



8 April 2009

Transpacific Industries Group Ltd

John Hawkins
Committee Secretary
Senate Select Committee on Climate Policy
PO Box 6100
Parliament House
Canberra ACT 2600

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Dear Mr Hawkins,

CLIMATE CHANGE POLICY AND THE WASTE INDUSTRY

Transpacific Industries Group wishes to provide this submission to the Senate Select Committee on Climate Change Policy in relation to potential impacts of climate policy and emissions trading within the waste industry.

Overview

Transpacific Industries Group is the largest waste and environmental services provider in Australia with over 7,700 staff across Australia and New Zealand. I raise our concerns on the proposed emissions trading scheme and in particular its' likely ineffectiveness to address the fundamental goal of reduced greenhouse gas emissions.

Transpacific is totally committed to assisting the community in providing effective environmental solutions to the problem of greenhouse gas emissions from waste disposed at landfills and will continue to do so but we need the legislatures assistance to ensure that this is not made more difficult by the proposed CPRS.

Our group employs leading edge gas capture infrastructure at several landfill facilities, where landfill gas is converted to green electricity as well as gas flaring. The group has also implemented significant recycling initiatives to encourage both business and the community at large to enhance the volume of waste materials recycled prior to land filling as a last resort only. Worth noting also is the waste industry's exceptional record in greenhouse gas abatement where it is the only sector to record a reduction in emissions over the past ten years.

With this in mind, we do not believe that the CPRS legislation as it stands will be effective in achieving the above goal and are very concerned as to the dire economic consequences that will result out of the current draft legislation, particularly as it relates to the waste industry. We urge you strongly to reject the legislation, and certainly delay the implementation of any alternative scheme until it is properly thought through, particularly in relation to the significant economic consequences that it may bring about. We believe that any such proposal would require very significant policy changes to the legislation prior to its enactment. If not, it is unavoidable that the economy and waste industry in particular will face massive job pressures and perverse economic/financial outcomes whilst failing significantly at the underlying goal of reduced emissions.

In short, as it currently stands the CPRS proposal is complex, unfair, destructive and will unfairly prejudice and hinder the waste industry in assisting to reduce greenhouse gas emissions.

Recommendations

Notwithstanding that there are numerous other inconsistencies and interpretations still to be resolved in the legislation and commentary, we recommend that the following key issues be addressed as a minimum from a waste industry perspective.

To create an equitable trading scheme that reduces emissions at the lowest economic cost within the waste industry, policy changes must include:

- 1) The complete exclusion of legacy waste from any emissions trading, and
- 2) Further consultation with the waste industry to determine fair measurement techniques for emissions from waste.

Emissions Trading Design - Legacy Waste

The current CPRS legislation includes legacy waste emissions (emissions from waste deposited to landfills pre 30 June 2008) from 2018 onwards. This creates an unreasonable burden on landfill operators as it introduces a retrospective charge on previous operations, placing additional costs on the industry and its customers, with no additional environmental benefits or incentives for greenhouse gas reduction.

This grossly unfair charge will significantly distort competition in many waste markets throughout Australia and create perverse competitive situations by discriminating against older and larger landfill operations that have greater volumes of legacy waste. As a result of differential prices, higher costs of larger and older landfills would see waste move to smaller and newer landfills that are less likely to have gas capture systems, which would have the perverse effect of increasing total sector emissions.

The financial impact of these legacy waste emissions on the waste industry, which will ultimately be passed on as a hidden retrospective tax to the community is difficult to accurately calculate, but could exceed \$1billion. Current landfill owners and their customers would be forced to pay for emissions from waste deposited in the past and which may not have been created by them. Undoubtedly this will lead to some landfills which are unfairly discriminated against having to close down, due to the inability to pass through costs and reduced ability to compete fairly.

No other sector is being required to bear a large carbon cost related to historical activities which would impose disproportionate emissions liability on landfills and their customers compared with other sectors. The charge for legacy emissions also does not align itself to the underpinning values of the CPRS – to reduce carbon pollution. This waste has already been generated and disposed of, so no behaviour modification will result from legacy emissions charges.

