

Submission to the Select Committee on Climate Policy

Carbon Pollution Reduction Scheme and the exposure
draft legislation to implement the scheme

Brisbane City Council

Executive Summary

The exposure draft legislation on the Carbon Pollution Reduction Scheme (CPRS) proposes to introduce the environmental cost of climate change caused by greenhouse gases emissions into the economic transactions of goods and services within the Australian economy. Brisbane City Council has set targets for the city that are consistent with CPRS legislation and welcomes the opportunity to provide this submission to the Select Committee on Climate Policy.

Local government has shown that it is more than willing to take a leading position in reducing the impact of greenhouse gas emissions on the climate. However, the CPRS legislation does not recognise the unique role that this tier of government plays in providing essential services to residents and rate payers in areas such as waste disposal, water and sewerage treatment and in the case of Brisbane City, public transport. These are services that all operate on a cost recovery basis with some form of subsidy to the provider from the general rate base or from a government contribution. As such they are not services whose demand is subject to the elasticity of the normal demand curve, nor are they services that should be restricted by increased costs of the CPRS as these services inevitably provide lower carbon polluting solutions than any other options that may be preferentially encouraged by the introduction of an emissions trading system.

In summary, in areas where the normal market mechanism fails to provide an equitable solution to the provision of essential services and local governments provide these services, there is a real risk that price increases from the emission trading scheme will produce perverse outcomes.

The following comments are on the draft exposure legislation are submitted for the committee's consideration.

General Comments

1. The draft legislation does not consider local government's role in providing municipal services. BCC provides, among other things, public transport for the city, waste collection and landfills. The size and extent of these services to a city of over a million people, puts BCC well within the emissions threshold. However, BCC has limited opportunities to recover increased costs associated with CPRS from ratepayers.
2. The draft legislation fails to address the impact of CPRS on public transport. There is a danger that CPRS will encourage the use of private motor vehicles at the expense of public transport. The impact on fuel prices for public transport is not mitigated to the same extent as it is for private fuel users.
3. Council has already invested in measures that have significantly reduced bus fleet emissions, for example, through the use of gas buses and ultra low sulphur diesel. The CPRS draft, however, lacks a mechanism to account for such measures. Instead the CPRS focuses on the size of the facility and not the quality of its environmental management.
4. Council at a presentation to the Senate Standing Committee on Rural and Regional Affairs and Transport stated: "As a public transport provider, Council currently receives a rebate for fuel excise. It is understood that this excise would be abolished and replaced with a CPRS. The introduction of the CPRS will impose additional costs on public transport operators. In Council's case it will need to seek reimbursement from its contracting agency, the Queensland Government."

As public transport is the most carbon efficient transport system, Council believes that the CPRS should recognise and support the role of public transport. .

5. It is also understood that the CPRS delays the increase in fuel prices for 3 years for motorists, and yet public transport operators must comply earlier.
6. The CPRS proposes to proceed with immediate coverage of the waste sector, notwithstanding that accurate emission measurement techniques are not yet available and methods are yet to be finalised for the National Greenhouse and Energy Reporting Scheme (NGERS). This makes it extremely difficult for anyone in the

waste industry to accurately predict the financial impact to their organisation. It is not possible for any landfill owner work out what to charge their customers, or how many permits to buy, with the very incompleteness of the methodologies.

7. The assumption is also made that all landfills capture 75% of the gas produced. There is currently no scope for us to prove that our capping and gas system might be more efficient (e.g. 80% or 90%). The current landfill operated by Council is highly engineered, has an effective capping system, and operates under a vacuum ensuring that virtually no fugitive methane escapes into the environment from the closed cells. It appears that this type of “best practice” landfill operation was not considered when drafting the legislation. If we can “test” our landfill and prove a higher efficiency, the legislation should allow this to greatly reduce our liability. There has to be scope to do this at a reasonable cost, or recognition needs to be given to high performing gas capture systems. Some landfills might have inefficient systems with only 50% gas capture.
8. Legacy waste for current landfills should not be included in CPRS. Landfills which are due to be closed in the near future won't be able to recover money for legacy emissions and will have to be funded directly by Council. The same should apply to waste being collected up until the start of the scheme, as there is no price signal that can be used to recover costs prior to the start of the scheme.
9. Composting of organic wastes and green waste do not accumulate carbon offsets for greenhouse gas reduction. It seems inconsistent that the Federal Government is considering including agriculture under the CPRS from 2015, and allowing forestry businesses to “opt-in” if they have bio-sequestration products they can trade, but landfill operators cannot sell any credits from sequestering carbon in producing compost. Returning compost to the soil must be recognised as a form of carbon sequestration.
10. Any operating landfill that closes in the near future will have a liability for the legacy emissions that have been created after 1 July 2008, even though it may close before the scheme starts on 1 July 2010, once closed there will be no ability to recover permit costs. This is a logical flaw and legacy emissions created before the start date should be excluded.
11. Depending on contract conditions many engineered landfills will have supply contracts with the generators to take the collected gas. These contracts may have

been executed before the CPRS was conceived. The landfill operator may incur all the costs associated with the CPRS while the gas buyer will receive a windfall profit as the market price energy increases. A mechanism needs to be in place to ensure the gains and losses of such contracts are shared equitably.

12. While the 80 kilometre distance relating to landfills has yet to be clarified, it is unfair to small local governments. Local governments with small landfill operations within an 80 kilometres radius from a large landfill will experience the cost impacts from the CPRS; and others with similar operations will avoid these costs by the accident of distance. The development of new landfills may be perversely affected if the choice sites for a small landfill are within 80 kilometres of another. This blanket rule of 80 kilometres needs to be reconsidered.
13. BCC believes that the CPRS coverage of the waste sector should be deferred for two years whilst landfill emission measurement technologies are worked through and impacts communicated to users.
14. Wastewater treatment plants are a source of greenhouse gas emissions. If the facility definition includes the waste water treatment plant and only the network of sewer pipes in the plant's catchment, then most will fall under the threshold for permit liability. However, if any inter-catchment connections cause the facility definition to include all the treatment plants connected to the network then a CPRS permit liability will apply. It seems unlikely that this is the intent of the legislation and that each waste water treatment plant will be treated as a facility and each will be liable based on its own emissions. This should be clarified in the legislation.
15. Measurement of nitrous oxide emitted from the free surfaces in wastewater treatment plants is inexact, and given the high global warming potential of nitrous oxide this inaccuracy could lead to high costs being placed on the authority operating the wastewater treatment plant.
16. The consequential amendments to the National Greenhouse and Energy Reporting System will have a unique impact on Brisbane City Council. Brisbane City Council is the **only** local government that is captured under this act as a corporation; and the amendments that will bring other councils into the system treat local governments differently to corporations in terms of the reporting requirements. While Brisbane City Council may undertake some activities that are similar to trading corporations, all Council activities are carried out because it is a tier of government. The legislation

should treat Brisbane City Council in the same manner as all other local governments.