

EMISSIONS REDUCTION ASSURANCE COMMITTEE

Submission Template

Emissions Reduction Fund Crediting Period Extension Review

Carbon Credits (Carbon Farming Initiative—Landfill Gas) Methodology Determination 2015

Overview

Projects registered under the landfill gas method receive credits over a seven year period. The Emissions Reduction Assurance Committee is reviewing the landfill gas method to decide whether it is appropriate to extend the crediting period for eligible offsets projects.

In reviewing the method, the Committee must have regard to whether eligible offsets projects covered by the method continue to result in carbon abatement that is unlikely to occur in the ordinary course of events (**section 133(1)(a)** of the *Carbon Credits (Carbon Farming Initiative) Act 2011*).

The Committee is conducting public consultation to assist its review. In particular, the Committee seeks feedback on whether eligible offsets projects covered by the method result in carbon abatement that is unlikely to occur in the ordinary course of events.

Please use this submission template to provide your comments on the crediting period extension review of the *Carbon Credits (Carbon Farming Initiative—Landfill Gas) Methodology Determination 2015*. When providing your response please include relevant details, evidence and reasoning to support your conclusions.

Contact Details

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Confidentiality

All submissions will be treated as public documents, unless the author of the submission has requested the submission not be published on the grounds its publication could reasonably be expected to substantially prejudice the commercial interests of the author or another person. Public submissions will be published in full on the Emissions Reduction Assurance Committee website, including any personal information of authors and/or other third parties contained in the submission. Confidential submissions will not be published but will be provided to the:

- Emissions Reduction Assurance Committee
- Department of the Environment and Energy

If any part of the submission should be treated as confidential then please provide two versions of the submission, one with the confidential information removed for publication. Please note that a request made under the *Freedom of Information Act 1982* for access to a submission marked confidential will be determined in accordance with that Act.

Do you want this submission to be treated as confidential? Yes No

Submission Instructions

Submissions should be made by **close of business** on the day the public consultation period closes for the review. This date will be specified on the website. The Emissions Reduction Assurance Committee reserves the right not to consider late submissions.

Where possible, submissions should be lodged electronically, preferably in Microsoft Word or other text based formats, via the email address – EmissionsReductionSubmissions@environment.gov.au
Submissions may alternatively be sent to the postal address below to arrive by the due date.

Emissions Reduction Assurance Committee Secretariat
Department of the Environment and Energy
GPO Box 787
CANBERRA ACT 2601

Name of method: *Carbon Credits (Carbon Farming Initiative—Landfill Gas) Methodology Determination 2015*

Would landfill gas capture and combustion activities undertaken under the Emissions Reduction Fund Landfill Gas method continue after the end of the seven year crediting period if they were not eligible to receive Australian Carbon Credit Units (ACCUs)? Please provide evidence to substantiate your response.

AGL Energy Services Pty Limited, a subsidiary of AGL Energy (**AGL**), has nine landfill gas electricity generation facilities, seven of which are contracted under the Emissions Reduction Fund (located at Woy Woy, Kincumber, Shoalhaven, Glenorchy, Hobart, Kemps Creek and Rockingham) (**AGL's contracted landfill gas capture and combustion facilities**).

AGL's contracted landfill gas capture and combustion facilities receive Australian Carbon Credit Units (**ACCUs**), which were awarded at the first auction conducted under the Emission Reduction Fund in 2015 and extend through until 2022. Over that seven year period, AGL's contracted landfill gas capture and combustion facilities will provide around one million tonnes of carbon abatement.

AGL considers the extension of the crediting period for eligible landfill gas and combustion beyond the seven year period provided under *Carbon Credits (Carbon Farming Initiative – Landfill Gas) Methodology Determination 2015* to be important to the continuation of AGL's contracted landfill gas capture and combustion facilities.

