



Mr Conrad Buffier
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20 September 2022

Dear Mr Buffier

Re: Safeguard Mechanism (SGM) Reforms – Consultation 2022

Thank you for the opportunity to provide feedback on the Safeguard Mechanism Reforms, and for presenting the consultation paper to members of the Waste Management and Resource Recovery Association of Australia (WMRR) in August 2022.

WMRR is the national peak body for all stakeholders in the essential waste and resource recovery (WARR) industry. We have more than 2,000 members across the nation, representing the breadth and depth of the sector within business organisations, the three (3) tiers of government, universities, and NGOs. 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, as well as responsible management of residual waste including landfilling and energy from waste.

WMRR notes that the purpose of mechanisms such as this as well as the Australian Carbon Credit Units (ACCUs), is to incentivise change to drive the reduction of Greenhouse Gas (GhG) emissions, effectively to drive good behaviours and gain improved environmental outcomes. The intent of the Safeguard Mechanism (SGM) being to deliver emissions reductions consistent with the Australia's national determined contribution under the *Paris Agreement* and strengthen Australia's competitiveness in a decarbonising global economy.

As the national peak industry body for waste and resource recovery (WARR) sector, we support all efforts to drive improved environmental outcomes and supporting behaviour as we are acutely aware of the problematic contribution that material extraction and poorly managed processing and use of resources has on GhG emissions. As such WMRR welcomes the attention of this government on addressing this issue, however caution that it is necessary to look at the integrated system within Australia as opposed to individual mechanisms in isolation.

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As stated in the *Circularity Gap Report 2022*¹, the current global linear economy is firmly steering us towards a 3- to 6-degree temperature increase. If the world continues its business-as-usual approach, then it will emit 65 billion tonnes of GhGs in 2030. In 2022 it was calculated that only 8.6% of materials globally were circular, 70% of emissions linked to material handling and use, including extraction, transportation, and processing for use of our phones, clothes, and meals. 80% of emissions being linked to mobility, housing, and nutrition- we need to move the focus on emissions beyond just energy if we are serious about hitting Australia's stated 2030 target of 43% reduction in emissions below 2005 levels.

To support Australia's stated emissions reduction target, it will be necessary to create a roadmap for circularity in Australia which requires a complete re-think of how we extract and manage materials to mitigate GhG emissions. We need to move beyond the current list of projects contained within the *National Waste Policy Action Plan 2019* (NWPAP 2019) to an integrated and evidence led material strategy that focuses on addressing the five (5) priority materials that create the greatest emissions, these being extracted fossil fuels (plastics), organics, textiles, construction, and transportation. In the absence of this, Australia will simply be tinkering with reporting methodologies and not driving towards a low emission future. We need to significantly reduce our material footprint (by as much as 28% globally by 2032 according to the *Circularity Gap*) and create low- intensive systems, technology and thinking that supports this transition.

In WMRR's view, the fact that we now have the Departments of Climate Change, Energy and Environment operating as one (1) Federal Department, presents the strategic opportunity that Australia requires to create a genuine national material strategy that looks at material lifecycle from extraction, design, consumption, and all steps towards ultimate disposal, through the lens of emissions reduction, to both reduce material footprint and genuinely cut emissions. WMRR is calling on this government to move away from the linear NWPAP 2019 and towards a genuine circular strategy that links all aspects of material management with carbon mitigation, like we see in Europe, if Australia is genuine about achieving the *Paris Agreement* targets.

In relation to the specific issues raised in this consultation paper on the Safeguard Mechanism, WMRR is particularly concerned that this review is occurring in isolation to the current Independent Review by Professor Ian Chubb into the Australian Carbon Credit Units (ACCUs) regime, given that both SGM credits (SGMCs) and ACCUs are issued against the same activity of methane destruction or avoidance for the WARR sector. Further, as mentioned above the fact that this review is being held in isolation of any clear circular strategy for material in Australia highlights the challenge that we have faced in Australia over recent years, where the lack of a systems-based approach to carbon and material policies (which is readily evident overseas) has hampered Australia's investment in low emission technology, the creation of green jobs and addressing these very serious challenges.

The interaction of this consultation with our essential sector is minimal at this time however, given that it is noted that it is proposed to continue with the emission threshold for facilities being of 100,000 tonne of carbon dioxide equivalent *Scope 1* emissions, which at present only impacts one (1)

¹ [CGR 2022 \(circularity-gap.world\)](https://www.circularity-gap.world/)

facility within the WARR sector. It is noted that this may change over time to include another five (5) to six (6) landfills.

