and Trends, January 2010
[6] Ibid
[7] ABS, Cat No 46130, Australia's Environment Issues and Trends, January 2010, which sourced the graph from Department of Climate Change, 2009, *National Inventory Report 2007 Volume 2.*

2.2 Response of State and Local Government

The historical approach to dealing with municipal waste is disposal to landfill. While State, Territory and local governments are committed on one hand to reducing greenhouse emissions and more sustainable waste management approaches, they are also often the owners and/or regulators of legacy landfill sites which in some cases have decades of residual capacity.

In comparison, the AWT market is a relatively new one. Increased urgency on the part of governments to reduce greenhouse emissions and waste disposal and improve resource recovery means it should be a growing market.

However, because State and Territory and local governments adopt different approaches to balancing legacy landfill issues and the emerging need and use for AWT, the AWT market is highly vulnerable to changes in government policy and regulation and this can dissuade investment. Government policy to promote AWT instead of landfill can also take time to be effective.

For example, the former NSW Government was committed to reducing reliance on landfill and promoting AWT. To achieve this it imposed levies on the gate price at landfills, capped inputs to all landfill sites and required consideration of AWT as part of its planning assessments. Despite these measures between 2000 and 2007 municipal waste disposed to landfill remained relatively constant at 1.9 million tonnes per year[8].

Despite this in 2009 the NSW Government determined that it would phase out the input caps until 2014 when it expected the market competitiveness of AWT to supersede landfill.[9] It is not clear whether the newly elected NSW Government will maintain these policy directions.

The WA Government's Draft Waste Strategy states that the Waste Authority will continue to work with local government and the private sector to optimise the diversion of green waste and organic waste from landfill. The Waste Strategy has a target of 75 per cent for resource recovery by 2016.

Despite this target, waste generation from households has remained relatively stable, increasing only a few percent between 2000/01 and 2006/07 to reach 1.35 million tonnes per year. Around 75 per cent (by weight) of household waste is landfilled.

Thus the Waste Strategy target for resource recovery will be impossible to meet without significant investment in AWT. However this investment is difficult to achieve in a waste landscape where landfill still remains significantly underpriced compared to AWT.

Whilst the WA Government has introduced an increased landfill levy (currently $28 per tonne) resulting in an average landfill gate fee of around $95 per tonne this still falls far short of the gate fee required to operate AWT.

[8] NSW Department of Environment, Climate Change and Water, Waste Avoidance and Resource Recovery Progress Report, 2008
[9] NSW Planning, Planning Circular PS 10- 016, 12 July 2010

In Queensland, South Australia and Victoria AWT is not currently economically viable because State and local governments' price landfill cheaply and offer little support through planning instruments.

2.3 Proper Role of Federal Government

Given the inability of the NWP to impose AWT requirements on State and Local government, other Federal Government environment and climate change policy should play a key role in promoting AWT or at least not operate to reduce the commercially viable use of AWT because:

- AWT delivers vastly superior and permanent greenhouse emission reductions and general environmental management outcomes compared to waste disposal to landfill;

- There is no consistent approach by State, Territory and local government to incentivising the use of AWT instead of landfill and therefore the AWT market is vulnerable and extremely price sensitive; and

- Unlike legacy landfill operators, AWT providers have partly based their business models on revenue from the greenhouse emission reductions that they can achieve and carbon credits they can trade. Their early adoption of and positioning for carbon trading contributes to the eventual creation of a carbon price to which the Federal Government is committed to achieve.

3. WORKING GROUP PARTICIPATION IN THE CARBON MARKET

The members of the Working Group have been early movers in the voluntary carbon trading market in response to Federal Government signals and policy. Fundamentally, the increasing support for and commitments to greenhouse emission reduction by successive Federal Governments (culminating in the ratification of Kyoto obligations, the Greenhouse Friendly scheme and Carbon Pollution Reduction Scheme) were key factors in the decision by:

- GRL to invest the $100 million necessary to develop its NSW facility.
- SMRC to invest the $100 million necessary to develop its WA facility.

3.1 Greenhouse Friendly Scheme

GRL, SMRC and SR were registered participants under the Greenhouse Friendly scheme (GFS) at the time that scheme was terminated. Collectively they have saved about 0.4 million tonnes of CO_2e. The saving is equivalent to 0.4 million emission reduction units for the purposes of the offsets under the GFS. The GFS scheme was terminated because:

- The broad sectoral coverage of the planned CPRS meant there would be less scope to pursue offset activities, with offsets limited to emissions sources not covered by the CPRS; and

- All GFS abatement was occurring in sectors that would be covered by the planned CPRS (such as waste) and that are counted towards Australia's Kyoto Protocol target. The Federal Government's view is that abatement in these sectors would not meet the test of being additional to "business as usual", and therefore cannot be used to support carbon neutral claims.

