



25 March 2009

Mr John Hawkins
The Secretary
Senate Standing Committee on Economics,
PO Box 6100
Parliament House
Canberra ACT 2600

Fax# 02 6277 8446

Dear Mr Hawkins,

**CARBON POLLUTION REDUCTION SCHEME EXPOSURE DRAFT
LEGISLATION - WASTE INDUSTRY - RETROSPECTIVE DISCRIMINATION OF
LANDFILLS**

Transpacific Industries Group wishes to provide this submission to the Senate Standing Committee on Economics in relation to the exposure draft legislation for the Carbon Pollution Reduction Scheme.

Background

As Chairman of the largest waste and environmental services provider in Australia with over 7,700 staff across Australia and New Zealand, I raise our group's concerns on the proposed implementation of the scheme and in particular the likely perverse economic outcomes as a result of the proposed legislation as it stands.

Let me say that Transpacific is totally committed to assisting the community in providing effective environmental solutions to the problem of greenhouse emissions from waste at landfills and will continue to do so but we need legislature's assistance to ensure that this is not made more difficult by the proposed CPRS. We should also not lose sight of the very intention of the legislation, that is, to reduce greenhouse gas emissions.

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 in relation to the subject matter specifically around 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 losses 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 unfair, destructive and will place many jobs at risk in the waste industry throughout Australia.

Recommendations

Notwithstanding that there are other inconsistencies and interpretations still to be resolved in the legislation and commentary, the key issues to be addressed as they currently stand from a waste industry perspective are:

1. **Emissions from legacy waste** – The inclusion of legacy waste emissions (waste deposited to landfills pre 30 June 2008) from 2018 onwards creates an unreasonable burden on landfill operators as it introduces a retrospective charge on previous operations and requires the industry to forecast “carbon” costs for 2018 onwards and proportionately charge customers for these long life estimates NOW. This grossly unfair charge causes significant perverse competitive situations by discriminating against older landfill operations and will undoubtedly lead to some landfills which are unfairly discriminated against having to close down. 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.
2. **Measurement (landfill gas estimation)** - approved methodologies are uncertain, grossly unreliable and require much more time to refine than is currently available under the timeframes proposed.

Accordingly, I strongly urge you to reject the current legislation and delay the introduction of any alternative CPRS scheme until at least 2012 so that it has been properly thought through and waste emission measurement techniques have been sufficiently refined and proved reliable. Any alternative scheme should also ensure that legacy waste be fully grandfathered from the CPRS (rather than only until 2018 as it currently stands).

This will 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 gas emissions. In designing any new system, I suggest that it be based around the fundamentals of simplicity, transparency, fairness and certainty.

Current CPRS limitations

The current CPRS proposal fails dismally in all the above criteria, particularly in relation to the waste industry, 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.

Legacy waste – perverse economic outcomes

The 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.

Attached at Appendix A is the emissions graph of an illustrative example only based on approved CPRS landfill gas emission measurement/estimation methods. It clearly highlights the relative size of emissions from both legacy waste and new waste. The graph also shows the impact of efficient landfill gas capture technologies implemented and typical relative benefits at reducing greenhouse gas emissions. It also seeks to highlight the perverse competitive impacts, particularly on older landfills and/or those which are close to closure. That is, have relatively less time to recoup large legacy waste emission liabilities as opposed to newer landfills with long future lives.

In some cases this will mean comparative pricing disparities between competing landfills of at least 45% to the benefit to the newer landfills with the dire impact on older landfills of making them simply uncompetitive.

Further support

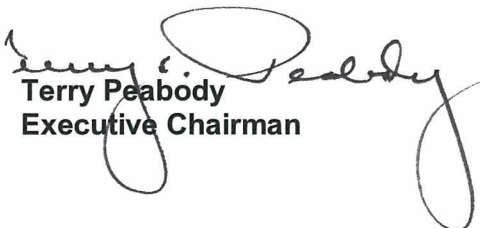
In further support of this submission, I attach the following information:

- Appendix B - Extract from Transpacific's Green paper submission specifically in relation to legacy waste,
- Appendix C - Australian Landfill Owners Association (ALOA) recent media releases.

