

## Changes to the treatment of waste under the proposed CPRS

In early May, the Government announced it will delay the proposed Carbon Pollution Reduction Scheme (CPRS) by one year, from a start date of 1 July 2010 to 1 July 2011 and a number of key changes to the CPRS. Just last week, additional changes were announced that will change the treatment of waste under the CPRS.

The following outlines the key differences from the White Paper as they relate to the waste industry.

## What are the key changes and implications?

### Start date:

The start date has been delayed by one year to 1 July 2011, compared to the original start date of 1 July 2010.

This will give entities greater time to prepare for the scheme including establishing their emissions measurement methodologies and developing abatement technologies. Landfill operators now have the opportunity to understand and manage the financial and operational implications **ahead** of the commencement of the CPRS, and to incorporate it into their Business Planning Framework. The development and implementation of an integrated **Carbon Management Strategy** aimed at reducing an organisation's carbon liability and costs whilst enhancing its overall position is a most effective approach in minimising the impacts and exploiting potential opportunities.

### Target:

The 5% reduction compared to 2000 emissions by 2020 remains the same if no international agreement is reached in Copenhagen. If, however, a comprehensive international agreement is reached, the upper target would increase from 15% to a 25% reduction by 2020. Such a deal would include the major developing economies and a trajectory towards 450 ppm. Such higher targets would, however, put upwards pressure on the price of Permits and the costs of other goods and services.

### Carbon Price:

Year 2011/12 will have a fixed price of \$10 per tCO<sub>2</sub>e with the transition to full market trading from 1 July 2012. This means there will be an unlimited amount of permits available at \$10 for year 2011/12 only, compared to a previously unlimited amount of permits at \$40 (i.e. the penalty rate). The \$10 first year price cap on permits will assist organisations in the transition to an Emissions Trading Scheme and risks associated with trading commodities. No changes to the 100% availability to import overseas permits (CER, ERU & RMU) have been identified.

### Legacy Emissions:

Under the changes announced last week, landfill operators will not be liable for legacy emissions (i.e. emissions from waste placed prior to the commencement of the scheme). In the White Paper, legacy emissions were only excluded until 2018. With the announced changes, landfill operators will now only have a liability for waste **placed after the commencement of the scheme**. This will enable landfill operators to recoup the costs associated with future liabilities of carbon emissions.

Legacy emissions, however, will **still be counted towards your reporting obligations** and the participation threshold.



### **Prescribed Distance Rule:**

The Prescribed Distance Rule has been maintained in the revisions to the CPRS. Under this rule, landfills within a 'prescribed distance' of a landfill which meets the 25 kt CO<sub>2</sub>-e threshold would have a lower **participation threshold of 10 kt CO<sub>2</sub>-e**. The actual 'prescribed distance' has not been released yet and will be included in the Scheme regulations. This will avoid displacement of waste from covered sites to sites not covered by the scheme.

### **Funding Support Measures:**

Funding has been increased for energy efficiency projects with an additional **\$200 million** of funding announced. Waste projects will be eligible to access the Climate Change Action Fund to implement new low emissions technologies. This fund will assist with overcoming capital investment barriers to energy efficiency projects and reduce their carbon liability. Energy Efficiency will be a key platform in mitigating the effects of increasing energy **costs** that will result from various Federal & State Government initiatives such as the Expanded Mandatory Renewable Energy Target, NSW Energy Efficiency Scheme and the up-coming CPRS.

### **NGER:**

The National Greenhouse and Energy Reporting (NGER) Act 2007 and the National Greenhouse and Energy Reporting (NGER) Regulations 2008 **generally remain unchanged**. Organisations must adhere to the previously stipulated timeframes for registering (31 August 2009) and reporting (31 October 2009) should they exceed the Corporate or Facilities thresholds. However, **definitions around participation have been clarified** as any "entity" that meets the participation threshold. This broader definition would include local government agencies who meet participation thresholds.

Discussions with industry around emission estimation methods continues.

## What does this mean for you?

With the announced changes to the CPRS, it is the perfect time to better prepare for a carbon constraint, to identify and quantify the emissions reduction opportunities available in your business, prepare submissions for funding, refine your emissions inventory calculations and data collation processes and develop a strategy to manage your exposure to carbon regulation. Such a strategy can address cash-flow risks or managing carbon liabilities after landfill closure.

AGL Carbon Management Services has both the experience and expertise to assess the risks and opportunities in a low carbon future and assist its customers in cost-effectively managing their obligations. AGL has numerous collection, flaring and generation assets at landfills around the country. More specifically, AGL can assist you with:

- NGER Reporting
- Energy Efficiency and Funding
- Landfill Gas Collection, Flaring and On-Site Generation
- Integrated Carbon Strategy Development & Implementation
- Trading & Risk Management

If you would like further information or assistance in relation to any of these matters, please contact AGL Carbon Management Services ([carbonmanagementservices@agl.com.au](mailto:carbonmanagementservices@agl.com.au)):



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