



Committee Secretary  
Senate Select Committee on Fuel and  
Energy  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Your Ref	
Our Ref	ESP:CH
File	SU26626
Date	9 April 2009

Dear Sir/Madam

**Submission for the Senate Committee on Fuel and Energy – Direct and Indirect Implications of the Carbon Pollution Reduction Scheme (CPRS) on Wollongong City Council and the Community**

**BACKGROUND INFORMATION: WOLLONGONG LOCAL GOVERNMENT AREA**

Wollongong City Council Local Government Area (LGA) represents an area of approximately 715 square kilometres. The LGA is located 80 kilometres south of Sydney on a narrow coastal strip bordered by the Royal National Park to the north, Lake Illawarra to the south, the Tasman Sea to the east and the Illawarra Escarpment to the west. Wollongong's population is approaching 200,000.

Up until the early 1980s many of Wollongong's jobs were directly or indirectly linked to heavy industry (e.g. Port Kembla Steel Works). While heavy industry continues to contribute to the economy many new industries have established themselves in the Wollongong LGA (e.g. higher education and technology development sectors).

The current economic downturn has placed further pressure on the LGA's economy, particularly relating to the heavy industry and associated support sectors. Currently, Wollongong's unemployment rate has risen to 7.9% (March 2009; IRIS) and is predicted to rise further. Furthermore, the economic downturn has resulted in significant decreases in Wollongong's property values and the number of building approvals (both domestic and commercial).

Wollongong City Council is one of the largest local government authorities in Australia. Council employs over 1000 staff and has an annual expenditure budget nearing \$200 million. Wollongong Council manages and maintains a diverse asset portfolio including but not limited to natural areas, parks, sporting grounds, pools, historic sites, buildings and roads. In addition to asset management, Council provides the community of Wollongong with services such as technical advice on a diverse range of topics, development/planning assessments, regulation/enforcement and libraries.



## DIRECT IMPLICATIONS OF THE CPRS ON COUNCIL

Wollongong City Council operates several landfill sites across the Wollongong LGA. Whytes Gully, the largest facility, accepted between 95,000 to 100,000 tonnes of municipal and commercial/industrial waste per year, for the period 1999-2008. Under the CPRS Council will have significant financial liabilities in relation to the purchase of Australian Emissions Units (AEU).

If landfill rates at Whytes Gully are maintained and current GHG abatement practices are not changed, Council's financial liability for the first year (2010-2011 financial year) of the CPRS would be between \$391,000 (@ \$20/AEU) and \$783,600 (@ \$40/AEU) (Table 1a). Table 1b models the financial liabilities with the lifting of the legacy waste moratorium with AEU prices of between \$20 and \$60 per AEU. Note, due to limited data, Council is not in a position to calculate the financial liabilities associated with the operation of its Helensburgh facility. Council is in the process of obtaining a greater understanding of Helensburgh facilities waste composition prior to any calculations being made. The AEU costs modelled in tables 1a and 1b are speculative as it is not possible to predict the actual price of an AEU. However, for the first five years of the scheme the price will be capped at \$40 per AEU. Based on the modelling Council's GHG emissions, associated with Whytes Gully, increase to 129.27 kilotonnes by 2019 resulting in a liability of \$2.6 million (@ \$20/AEU) up to \$7.6 million (@ \$60/AEU). At current rates of fill Whytes Gully is expected to be operating until 2035. Peak GHG emissions will occur in 2036, a year after closure resulting in financial liabilities between \$2.8 million (@ \$20/AEU) and \$8.5 million (@ \$60/AEU). It is important to note Whytes Gully will continue to emit GHG beyond 2035 and will have ongoing financial liabilities under the scheme until 2065 (Table 1b). The modelling indicates Council's total financial liabilities for the period 2036 - 2065 range between \$38.8 million (@ \$20/AEU) to \$116.3 million (@ \$60/AEU).