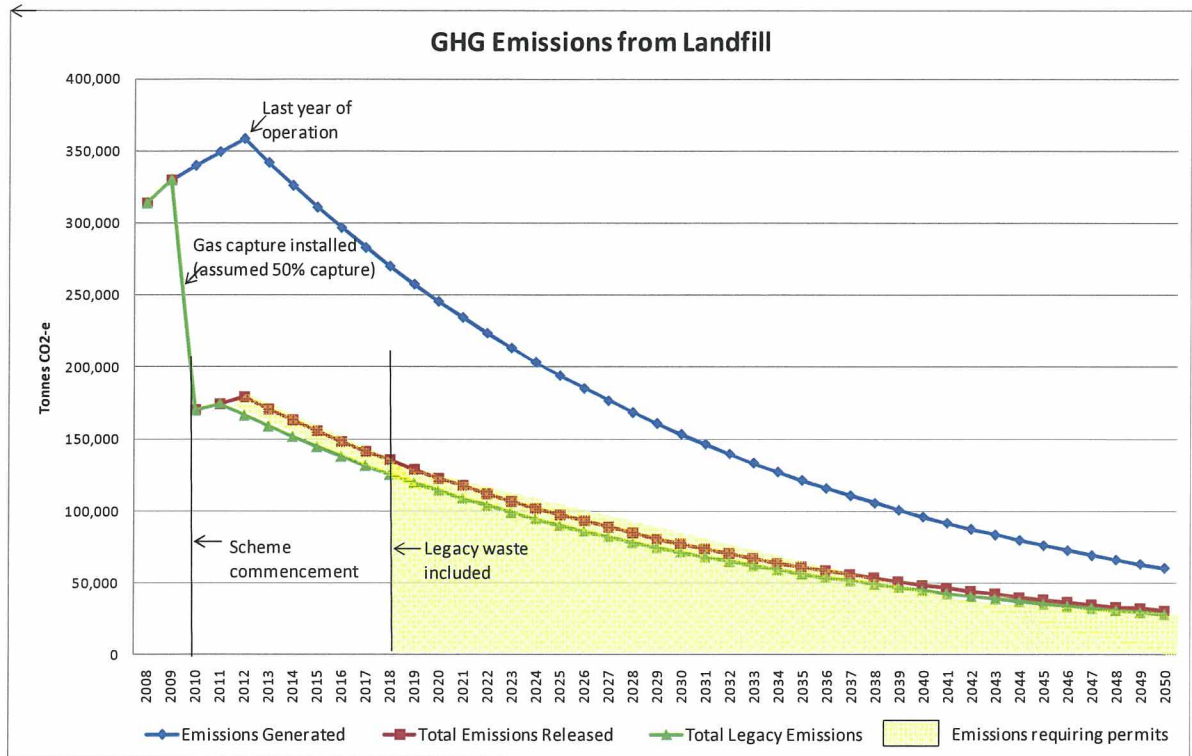
For further information in relation to this proposal, please contact Transpacific's General Manager Corporate Services, Mr Stephen Barnard (ph 07 3367 7360). We would be more than happy to also suggest some potential CPRS alternatives/enhancements for the waste industry. We have not listed them in this submission as we understand that CPRS policy recommendations are outside the scope of your review.

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

Yours faithfully,


Terry Peabody
Executive Chairman

Appendix A – Greenhouse Gas Emissions from Landfill – illustrative example only



In this illustrative example, both new waste and legacy waste emission liabilities will exist from the commencement of the scheme, but will need to be recouped by the landfill owner within 2 - 3 years due to short remaining landfill life. Newer landfills with longer remaining lives will have less legacy waste emission liability and a disproportionately longer timeframe upon which to recoup both new waste and legacy waste emission liabilities. This will create distorted cost recovery pricing which is both discriminatory and anticompetitive.

