



Mr David Fredericks PSM
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Submission via [online portal](#)

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Dear Mr Fredericks

Re: Periodic Review of the Alternative Waste Treatment Method

Thank you for the opportunity to provide feedback to the Emissions Reduction Assurance Committee (ERAC) on the feedback on the ACCU Scheme Carbon Credits (Carbon Farming Initiative– Alternative Waste Treatment) Methodology Determination 2015 (the AWT method) compliance with the Offset Integrity Standards as set out in the *Carbon Credits (Carbon Farming Initiative) Act 2011* (the Act) and associated matters including outstanding issues identified in previous reviews but not yet actioned (*“Review of the Alternative Waste Treatment Method”*). The AWT method is due to expire on 31 March 2025 and the insights gained from this consultation will inform potential revisions to the new AWT method, should the method be remade.

The Waste Management and Resource Recovery Association of Australia (WMRR) is the national peak body representing Australia’s \$17 billion waste and resource recovery (WARR) industry. With more than 2,300 members from over 410 entities nationwide, we represent the breadth and depth of the sector, including representation from business organisations, the three (3) tiers of government, universities, and Non-Government Organisations (NGOs), including research bodies.

Our members are involved in a range of important WARR activities within the Australian economy, including infrastructure investment and operations, collection, manufacturing of valuable products from resource recovery, energy recovery as well as community engagement and education. Being at the forefront of the ongoing evolution towards a whole-of-system WARR approach and the development of a circular economy, WMRR strongly advocates for a systems-based approach to managing materials in Australia aimed at ‘using less for longer’. This includes fierce advocacy of the waste and resource management hierarchy, which promotes the avoidance of waste, and supports materials circulating through preference for the reuse, recovery, recycling and composting of appropriate resources, ensuring the diversion of suitable materials from landfills. Resource recovery necessarily mitigates negative carbon impacts and promotes its sequestration.

The WARR sector provides an essential service – managing those materials that are discarded in a manner that is safe for the environment and human health. Genuine carbon abatement occurs when reliance on virgin materials are reduced (given we know that up to 80% of emissions can come from the extraction process) and when materials that are destined for landfill are able to be processed in a way that enables beneficial reuse or the recovery of materials from that process (including the production of biomethane, biogas or other energy). It cannot be overstated that resource recovery facilities offer obvious measurable environmental benefits to avoid methane and carbon emissions.

A significant challenge faced by the WARR sector is that Australia still very much operates in a linear model - ‘take, make, dispose’, with little obligation on those that make or design products to take responsibility for

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circularity of products. As a result, Australia has low material productivity (when compared with other OECD nations) and generally treats the cost of managing waste as a negative externality. Alternative technologies for resource recovery are vital to keeping materials circulating, when compared to landfilling, however are necessarily more capital intensive, and thus, landfilling is sometimes seen as a more cost-effective option for managing used resources, which fails to understand the broader emissions or economic impact (for example job creation) of disposal.

WMRR acknowledges the important role that the existing ACCU scheme has played in reducing the WARR sector's carbon emissions by helping abatement projects become economically viable. At present, not enough resource recovery facilities are being built to meet national resource recovery targets, however the ACCU scheme could play a critical role in assisting the WARR industry support the transition to a circular economy by providing a reliable financial incentive for industry and investors to facilitate projects that divert material from landfill. In the absence of economic incentives for industry and the community to grow market demand for recovered resources and take measures to mitigate carbon, it becomes increasingly difficult for WARR infrastructure projects – such as alternative waste treatment facilities and Energy from Waste (EfW) projects – to gain traction and security from private investors. ACCUs are fundamental to facilitate the process for participants to monetise their project. The measurable financial benefits of genuine abatement via carbon credits is a vital part to getting projects over the line so that they reach financial close and eventuate.

This AWT method is particularly important as it covers those technologies (enclosed composting facilities, anaerobic digestion and process engineered fuel manufacturing) that divert from landfill and reduce reliance on virgin materials, whilst also producing beneficial by-products such as biogas, biomethane and alternative fuels to displace fossil fuel usage. Climate Change and Energy Minister Chris Bowen has articulated that Australia's emissions "need to fall faster in the future" and there has been increased attention played to decarbonizing the electricity sector as much as possible. WMRR reiterates that the WARR sector can also contribute to the power offset, with AWT technologies resulting in genuine carbon abatement that would not have otherwise occurred, including through the capture of heat and energy that is used to co-generate WARR operations on-site or reinvested back into local supply networks. In this regard, the scope for EfW technologies to be included within the broader method should not be disregarded.