It is acknowledged Council can reduce its financial liability under the CPRS in several ways. For example, Council could commission a waste composition study to more accurately quantify the sites GHG emissions, implement alternate waste management practices for the LGA (e.g. divert all organics) and methane extraction for flaring or power generation. However, developing/implementing these and other abatement strategies are resource intensive, costly and typically have long implementation timeframes. To action the above and other appropriate strategies, Council would incur significant costs. For example, a waste composition study for Council has been estimated to cost \$60,000. It is important to note waste composition studies have to be repeated on a regular basis if Council was to modify its landfill management practices, therefore altering the waste composition. By including waste management in the proposed emissions-intensive trade-exposed assistance program, the Government could assist Council and other landfill site managers to implement the necessary abatement strategies. This would be achieved by freeing up capital, for the implementation of strategies, which would be used under normal circumstances for the purchase of AEU. If Council and other landfill site managers were financially unable to implement GHG abatement strategies then the Government would have difficulty in meeting the objectives of the Bill i.e. meeting the agreed upon GHG emissions targets.

Due to increased operational costs of a landfill site under the proposed CPRS, Council will have to significantly increase its waste related charges e.g. the waste management component of Council rates and gate fees. As the CPRS includes all waste deposited prior to the reporting year, notwithstanding the legacy rules, and the likely variability of AEU prices, Council will have to review and increase its waste related charges frequently. At this point in time it is not possible to quantify the additional cost that will be imposed on ratepayers and other users of the site.



**Table 1a:** Prediction of Council’s financial liabilities under the CPRS, pre 1 July 2018, if landfill rates are maintained at 97 tonnes/year and current GHG abatement practices are not changed (predictions made using the Department of Climate Changes draft NGER solid waste calculator). Note it is not possible to predict long term AEU prices.

Financial Year Ending	Waste to Landfill (kt)	Co2-e (kt)	Financial Implication @ \$20 tonne	Financial Implication @ \$30 tonne	Financial Implication @ \$40 tonne	Financial Implication @ \$50 tonne	Financial Implication @ \$60 tonne
2009	97	0					
2010	97	10.25					
2011	97	19.59	\$ 391,800.00	\$ 587,700.00	\$ 783,600.00		
2012	97	28.14	\$ 562,800.00	\$ 844,200.00	\$ 1,125,600.00		
2013	97	35.97	\$ 719,400.00	\$ 1,079,100.00	\$ 1,438,800.00		
2014	97	43.17	\$ 863,400.00	\$ 1,295,100.00	\$ 1,726,800.00		
2015	97	49.81	\$ 996,200.00	\$ 1,494,300.00	\$ 1,992,400.00		
2016	97	55.94	\$ 1,118,800.00	\$ 1,678,200.00	\$ 2,237,600.00	\$ 2,797,000.00	\$ 3,356,400.00
2017	97	61.61	\$ 1,232,200.00	\$ 1,848,300.00	\$ 2,464,400.00	\$ 3,080,500.00	\$ 3,696,600.00
2018	97	66.87	\$ 1,337,400.00	\$ 2,006,100.00	\$ 2,674,800.00	\$ 3,343,500.00	\$ 4,012,200.00

**Table 1b:** Prediction of Council’s financial liabilities under the CPRS, post 1 July 2018, if landfill rates are maintained at 97 tonnes/year and current GHG abatement practices are not changed (predictions made using the Department of Climate Changes draft NGER solid waste calculator). Note \* = anticipated closure date of Whytes Gully.