Appendix B - Extract from Transpacific's Green paper submission – September 2008

As owners and operators of some the largest waste management and landfill facilities in Australia we have the following concerns if Legacy Waste is to be included in the proposed CPRS:

- 1. 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, resulting in damage to landfill asset values and to the ability of the sector to attract capital for emissions reduction projects.*
- 2. That it is fundamentally unfair that current owners and their customers should have to pay for emissions from waste deposited in the past and not related to them.*
- 3. Landfills have different legacy waste emissions profiles due to their duration of operation and volume of material received. Including legacy waste emissions on the same basis as new waste could significantly distort competition in any waste market. It would have a significant and perverse disadvantage for older and bigger landfills over newer and smaller landfills.*
- 4. As a result of differential prices (point 3), 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.*
- 5. The inclusion of legacy waste in the CPRS is unfair to closed sites, or sites closing soon after the introduction of CPRS as these sites have no way of recouping or passing on the costs associated with green house gas capture or permit purchase.*

Our Recommendations

Recommendation 1(a)

Our primary recommendation is that legacy waste should not be covered by the CPRS.

In our view the landfill gate price increases and emission liabilities which will result from the application of the CPRS to new waste will provide sufficient financial incentive for the required changes in behaviour to achieve the CPRS' aim of reducing greenhouse gas emissions by encouraging:

- o Consumers to reduce waste produced;*
- o Less waste being sent to landfill*
- o Alternative waste treatments; and*
- o Landfill operators to maximise their gas recovery to reduce their carbon liability.*

Appendix C – Recent related ALOA media releases

Landfill gas fees to drive up rates

Stephanie Peatling
HOUSEHOLDS face an increase in council rates due to a quirk in the emissions trading scheme, which will charge landfill owners for retrospective greenhouse pollution.

From 2018 landfill owners will have to buy permits to cover the greenhouse gas emissions that come not just from newly dumped rubbish but also rubbish that has already been deposited and is still breaking down.

"There's already 200 million tonnes in the ground and half is

yet to decompose," a spokesman for the Australian Landfill Owners Association, Max Spedding, said.

Waste can take several decades to break down, leaving landfill operators with bills owing from decades of rubbish.

About 80 of the 550 landfill sites around Australia are expected to generate enough greenhouse gas emissions to have to participate in the emissions trading system, due to begin next year.

In recognition of the retrospectivity issue the Federal Government agreed to an eight-

year moratorium for landfill sites. This means that between 2010 and 2018 only the emissions from new rubbish will be counted under the scheme.

But after 2018 the emissions of all the rubbish in landfill will have to be counted.

Mr Spedding said landfill owners were not opposed to the system because they could pass on the cost of permits to customers for new rubbish.

"The price of landfill will go up based on the waste we are receiving. That will encourage generators to produce less," he said.

But they do oppose paying for emissions from rubbish already taken to sites, because they cannot pass on the charges to people who have already taken their waste to landfill sites.

The average cost of dumping a tonne of rubbish in landfill is about \$50.

The industry estimates predict the cost will rise to between \$60 and \$70 a tonne to cover the cost of permits.

But landfill operators will have to pay an extra \$10 a tonne to cover the cost of permits for old rubbish.

Mr Spedding says including old rubbish in the scheme is pointless because "it doesn't encourage any reduction in emissions".

The question of whether landfill operators should have to pay for retrospective emissions is an example of the tricky issues the Federal Government will have to confront as it refines its legislation creating the emissions trading scheme.

There have already been three parliamentary committees set up to look at the legislation before it is introduced into Parliament.

A spokeswoman for the Minister for Climate Change, Penny Wong, said the Government would listen to the industry's feedback on the draft legislation.