In WMRR's view - given the expense and long-term commitment required to establish these types of facilities – it is essential that the AWT method is remade with improvements that facilitate the WARR sector in transitioning to a circular economy and meeting net zero targets. WMRR contends that anything government can do to shift the financial balance – to make these technologies more appealing over disposal – must be encouraged, not just to meet National Waste Action Plan targets but also to mitigate carbon and methane emissions. The framework for the ACCUs has already proven itself to abate carbon emissions, and it follows that remaking the AWT method – can further increase carbon abatement.

In its review of the AWT method, WMRR makes the following recommendations:

- i. The crediting period should be remade so that it better reflects the lifespan and operations of AWT facilities.*

WMRR contends that the crediting period should be substantially changed in order that the period is extended to at least 20 years, to better reflect the life of AWT projects, with credits being issued in the years they are earned, rather than issued over an extended accounting period. The financial payments under the ACCU methods should not be underestimated in terms of assisting the cost-benefit analysis of proponent projects. However, the current crediting period, which at seven (7) years, with an 18- month development period, is

insufficient for the life, cost or risk of AWT assets, both independently and relative to the landfill assets they can at times compete with for incoming waste.

WMRR notes that a large proportion of existing projects have not benefited from their full crediting period because of delays in the construction and commissioning phases. Seven (7) years is not sufficient for the scale and complexity of these projects. The evidence regarding why a greater than 20-year crediting period is appropriate for assets with more than a 20-year lifespan is self-explanatory, and WMRR notes the uncertainty in the market with regard to the economic viability of operating currently registered projects continuing beyond the end of their existing crediting periods. Longer crediting periods would benefit investment certainty and returns for a sector that competes with landfill (which is currently relatively inexpensive, and with lower operating costs and lower commercial risk) noting that landfilling is also flat-lining (at about 38% of waste materials) which is not what Australia needs to meet either carbon or resource recovery targets.

WMRR appreciates that ERAC has looked into extending the crediting period for other ACCU Methods (such as the wastewater variation method and the landfill gas method - both of which do not impact facilities with as high operational and maintenance costs as AWT facilities). Given the higher order outcomes of AWTs for a long asset life (of up to 25 years in most cases, and sometimes longer), it is reasonable to expect that the carbon mitigated by an AWT facility for that an extended period would be reflected in the ACCUs earned. WMRR again reiterates that the eligible activities under the AWT method are capital intensive and long-term projects - similar to the [carbon capture and storage method](#) projects which allow for a 25-year crediting period and up to five (5) years between project registration and the commencement of the crediting period. WMRR believes the same crediting provisions should apply, the start of the crediting period should be allowed to be up to at least three (3) years following registration to allow proponents to have time to reach final investment decision (FID), construct and commission projects.

Furthermore, WMRR endorses the removal of the extended accounting period (accrual) in order that credits are paid in the year they are earned. This would enable reporting on ACCUs issued to directly reflect the carbon abated - and provide better insight for government on the scheme's success and also provide statistical motivation for further participation in the scheme, with the financial and environmental benefits of participation aligning more clearly with financial reporting measures including year on year operational costs. For example, WMRR understands from its members that when forecasting, the revenue generated from the ACCUs forms a component of the income per tonne of eligible waste at eligible facilities. Whilst gate rate can be subject to competitive tender processes and negotiation, the security of the ACCUs is a reliable return that can help projects reach financial close. WMRR anticipates that its members will be making unique submissions with project examples supporting this stance.