These same issues apply in relation to the new planned Carbon Pricing Mechanism.

While offsets accumulated under the GFS can continue to be traded in a voluntary market, they cannot be treated as eligible offsets for the purpose of the National Carbon Offset Standard (NCOS) primarily because the NCOS includes new tests such as 'additionality'.

The NCOS provides guidance on what constitutes a genuine, additional voluntary offset and allows for the generation of domestic offsets from emissions sources that do not contribute to Australia's Kyoto Protocol commitments (ie those sources of emissions not covered by the previously planned CPRS and currently planned Carbon Pricing Mechanism)[10].

According to the DCCEE the Federal Government has developed the NCOS *"to provide national consistency and to give consumers confidence in the voluntary carbon offset market. The NCOS commenced on 1 July 2010 and will provide the functions of Greenhouse Friendly™ in a way that complements Australia's Kyoto commitments and the planned introduction of the CPRS*"[11].

[10] Australian Department of Climate Change and Energy Efficiency, website
[11] Ibid

4. CONCERNS WITH THE CFI BILLTHAT HAVE BEEN RESOLVED BY GOVERNMENT

Some of the Working Group's primary concerns with the CFI and draft Bill were that, like the termination of the GFS and subsequent NCOS rules, it denied AWT providers the capacity to participate in the voluntary carbon market until a CPRS is implemented but without any certainty that a CPRS will be implemented in the foreseeable future. This is because the CFI had:

- Only applied to emission sources not covered by a planned CPRS (waste is covered); and
- Only applied to reduced emissions from landfill waste deposited before 1 July 2011.

The members of the Working Group made submissions to government that these outcomes and the rationale underpinning them were fundamentally unfair and unreasonable for AWT providers and counter to good public policy outcomes on environmental, competition policy and climate change grounds.

The DCCEE accepted many of these arguments and amended the draft Bill to allow the following activities to be covered by the CFI:

- Waste deposited at AWT from 1 July 2010 (when the GFS was terminated) to 1 July 2011 where the carbon credits from emission savings were accumulated via approved methodologies; and
- Waste treated by AWT after 1 July 2011 until a carbon price is introduced.

These amendments are essential to enable the AWT sector to compete with landfill and maximise their contribution to emission reduction.

Accordingly the Working Group urges the Committee to support these provisions of the Bill.

5. UNRESOLVED CONCERNS WITH THE CFI BILL

The unresolved concern of the Working Group is that the Bill prevents AWT providers from trading carbon credits they have accumulated under the Greenhouse Friendly Scheme (GFS) in the voluntary market regulated by the Bill. The GFS operated between 2001 and 1 July 2010. Collectively the members of the Working Group hold GFS credits equivalent to about 0.4 million tonnes of carbon emission savings (CO_2e savings). Based on the latest domestic price ($7/t CO_2e) these GFS credits are worth about $2.8 million.

The Government has chosen to not recognise accumulated GFS credits in the CFI primarily because of the:

- Need to ensure that credits traded under the CFI meet the NCOS and therefore can be regarded as genuinely contributing to the reduction of carbon emissions; and
- Potential cost to the federal budget associated with attaching Assigned Amount Units (AAUs) to each credit for the purposes of validating their trade in the market governed by the Bill and using them towards Australia's Kyoto emission reduction obligations.

While the Working Group considers that the Government's position may be reasonable when judging GFS credits as a whole, it believes that in relation to GFS credits accumulated by the AWT sector the Government's decision represents a perverse public policy outcome. This is because it fails to recognise the following issues in relation to the GFS credits accumulated by the members of the Working Group and other legitimate AWT providers:

- **AWT sector GFS credits are genuine compared to landfill**. The waste industry is a significant greenhouse gas emitter, which is why it is covered by the planned Carbon Pricing Mechanism. The NCOS and CFI notion of 'business as usual' (BAU) captures AWT but to be consistent with the reality of the waste market it should more properly be pitched to the lowest common denominator which is waste disposal to landfill. In the waste market there is no doubt that emissions produced from waste disposal to landfill is BAU and therefore any offsets accumulated under the GFS would not meet the 'additionality' test expected in the NCOS and applied in the CFI. However, AWT cannot be regarded as BAU in the same way as landfill because:

  - Prior to the development of the BAU test, AWT business models and technology were based on reducing emissions to a much higher degree than that achieved by landfill. As discussed the business models of the members of the Working Group relied on revenue from trading these higher levels of emission savings.