This retrospective charge on legacy waste emissions will also divert available funds from necessary capital expenditure on emission capture technologies, new waste reduction incentives and alternative waste diversion strategies which are most likely to assist to reduce overall waste emissions.

It is therefore recommended that legacy emissions be excluded from any emissions trading policy within Australia in order to reduce carbon pollution at the lowest economic cost within the waste industry.

Industry Consultation - Measurement

Emissions trading relies on thorough and accurate emissions data to ensure customers and industries are appropriately charged (at lowest economic cost) for carbon pollution that has occurred. Current measurement methodologies for emissions from waste in landfill are uncertain, grossly unreliable and require much more time to refine than is currently available under the timeframes proposed.

Emissions trading needs to ensure that perverse outcomes are eliminated and more time can be devoted to working through the scheme to ensure consistency, fairness and achievement of its underlying goal – reduced greenhouse emissions. In designing any new system, I suggest that it be based around the fundamentals of simplicity, transparency, fairness and certainty.

The lack of accurate and repeatable measurement techniques may penalise the cutting-edge, environmentally efficient landfills whilst benefiting the poor performers. We recognise that this is not the intention of emissions trading therefore any related scheme should be delayed until a more accurate methodology has been developed. If not landfill owners are likely to manage their measurement risks by recovering higher fees from their customers if emissions trading commences on schedule in 2010.

Accordingly, I strongly urge you to reject the current CPRS legislation and delay the introduction of any alternative emissions trading scheme until appropriate industry consultation and measurement techniques have been reliably developed.

Limitations of the current CPRS and Climate Policy

The current CPRS proposal fails dismally to reduce Australia's carbon pollution at the lowest economic cost, particularly in relation to the waste industry. The scheme is overly complex and will create its own industry of advisors, consultants, traders and excessive costs which will do very little to achieve the underlying goal of reduced greenhouse gas emissions.

In the waste situation, calculations are based entirely around uncertainties and measurement estimates which are highly prone to error and inaccuracy. A number of significant forward estimates (particularly in relation to legacy waste emissions from past waste) create further uncertainty and error which add to the inequity of the retrospective nature of the CPRS legacy charge. This will, as a matter of course lead to potential manipulation of these estimates either fraudulently or by naïve misunderstanding of the system by those less committed to environmentally sensitive goals.

Recommendations

We urge you strongly to reject the current CPRS legislation, and certainly delay the implementation of any alternative emissions trading scheme until it is properly thought through so that the underlying principles of simplicity, transparency, fairness and certainty can be achieved. We believe that any such proposal would require very significant policy changes to the legislation prior to its enactment and include the complete exclusion of legacy waste emissions.

The coverage of new waste will provide sufficient financial incentive for the required changes in behaviour to achieve the aim of reducing greenhouse gas emissions, once appropriate methodologies are determined.

Alternatives

I would be more than happy to provide more detail in relation to some potential alternative/enhanced solutions, particularly in relation to the waste sector, however as examples these could include:

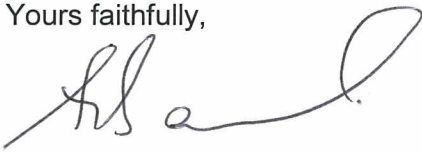
- Financial/taxation incentives for capital and operational spend on gas capture infrastructure and technologies, and
- Consideration to transparent and timely financial levies based on volumes of waste applied to landfill with offsetting incentives for effective gas capture outcomes (this inherently provides incentives for industry and the community to reduce waste at source and/or consider recycling alternatives).
- Stricter licence conditions enforced by state based environmental authorities to ensure gas capture infrastructure is installed where required.

Conclusion

In conclusion, we believe that the current CPRS is overly complex, ill-conceived and has been hastily compiled without proper consultation of relevant industry participants. In the waste situation, it actively invokes a retrospective tax (legacy emissions) on landfill operators which will prejudice their ability to reduce greenhouse gas emissions. We believe that the proposal will fail dismally at its underlying goal to reduce greenhouse gas emissions.

Thank you for your consideration of this submission and particularly with regard to the need to ensure that emissions from legacy waste are fully excluded from any emissions trading scheme.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'S. Barnard', written in a cursive style.

Stephen Barnard
General Manager Corporate Services