

Carbon Trading for Organic Recyclers

The Australian Government released a Green (discussion) Paper on the **Carbon Pollution Reduction Scheme** (the Scheme) on 15 July 2008. It followed the 4 July 2008 release of a draft report prepared by the Garnaut Climate Change Review.

Both reports agreed on the need to act by introducing a carbon trading scheme in Australia commencing (for most sectors of the economy) by 2010.

Cap and Trade

As it is currently proposed carbon trading will involve capping emissions (each year) and allowing purchase and trade of 'carbon pollution permits'. The government will auction most of the permits but will also give some away during the first few years of the scheme. The money raised will be used for the purpose of helping households and businesses adjust to scheme and investing in clean energy options.

The government has yet to decide on the level of scheme caps (the limits on emissions from year to year) however they have reinforced their target of a 60 percent reduction in emissions compared to 2000 levels by 2050.

Coverage

Only about 1000 businesses, who produce greater than 25,000 tonnes of carbon emissions per year, will be covered by the Scheme and will therefore need to buy permits.

Proposed sectors of the economy to be included in the scheme are stationary energy, transport, fugitive emissions, industrial processes, waste and forestry.

It is significant that agriculture is not proposed to be covered until at least 2015 and may not be covered at all due to a lack of 'cost effective methods for emissions trading and reporting'. If Agriculture was covered land holders would have to consider maintenance of soil carbon and emissions from fertilizer use (and many other emission sources).

Offsets (Carbon Credits)

It is proposed that 'offsets' (carbon credits) are only relevant for sectors not included in the scheme because the scheme 'already creates an incentive to reduce emissions in covered sectors'.

This suggests that there will be no allowance for generating tradable offsets from activities within the waste industry, including commercial composting of material that would otherwise go to landfill.

Waste businesses or local governments generating landfill emissions could abate (reduce) their emissions by undertaking their own organic recycling, purchasing a composting facility or diverting organic waste (to a contractor) to reduce the carbon pollution permits they require. This will provide a financial incentive for organic recycling but the size of the incentive is not yet known.

While agriculture is not included in the Scheme initially (2010), the government prefers including the sector at a later date (possibly 2015). Therefore it is not considered worth setting up the offsets scheme for the sector. This effectively blocks the generation of offsets from soil carbon sequestration and/or reduction in fertilizer use.

Business Assistance

The government will cut fuel taxes on a cent for cent basis to offset the initial price impact on fuel for at least the first 3 years of the scheme. To assist rural and regional areas, the government will provide an equivalent rebate to businesses in the agricultural and fishing industries for 3 years.

The government proposes to establish the Climate Action Fund (CCAF) for: capital investment in innovative new low emissions processes; industrial energy efficiency projects with long payback periods; and dissemination of best practice among small to medium sized enterprises.

Response to the Green Paper

Submissions are invited in response to the green paper. Compost Australia and WMAA more broadly will be organizing response(s) to the green paper.

None of the potential offsets (carbon credits) envisaged by the organic recycling industry, and in some cases obtained under voluntary trading schemes, are currently proposed by the Australian Government.

It appears that organic recyclers would derive greater benefit from exclusion of the waste sector from the Scheme, however this depends whether offsets are then created and exactly how they are calculated. Much depends on how landfill emissions are calculated under the Scheme. We have the opportunity to influence that debate through WMAA.

Having the agricultural sector neither in nor out of the Scheme is the worst possible outcome for the organic recycling industry. Organic recyclers need to promote the potential of soil carbon sequestration to reduce atmospheric CO₂ and put forward a viable methodology for inclusion of soil carbon offsets.

The Carbon Coalition have put together a 'National Soil Carbon Strategy' and are promoting a Soil Carbon Alliance of organisations to promote inclusion of soil carbon offsets in the scheme. Compost Australia has the option to join this alliance.