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ERF Governance, ERF Division  
Department of the Environment  
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To whom it may concern,

### **ACOR's submission on the ERF Methodology for Alternative Waste Treatment**

The Australian Council of Recycling (ACOR) welcomes the opportunity to provide input into the proposed Emissions Reduction Fund (ERF) Methodology for Alternative Waste Treatment (AWT). In particular, ACOR is concerned that the methodology as drafted has some unintended consequences and may discourage recycling in some jurisdictions. There is also the potential for this methodology to provide a precedent for other methodologies which may be developed in the waste and recycling sector.

#### **1. Introduction & Background**

Recycling and alternative waste treatment (AWT) have previously been recognised nationally and internationally as significant sources of emissions abatement. Within Australia, it has been stated that recycling is responsible for over 15 million tonnes CO<sub>2</sub>-e of emissions abatement per annum<sup>1</sup> (2.7% of national emissions<sup>2</sup>). A global marginal abatement cost curve (MACC) for the waste industry also found that recycling is one of the lowest cost and largest scale abatement opportunities available to the waste sector. As such, it is vital that the final design of the ERF facilitates the full participation of the recycling and AWT sector. Doing so

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<sup>1</sup> Sourced from *The Australian Recycling Sector* – a report by Net Balance for the Department of Sustainability, Environment, Water, Population and Communities – January 2012 (<http://tinyurl.com/kcuyb2w>)

<sup>2</sup> Based on latest national emissions excluding LULCF sourced from *Australian National Greenhouse Accounts: Quarterly Update of Australia's National Greenhouse Gas Inventory – June Quarter 2013* (<http://tinyurl.com/o9zzwbs>)

will enable the generation of high volumes of relatively low cost abatement that also achieves significant additional economic, environmental, and social benefits.

## **2. Baseline Provisions in the draft AWT Methodology**

ACOR notes that the Department has specifically requested input on the provisions relating to the baseline. The proposed method is to compare the project against the state average landfill gas capture. While this is simple and easy to understand, it is not consistent with the reality that most landfill gas extraction projects are themselves eligible for ACCUs under the ERF, even if they are capturing less than the state average – because landfill gas extraction is compared against a lower, “regulatory” baseline. As currently drafted, this baseline setting has two major issues:

1. It gives perverse carbon outcomes, for example by giving more credits to a landfill gas extraction project in the ACT (or in any other state where landfills have a high gas capture rate) than to an AWT, even if the AWT is more effective at carbon abatement.
2. It distorts the recycling market. There are a wide range of waste & recycling options available in Australia, all in competition for a largely fixed supply of waste. In this specific case the comparison is between AWT and landfill, but the principle of using differing carbon baselines for different technologies will influence the pricing of different disposal and recycling options.

The combined effect of these issues is that the methodology as drafted will not assist, and in some cases may negatively affect, the potential to increase recycling through Alternative Waste Treatment.

## **3. Precedent for Other Methodologies**

As outlined above, the draft AWT methodology has the potential to prevent the development of AWT facilities in Australia due to the proposed baseline. This baseline is doubly concerning when future methodologies are considered. As ERF methodologies are developed for other waste diversion and recycling activities, the AWT method is likely to be used as a precedent and thus appropriate selection of the baseline for this methodology is critical.

## **4. Conclusion and Recommendations**

ACOR recommends altering the methodology to provide a baseline for all waste methodologies that prevents these unintended consequences. While there are several alternatives that would achieve this aim, the critical concern is that any technology should be

assessed purely on its ability to reduce emissions, rather than granting special consideration to particular options.

Yours sincerely,

A handwritten signature in black ink, appearing to read "G. Musgrove". The signature is fluid and cursive, with a large initial "G" and a long, sweeping underline.

**Grant Musgrove**

Chief Executive Officer, ACOR