Financial Year Ending	Waste to Landfill (kt)	Co2-e (kt)	Financial Implication @ \$20 tonne	Financial Implication @ \$30 tonne	Financial Implication @ \$40 tonne	Financial Implication @ \$50 tonne	Financial Implication @ \$60 tonne
2019	97	129.27	\$2,585,400.00	\$3,878,100.00	\$5,170,800.00	\$6,463,500.00	\$7,756,200.00
2020	97	130.28	\$2,605,600.00	\$3,908,400.00	\$5,211,200.00	\$6,514,000.00	\$7,816,800.00
2021	97	131.23	\$2,624,600.00	\$3,936,900.00	\$5,249,200.00	\$6,561,500.00	\$7,873,800.00
2022	97	132.14	\$2,642,800.00	\$3,964,200.00	\$5,285,600.00	\$6,607,000.00	\$7,928,400.00
2023	97	133	\$2,660,000.00	\$3,990,000.00	\$5,320,000.00	\$6,650,000.00	\$7,980,000.00
2024	97	133.8	\$2,676,000.00	\$4,014,000.00	\$5,352,000.00	\$6,690,000.00	\$8,028,000.00
2025	97	134.57	\$2,691,400.00	\$4,037,100.00	\$5,382,800.00	\$6,728,500.00	\$8,074,200.00
2026	97	135.31	\$2,706,200.00	\$4,059,300.00	\$5,412,400.00	\$6,765,500.00	\$8,118,600.00
2027	97	136.02	\$2,720,400.00	\$4,080,600.00	\$5,440,800.00	\$6,801,000.00	\$8,161,200.00
2028	97	136.68	\$2,733,600.00	\$4,100,400.00	\$5,467,200.00	\$6,834,000.00	\$8,200,800.00
2029	97	137.31	\$2,746,200.00	\$4,119,300.00	\$5,492,400.00	\$6,865,500.00	\$8,238,600.00
2030	97	137.92	\$2,758,400.00	\$4,137,600.00	\$5,516,800.00	\$6,896,000.00	\$8,275,200.00
2031	97	138.49	\$2,769,800.00	\$4,154,700.00	\$5,539,600.00	\$6,924,500.00	\$8,309,400.00
2032	97	139.03	\$2,780,600.00	\$4,170,900.00	\$5,561,200.00	\$6,951,500.00	\$8,341,800.00
2033	97	139.55	\$2,791,000.00	\$4,186,500.00	\$5,582,000.00	\$6,977,500.00	\$8,373,000.00
2034	97	140.04	\$2,800,800.00	\$4,201,200.00	\$5,601,600.00	\$7,002,000.00	\$8,402,400.00
2035*	97	140.5	\$2,810,000.00	\$4,215,000.00	\$5,620,000.00	\$7,025,000.00	\$8,430,000.00
2036	0	140.95	\$2,819,000.00	\$4,228,500.00	\$5,638,000.00	\$7,047,500.00	\$8,457,000.00
2037	0	131.12	\$2,622,400.00	\$3,933,600.00	\$5,244,800.00	\$6,556,000.00	\$7,867,200.00
2038	0	122.18	\$2,443,600.00	\$3,665,400.00	\$4,887,200.00	\$6,109,000.00	\$7,330,800.00
2039	0	114.02	\$2,280,400.00	\$3,420,600.00	\$4,560,800.00	\$5,701,000.00	\$6,841,200.00
2040	0	106.54	\$2,130,800.00	\$3,196,200.00	\$4,261,600.00	\$5,327,000.00	\$6,392,400.00
2050	0	57.11	\$1,142,200.00	\$1,713,300.00	\$2,284,400.00	\$2,855,500.00	\$3,426,600.00
2060	0	32.44	\$648,800.00	\$973,200.00	\$1,297,600.00	\$1,622,000.00	\$1,946,400.00
2065	0	24.76	\$495,200.00	\$742,800.00	\$990,400.00	\$1,238,000.00	\$1,485,600.00

### INDIRECT IMPLICATIONS OF THE CPRS ON COUNCIL

Implementation of the CPRS will have significant indirect financial implications for Council. At the time of writing Council is not in a position to quantify the indirect costs. However, it is anticipated that the CPRS will significantly increase Council’s operating costs. Some of the key areas of concern for Council include but are not limited to:

- Increased cost of utilities as suppliers pass on their operational cost increases;
- Increased fleet purchase, maintenance and operating costs;

The impacts of a major down turning or closure of Wollongong's steel industry should not be downplayed. On top of the approximate 9,000 staff and contractors employed by BlueScope, there are a large number of businesses which rely on Bluescope as their major client. The flow on effect to these businesses would be substantial as the loss or severe downscaling of orders from BlueScope may threaten their overall viability.

Thank you for providing Council with the opportunity to submit the above information pertaining to the direct and indirect implications of the proposed CPRS on Council and the community.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'David Farmer', written over a thin horizontal line.

David Farmer  
**General Manager**  
Wollongong City Council