"The Government made clear its policy position on landfill sites in the white paper and the commentary to the exposure draft legislation," the spokeswoman said.

"The purpose of releasing draft legislation is to seek feedback on whether it accurately achieves the Government's policy objectives."

The Herald reported last month that more waste may end up going to landfill instead of being recycled as a result of the deterioration of the international economy.

The price for recyclable material has fallen dramatically since last October, leading to stockpiles of resources such as glass, cardboard, paper and scrap metals.

In some areas this has made it cheaper to send materials put out for recycling to landfill, rather than sending them to reprocessing plants.

'Uni's solar panel captures more light

Ben Cobby
Environment Reporter

NEW technology that was developed in Sydney and allows solar panels to capture more sunshine is expected to influence panel production around the world.

The technology is about to be demonstrated at the University of NSW. A world-first silicon solar cell production line will be built at the university, using funds from a German energy corporation and the Federal Government.

It is expected to help revitalise the local solar industry, which has been badly affected by the closure last year of its largest factory, run by BP Solar in Home-

greater precision when cutting the edges of wafer-thin silicon and aligning it to the metal frames that conduct electricity from the panel to the battery.

The work will be done at the university's new Solar Industrial Research Facility, which will focus on applying Australian research to commercial production.

"There have been a lot of people looking at solutions to these problems around the world for a long time, but I think we've got it," said Dr Richard Corkish, the head of the university's School of Photovoltaic and Renewable Energy Engineering.

The plant is designed to demonstrate technology and enhance the skills of industry workers, but it will also produce functioning panels that could be fitted to the university's buildings, Dr Corkish said. The new centre will be operational early next year.

"This is something we've dreamed of for many many years, and it's been a challenge putting it all together," Dr Corkish said. "But all the pieces seem to have fallen into place right now, and that's exciting."

A RAY OF POWER

- ▶ Only 0.1 per cent of Australia's electricity is generated by solar panels, and 40,000 households out of 8 million have them.
- ▶ Government rebates of up to \$8000 are available for households that install rooftop solar panels before June 30.



From: ALOA [ALOA@aloe.com.au]
Sent: Friday, 13 March 2009 1:58 PM
To: Undisclosed
Cc: info@aloe.com.au
Subject: ALOA Member Update

ALOA Member Update - 13/03/09

Media Release 12/03/09

Government in apparent political rush to finalise CPRS

SYDNEY, AUSTRALIA – Thursday, 12 March 2009: The Australian Landfill Owners Association (ALOA) said today that it is disappointed at the Government's apparent need to rush through the CPRS legislation sacrificing consistency between the CPRS legislation and its accompanying commentary.

Both the CPRS draft legislation, and its accompanying commentary state clearly that once a landfill emits 25,000 tonnes or more of CO₂eq it will be included in the scheme. The draft legislation goes on to say that if "at any time during the eligible financial year, the landfill facility is within the prescribed distance of another landfill facility that is open for the acceptance of waste" its threshold for inclusion will be 10, 000 tonnes of CO₂eq.

However the accompanying commentary contravenes this, stipulating that the two landfills within a prescribed distance of one another need to be "competing landfills accepting the same classification of waste."

ALOA spokesman Max Spedding said, "It is apparent that there is a rush to finalise this legislation and this has come at the expense of sound and consistent policy."

"Buried in the 392 pages of draft CPRS legislation there is a ticking time bomb for the landfill industry. It seems as if the nine months of consultation our industry has had with the Department of Climate Change has been largely ignored".

ALOA is also concerned about the issues associated with measurement techniques which have not been addressed by the Government. Current world's best practice techniques for measuring the amount of methane gas emanating from landfill had a significant margin of error of +/- 30 per cent.

Spedding said, "The methodology of estimating green house gas emissions from landfills is still out".

Experts within the landfill industry believe it will take at least three years until measurement techniques are refined to a point where that margin of error can be driven down.

