



12 February 2015

Department of the Environment
By email: repeal-consultation@environment.gov.au

Dear Sir/Madam

Re: Use of Early Collected Carbon Price Revenue

The Southern Sydney Regional Organisation of Councils (SSROC) is an association of sixteen municipal and city councils. SSROC provides a forum for the exchange of ideas between our member councils, and an interface between governments, other councils and key bodies on issues of common interest. Together, our member Councils cover a population of over 1.6 million, or one third of the population of Sydney.

All SSROC member Councils paid the Carbon Price due on the waste that was disposed to landfill during the period of the operation of Carbon Pricing Mechanism (CPM) to their landfill services operators. That price included allowance for the anticipated future liability. SSROC is keen for this revenue to be returned to the Councils so that they can in turn refund it to the residents of the LGA.

We therefore support the preferred approach: “Landfill operators should refund customers where it is possible to do so”.

However, we also understand that this may not always be possible, particularly where a waste stream has been consolidated with others before being transported to the landfill site. SSROC therefore understands that refunds may be impossible to calculate. For those funds we support the alternative: “to ensure that end consumers will benefit, funds should be invested to reduce greenhouse gases”.

SSROC supports the key principles of simplicity, transparency and additionality. However we do not support the principle of voluntary participation. The revenue has been raised from households via Councils for the purpose of reducing greenhouse gas emissions. If the revenue cannot be refunded, then it should be use for the purpose for which it was originally raised. On no

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account should landfill operators be permitted to use the revenue for any other purpose, such as their normal operating costs.

(a) Which would be preferable, an abatement-based approach or a revenue-based approach?

(b) If an abatement-based approach, what is a reasonable proxy price to use?

When the CPM was being introduced SSROC commissioned confidential research to validate that charges proposed to Councils were reasonable. We found that the values being applied to the future carbon liability varied significantly between operators. To use the same proxy price for all operators would be unfair to some and overly generous to others. We therefore suggest that landfill operators should be required to calculate the level of investment using the same values as they used to calculate the future liability. SSROC therefore supports the use of a revenue-based approach.

Legal or commercial impediments to landfill operators disclosing the value of the funds held.
The nature of the operator's assumptions may have been considered to be confidential when the future liabilities were being calculated, but that information can no longer be considered to be commercially sensitive. SSROC therefore does not consider that there are legal or commercial impediments to these values being disclosed.

Preferred method by which public disclosure occurs.

SSROC is of the view that the value of funds held should be reported in annual corporate accounts, on websites, and directly communicated to customers. The information should be presented in a way that allows for full transparency of not only the value of the funds collected but also of the equivalent value invested in emissions-reduction initiatives. We accept that there may be some reasonable allowance for administrative costs.

Factors that should be considered in setting criteria for emissions abatement projects allowed under the Framework.

SSROC supports the criteria for emission abatement projects. It may be appropriate to allow for some flexibility in the co-funded criterion (number 6): if the operator can demonstrate that the proposed project will not contribute to their profits, credits under the ERF or asset base, then SSROC would not object to it being funded entirely from early collected carbon costs.

Since the objective of the carbon price was to reduce greenhouse gas emissions, SSROC would not limit projects to waste disposal projects or those that directly reduce emissions from waste. Rather, any project that delivers emissions reductions would be acceptable. We also agree that independent verification that the project criteria have been met is essential, as is full public disclosure.

Appropriate verification and disclosure requirements for investments in projects.

SSROC supports the approach outlined in the Consultation Paper, whereby proposed investments are assessed against the criteria by an accredited NGER auditor, both the value of the investment and the abatement delivered to be publicly disclosed.

Using Carbon Credits

Using the funds for the purchase of ACCUs for the purpose of retiring them would be a satisfactory way for the funds to be used in achieving emissions reductions. This option is therefore acceptable to SSROC.

Reasonable value of administration and compliance costs

If administration and compliance costs were factored into the price charged to customers for the operator's carbon price liability, then there should be no requirement for any additional charge.

If they were not factored in, then a limit should be placed on this value. It is common for many projects to factor in a percentage for these costs. SSROC would suggest that these costs should be limited to 5 per cent of the project costs.

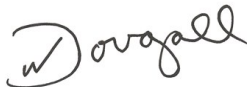
Proposed timeframe for investments by 31 December 2016

This timeframe appears to be reasonable, however SSROC would suggest that project with a justifiably longer timeframe should be acceptable, as long as they are substantially under way by that date.

SSROC understands that the ACCC will not be involved in the implementation of the framework; but we do urge the Government to continue the ACCC's monitoring role.

Thank you for the opportunity to offer our comments on the options and proposals for the use of the early collected carbon liability funds. In view of the timing of this submission, it has not been possible to put it to the SSROC Delegates for formal approval. I will contact you should any issues arise after the deadline. Should you wish to discuss any aspect of this submission, please feel free to contact me or SSROC Program Manager, Helen Sloan, on 02 9330 6455 or ssroc@ssroc.nsw.gov.au.

Yours faithfully,



Namoi Dougall
General Manager
Southern Sydney Regional Organisation of Councils