WMRR believes that removing the complexity of the extended accounting period will further promote investor certainty and improved landfill diversion and carbon abatement year on year, further incentivising increased carbon abatement as operations continue. This somewhat 'streamlined' approach reflects the long-term nature of these projects and should promote security and certainty for investors by enabling a more adequate timeframe to generate the financial return required to rationalise investment in new equipment and/or pay for audits and scheme compliance.

ii. The remade method should be based on state-based landfill gas capture rates

State based landfill gas capture rate should apply given that waste policy is driven at a state level. Clarity and consistency with state-based frameworks should be encouraged to avoid confusion and mitigate the risk of under-performing facilities benefiting from a national average rather than striving to meet their state targets. Whilst it is appreciated a national average would be more streamlined to facilitate by ERAC, state-based landfill gas capture rates are preferred given each state prioritises its own waste policies that can have a real impact on

emissions levels, for example states are taking a different path between now and 2030 to diverting organics from landfill, which will have a real impact on emissions and gas capture, with some meetings targets and others possibly not.

iii. The additionality of new projects is considered under the revised method

Significant capital and operational expenditure increases since 2015 have impacted AWT asset development and operating environments. Industrial land, building costs, plant and equipment, labour, utilities, insurance have all materially increased well above inflation rates and this should be considered in the revised method in order that additional projects are incentivised under the scheme. WMRR notes that the consultation paper has considered previous statistics based on registered projects and ACCUs issued. Given that AWT projects currently are required to wait seven (7) years after diversion to receive their full credits, this analysis seems misleading – noting that if the ACCUs were issued in the year they were earned, there would be a much more accurate reflection of the carbon abatement achieved to date.

Given the longevity of AWT assets, and their high operating costs over a sustained period, WMRR contends that it is unlikely that AWT assets would be incentivised sufficiently if ACCUs were not available. Furthermore, estimates of the potential abatement for broader uptake of AWT assets is significant, particularly as waste projections increase - with an additional 13-14 million tonnes per annum of CO₂-e that could be abated if the AWT industry is supported appropriately. In accord with the waste management and resource recovery hierarchy, disposal - that is landfills - are the least preferred option for waste, and AWT's provide a pathway to higher order uses for the waste stream, and as such should be positively encouraged. State based waste levies alone are not sufficient to make landfill less appealing. We require greater regulatory intervention as well as ACCUs for AWTs to help close the financial gap.

iv. WMRR would support revisions to the method that broaden eligible technologies to include all those that abate carbon from material that would otherwise be sent to landfill

Put simply, it is WMRR's view that processing of waste materials and adoption of recycled products (as opposed to waste disposal at landfill) that leads to genuine carbon abatement should be encouraged under the ACCU scheme. The existing provisions for measuring and verifying abatement estimates are fit for purpose, however, limiting the scope of technologies is an unnecessary barrier to participation. It is WMRR's view that the emissions reductions arising from broader alternative waste treatment technologies should be considered as a second stage to this review.

WMRR is supportive of the remaking of the AWT method that sees it drafted as a more generic 'Waste Diversion and Resource Recovery' method, under which the eligible activities under the method should:

- be technology agnostic to include other technology that achieves the goals of diverting waste to landfill, that cannot otherwise be recovered or reprocessed for a higher order use.
- expand the activities to cover the processing of any type of waste, as the origins of the waste and how it is collected will have no impact on the carbon abatement achieved, as long as that waste was destined to be sent to landfill.
- include guidance on how to properly account for the associated process emissions, fuel and electricity.

However, if this needs to be deferred to a second stage to not delay the remaking of the current method, WMRR would support that given current projects are relying on the existing method. It follows that WMRR would support the inclusion of biomethane activities within the remade method.



WMRR reiterates its earlier comment that the method should be technology agnostic. Technologies including anaerobic digestions (AD) and other EfW projects should be incentivised by the scheme. Furthermore, decarbonising Australia's gas supply aligns with the objectives of the ACCU scheme so if a project proponent decides, for example, to use AD as a technology and sell the gas to displace natural gas (whether to a pipeline or a client facility), they should be accounting for this additional benefit.

It is hoped that the continuation of the AWT Method with substantial changes will encourage increased WARR industry participation in the ACCU scheme so that the financial incentives of carbon abatement activities can be fully realised and result in the further reduction of the WARR industry's carbon emissions and decreased dependence on landfill.

Yours sincerely

Gayle Sloan

Chief Executive Officer

Waste Management and Resource Recovery Association of Australia