"By 2012, we should be able to accurately measure the greenhouse gas from landfills", Spedding said.

But until that methodology is proven there is no way of accurately knowing whether estimates are too high or too low, compromising the effectiveness of the scheme, and potentially unfairly penalising every man woman and child in Australia who generates waste.

ALOA is also calling for legacy waste emissions to be fully excluded from the CPRS rather than partially excluded as proposed in the draft legislation.

Depending on climate conditions, organic material deposited in a landfill can take up to 50 years to fully decompose generating green house gas emissions throughout that period requiring the purchase of permits for emissions from this legacy waste means taxing current landfill users for emissions produced by decades of previous users.

“The inclusion of legacy waste emissions in the CPRS is akin to charging households today for the electricity generated for use by our parents. Owners of individual landfills could be stung with a carbon tax in the order of tens of millions of dollars each year as of 2018, without any revenue stream to pass on the costs.”

Some operators that cannot afford to pay will ultimately be forced out of business, sending their employees to straight to the dole queue.

ALOA said recently that it supports the Australian Industry Group’s call to suspend the start of the Carbon Pollution Reduction Scheme until 2012.

Media contact:

Max Spedding, ALOA, 0400 880 677 Josh Levin, 0412 533 382

About ALOA:

The Australian Landfill Owners Association (ALOA) is an incorporated entity comprising landfill owners across Australia sharing a concern for the future viabilities of the environment and their businesses.

Members of the Association receive and manage over half of the total solid waste generated in Australia. They provide services in waste disposal, waste treatment and resource recovery and employ over 12,000 people.

ALOA members operate a vast number of landfills across Australia and receive over 12 million tonnes of solid waste. These landfills employ state of the art technology to minimise any environmental impacts and generally capture methane generated by the decomposing waste to produce renewable electricity.

Top

ALOA Contact Details

ALOA's website can now be found at www.aloa.com.au

To contact ALOA please email: info@aloe.com.au

Australian Landfill Owners Association Ltd

ACN 126 573 779

Level 1, 150 Queen Street

Melbourne VIC 3000

T (03) 9602 1457

F (03) 9600 0783

E info@aloe.com.a



MEDIA RELEASE

For immediate release

Landfill operators support Australia Industry Group on Carbon Pollution Reduction Scheme suspension

SYDNEY, AUSTRALIA – Friday, 27 February 2009:

The Australian Landfill Owners Association (ALO A) today said it supports the Australian Industry Group's call to suspend the start of the Carbon Pollution Reduction Scheme until 2012.

ALO A Secretary Max Spedding said current world's best practice techniques for measuring the amount of gas emanating from landfills had a significant margin of error.

"Experts within the landfill industry believe it will take at least three years until measurement techniques are refined to a point where that margin of error can be driven down," Mr Spedding said.

"By 2012 we will better understand the reliability of current the greenhouse gas modeling techniques from landfills."

"But until new technology is proven there is no way of accurately knowing whether modeling estimates are too high or too low and potentially unfairly penalising the waste management sector and its customers.

"ALO A is working with Government to develop and refine more sophisticated measurement techniques but more time is needed if mistakes are to be avoided" Spedding said.

ALO A has also called for legacy waste emissions (emissions from waste landfilled before the scheme commences in 2010) to be fully excluded from the scheme rather than partially excluded as proposed in the CPRS White Paper. Depending on climate conditions, organic material deposited in a landfill can take up to 50 years to fully decompose generating green house gas emissions throughout that period.

ALO A believes that 'grandfathering' of legacy waste only until 2018 will severely impact on local government and owners operating older sites and as such calls on the Government to extend grandfathering to all legacy waste.

Spedding said, "The inclusion of legacy waste emissions in the CPRS is akin to charging households today for their electricity usage in 1990".

Media contact:

Max Spedding, ALO A, 0400 880 677

Josh Levin, Parker & Partners, 0412 533 382