It is WMRR's submission, however, that landfills are in fact a complete anomaly within the SGM, and these facilities should not in fact be subject to this mechanism. As the consultation paper correctly sets out on page 28, landfills do not produce a clear output. What is clear however, is that unlike many emitters captured by the SGM, landfills are not simply producers of Scope 1 emissions, rather they also emit Scope 3 emissions of others, noting that they have limited ability to influence the composition of waste material received, and no ability to change the composition of the legacy waste mix that has already been accumulated.

Further it is noted that the existence of SGMs have had little to no impact on transition to low emission technology, rather WMRR would submit that abatement at landfills is occurring due to the effective incentive to significantly reduce their emissions by the Emissions Reduction Fund (ERF), as evident by the 22.4% reduction in net emissions achieved between 2005-2020, which attract ACCUs. The reality is that where coverage under SGM leads to a loss of ACCU income, the cost of abatement activities will be passed onto the taxpayer by higher landfill user-charges, hence there is no net benefit to the community and current clients would have to bear the costs of managing abatement from previously disposed waste. In addition, under the proposed revision where only SGMs can be generated at landfills, it could encourage a perverse outcome of capturing less, rather than more, landfill gas.

WMRR would argue that the goal must be to incentivise circular economy outcomes and maximise landfill gas capture, and therefore reduce emissions from such facilities, which must be supported by the simplest and most effective mechanism. At this time however, the relationship between ACCUs and the SGM is complicated by the current Safeguard methodology calculation for landfill emissions relying heavily on National Greenhouse and Energy Reporting (NGER) framework, which for the waste sector are inherently uncertain, given that the Solid Waste Calculator used for estimating landfill emissions under these mechanisms has at least +/- 35% uncertainty. This level of uncertainty is not acceptable when financial liability is intended to be tied to the emission estimates from this tool.

Further, the NGER Technical Guidelines sets a maximum gas capture rate at landfills of 75% of their NGERs reportable emissions; industry has been consistently highlighting since the 75% rule was first proposed that this is an artificial maximum capture rate that it in effect operates to actively disincentivise best practice gas capture by financially penalising facilities when gas more than the theoretical maximum of 75% is captured. Several large landfills may be close to the SGM threshold at gas capture levels of 75% or less. If these same facilities capture more gas by improving their capture efficiency (e.g., 85%+, which already occurs at many large landfills), their reportable emissions will paradoxically increase due to the model's 75% maximum capture assumption (i.e., more gas has been captured than possible at 75%, so more total gas must be being generated).

There are also many other aberrant outcomes of taking this simplistic approach towards landfills under the NGER methodology given that it is too simplistic to understand either the different ratio of legacy and non-legacy waste or the difference between sites of legacy emissions and concentrated.



Further neither the model nor SGMs have any impact on material management and consumption behavior, which is the greatest contributor to emissions at first instance.

As such, WMRR asserts that landfill facilities should be excluded from the Safeguard Mechanism in this phase of the review (Phase 1) to ensure that ERF abatement continues whilst preparations occur for extensive industry consultation across 2023-25 on complex landfill matters for Phase 2 of the reform, with ideally the benefit of the findings of the Chubb Review, as well as ideally a rethink of the NWPAP 2019. There is a real risk that Phase 1 is likely to only encompass a very small number of landfill facilities that combined contribute a small fraction of the overall SGM emissions and rapid changes in this complex area this would risk unintended adverse implications on landfill emissions. Rather, discussions on the applicability of the SGM to landfill facilities should take place across 2023-25 in Phase 2.

WMRR strongly recommends that as part of Phase 2, landfills should be excluded from the Mechanism, given that operators have limited to no control over the waste mixes or volumes they receive, reducing their applicability to the SGM. Furthermore, the sector has already significantly accelerated its emissions reductions because of the efficient ERF incentives. This progress will be continued by government organic waste landfill diversion policies in the future. These factors suggest that landfill facilities have limited applicability under the SGM and should be removed. However, WMRR first recommend that these factors are thoroughly discussed in extensive industry consultations across 2023-25 as part of the Phase 2 of the SGM.

Please do not hesitate to contact the undersigned if you would like to discuss WMRR's feedback further.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Gayle Sloan'.

Gayle Sloan

Chief Executive Officer

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