Monetising carbon is one of the key components of the business case that underpins AGL's contracted landfill gas capture and combustion facilities. Policy uncertainty associated with the potential non-extension of the crediting period has serious implications for the long-term viability of these assets. Accordingly, in AGL's view, the continuation of these activities would be uncertain in the absence of eligibility to receive ACCUs at the end of the seven year crediting period.

Do state and territory landfill gas regulations require landfill gas capture and combustion activities undertaken under the Emissions Reduction Fund Landfill Gas method to continue, even if projects are no longer eligible to receive ACCUs?

AGL currently provides landfill gas capture and combustion facilities to customers in New South Wales, Tasmania and Western Australia. AGL understands that the implementation of landfill gas capture and combustion activities will be relevant to customers' compliance with planning approvals and environmental requirements in each jurisdiction. The requirements that apply will vary depending on the particular project and its location.

Have installation and maintenance costs of landfill gas capture and combustion projects changed over time? If so, by how much?

Since the award of ACCUs with respect to AGL's contracted landfill gas capture and combustion facilities in 2015, AGL has made a capital expenditure investment of \$2M in relation to its Rockingham facility, installing one additional engine and thereby expanding the power station's capacity from 3MW to 4MW.

More broadly, AGL has not observed any noticeable changes in the installation and maintenance costs associated with AGL's contracted landfill gas capture and combustion facilities.

Has the technology for landfill gas capture improved since the Landfill Gas method was made, making landfill gas capture activities more cost effective? Please describe the nature and scale of change, including supporting evidence where available.

In AGL's view, since the Landfill Gas method was made, there have not been any reportable improvements in the technology for landfill gas capture that would make landfill gas capture activities more cost effective. Over that period, the standard of technology and its cost has remained at a consistent level.

AGL further observes that the technology for landfill gas capture remains uniform across the sector.

What other sources of revenue are available to landfill gas projects? Has the revenue from landfill gas capture and combustion projects improved such that the activity is more cost effective? Please provide evidence to support your response.

AGL's contracted landfill gas capture and combustion facilities are contracted to the Emissions Reduction Fund. Accordingly, AGL is not in a position to comment on the effect of other sources of revenue on the cost efficiency of AGL's landfill gas capture and combustion facilities.

Have reputational benefits or other positive outcomes from landfill gas projects changed such that proponents would continue projects in the absence of funding under the Landfill Gas method? Please describe benefits and positive outcomes.

AGL's contracted landfill gas capture and combustion facilities were developed in the 2000s with the intent of creating greenhouse gas abatement under previous government schemes and were required to satisfy robust additionality rules of those programs at the time of their accreditation. In the interests of avoiding penalising early movers in the delivery of carbon abatement, AGL considers it to be appropriate that the current crediting period be extended.

AGL has not observed any substantial changes in reputational benefits or other positive outcomes from landfill gas projects such that AGL's contracted landfill gas capture and combustion facilities would continue in the absence of funding under the Landfill Gas method.

Given your knowledge and experience of projects operating under the Emissions Reduction Fund, would you invest in a new landfill gas project in the absence of the Emissions Reduction Fund?

AGL has not observed any material changes to the business operating environment such that AGL would consider investing in a new landfill gas project in the absence of the Emissions Reduction Fund.

As noted above in response to Question 1, AGL considers eligibility to receive ACCUs as critical to the decision to invest in a new landfill gas project. The creation of greenhouse gas abatement under previous government schemes was a core consideration in the development of AGL's contracted landfill gas capture and combustion facilities.

What lessons did you learn from the establishment and ongoing operation of your existing landfill gas project(s) that would impact your decision to invest in new projects?

Throughout the establishment and ongoing operation of AGL's contracted landfill gas capture and combustion facilities, AGL has not observed any material changes to the business operating environment that would impact upon a decision to invest in new projects.

AGL has learnt a number of lessons in relation to operational restraint issues including accurately measuring gas volumes. In AGL's view, these considerations would have a limited impact on a decision to invest in new projects.