  - AWT is the most preferred approach in the waste hierarchy precisely because of its superior greenhouse and environmental benefits. In general AWT is leading technology that remains at the forefront of innovation and development. Unlike landfill the inherent purpose of AWT is to secure higher value environmental values and reduce greenhouse emissions.

  - GFS credits were accumulated using methodologies that are consistent with the NCOS Eligibility Criteria.

- The vast majority of solid waste continues to go to landfill. In 2006-07 48 per cent of all solid waste and 60 per cent of household waste was disposed to landfill nationally. Thus in practice in the waste market landfill is business as usual, not AWT.

- **AWT sector GFS credits are genuine and represent permanent emission savings compared to other GFS registered activities**. The emission savings achieved by AWT are not the result of an opportunistic and temporary offset scheme, but rather are an integral part of permanent practices which COAG agrees Australia should increasingly adopt. For example:

  - If the members of the Working Group had not subjected millions of tonnes of waste to AWT during the period of the GFS that waste would have been landfilled, released hundreds of thousands of tonnes of greenhouse emissions to the atmosphere and added to Australia's national emissions account. These emissions would have to be offset anyway to acquit Australia's Kyoto obligations.

- **Denying the AWT sector the capacity to trade accumulated GFS credits:**

  - **Punishes early movers**. Because of the nature of AWT and its capacity to generate high volume greenhouse reductions, AWT providers have been early movers in the voluntary carbon market, while landfill operators are not. By treating AWT the same as landfill and other registered activities under GFS, the CFI and Bill punishes early movers in the AWT sector, even though the emission savings they have achieved are permanent.

  - **Is akin to nationalising their property**. The GFS and CFI treat carbon credits as personal property. The effect of denying AWT providers the right to trade their accumulated credits is similar to compulsory acquisition of this property without compensation. This is an unwelcome public policy precedent.

  - **Affects the integrity of their business models**. The expected revenue from trading accumulated GFS credits is integral to the business models of the Working Group members and their decisions to invest in their respective facilities. Their collective investment in their facilities is about $200 million. The size of the revenue risk varies depending on the price for carbon. Changes in Federal policy do not pose this same or any risk to landfill owners because the legacy nature of their activities means they have not built revenue from carbon trading into their business model.

- **It is contrary to optimal public policy outcomes for Federal action to put at risk $200 million investments in the largest most modern AWT facilities in Australia**. This is particularly when the National Waste Policy and best practice considers AWT to be the superior approach and landfill to be the least preferable option. In dealing with climate change issues, Federal policy should be sophisticated enough to deal with AWT differently from other GFS registered activities in order to recognise and support the superior greenhouse emission reduction and environmental management contribution offered by AWT.

- **It is contrary to effective waste management policy**. Some best practice State and local government policies consider AWT to be preferable to landfill because of its superior greenhouse emission reduction and environmental management benefits. By not distinguishing between AWT and other GFS registered activities, the CFI and Bill are inconsistent with the priority afforded to AWT in these State and local government policies and stifles the capacity of AWT to deliver its recognised high value environmental benefits. This outcome is not consistent with best whole of environment policy and practice. It is also contrary to the proper role the Federal Government should play in encouraging market based solutions that promote positive national outcomes for waste management and resource recovery in the absence of nationally consistent regulation.

Given the nature of these issues which are unique to the AWT sector, and the genuineness of emission abatement achieved by AWT providers, it is possible to address the unresolved concern of the sector without establishing a precedent for all GFS registered participants.

6. RECOMMENDATIONS

To address the concerns in this submission raised by the Working Group it is recommended that:

- Via amendment to the Bill or through government policy AWT providers be permitted to trade the carbon credits they accumulated under the GFS to 30 June 2010 in the voluntary CFI market regulated by the Bill.

- AWT providers be able to trade their accumulated GFS credits in the CFI market.

- The capacity of AWT providers to trade their accumulated GFS credits in the CFI market be subject to the approval of the methodologies used to accumulate those credits. This is consistent with the approach proposed in the CFI for approving offsets.