

## Response from LARAC to the Landfill Allowance Trading Scheme Consultation

There follow comments from the Local Authority Recycling Advisory Committee (LARAC) about the Landfill Allowance Trading Scheme Consultation Paper. LARAC is an association of over 400 local authorities whose professional waste management and recycling officers co-ordinate and operate waste management services for the majority of communities in the UK. Nearly all waste collection authorities (WCAs), waste disposal authorities (WDAs) and unitary waste authorities in England are members of LARAC.

LARAC welcomes the opportunity to comment on the Government's proposals. Even though the proposals affect directly only WDAs and unitary waste authorities, the majority of respondents to a survey of LARAC members in England about the LATS consultation were from WCAs who recognize that the LATS will have significant implications for the way the whole of municipal waste management is organized. There is some concern amongst WCAs that their contributions towards achieving the targets for the reduction in landfilling of BMW should be recognized and that they should be awarded incentives to increase the amount of BMW diverted from landfill through compost and recycling schemes. This is beyond the scope of the current consultation, but we would recommend that the Government take this into account as it reviews regulations and guidance governing working arrangements between WCAs and WDAs in two-tier areas.

In response to specific questions raised in the consultation document:

**Q1 - will WDAs be ready to participate in the scheme by 1 April, 1 July or 17 July?** It is difficult to comment until after more information has been given about the particulars of the scheme including the trading mechanisms, and training has been provided for officers, but the proposed deadline for implementation appears to be very tight indeed.

**Q2 - When will the scheme start?** There is no support for Option A. LARAC members are divided between Option B and Option C. For budgetary purposes some members would prefer the permit year to be concurrent with the local authority financial year. However, if the scheme has to start in 2004, Option C would allow an additional 3 months for implementation and this should perhaps be the guiding consideration.

**Q3 - Should allowances be allocated from the beginning of the scheme through to 2020?** Yes

**Q4-6 - Arrangements for reviewing the scheme** The scheme should be reviewed in a few years time, then at or shortly after the target years. It should be possible for allowances to be adjusted according to certain specified criteria, such as gross anomalies in the initial allocation, significant and unusual changes in population or household numbers or boundary changes.

**Q7 - Should all WDAs have to make the same level of contribution by 2010?** LARAC agrees with the principle, but some members have suggested that convergence should be targeted on 2013, making compliance more likely at 2010.

**Q8 - Allocation method of allowances** LARAC does not believe that allowing some WDAs to have increasing allowances will encourage those authorities to landfill more waste, because the scheme will provide all WDAs without exception with a strong incentive to reduce reliance on landfill. Accordingly LARAC favours Option A

which will recognize the efforts that authorities have already make to divert waste from landfill.

**Q10,13 - Should interim targets reduce according to a straight line or back end loaded trajectory? Should borrowing up to 5% of the next year's allowances be allowed?** LARAC's members have differing views about this. However, if a straight line trajectory is chosen, the Government should consider increasing the permitted borrowing from 5%, particularly in the early years of the scheme, so as not to penalise WDAs that are making strategic medium and long term investments for substantial reductions in landfilling of BMW.

**Q12 - Should a mass balance approach be used to calculate BMW?** The majority view is that a mass balance approach is preferred. However some WDAs would favour the 68% figure to be applied to all municipal waste landfilled. A mass balance approach, if applied, should be transparent, simple to understand, as fair as possible and robust.

**Q16 - should WDAs be required to register futures trading in the year in which the contract is made, or not?** Many WDAs will be looking to make medium and long-term arrangements with other WDAs for permits as a means of reducing risks. It is not known at the moment whether this will result in the development of a "futures market" for permits, but there seems to be no reason why arrangements between WDAs should be kept secret.

**Q17 - non-monetary trading?** Yes

**Q19 - public access to information?** In general the public should have access to the information on the register. However there is a concern that unfettered availability of detailed information on prices (as opposed to a general "going rate" for current and, possibly, future transactions) could distort other markets, for example for recycled goods or compost.

**Q20 - who/how many people in each WDA should be authorised to trade and borrow?** This should be up to each WDA to decide. The consensus is that around two may be the appropriate number to recommend should the Government decide to provide guidance.

**Q22 - preferred monitoring system** LARAC prefers Option C, but not without concerns that it could militate against waste minimisation (e.g. as green waste is encouraged to be collected for central composting schemes as opposed to made into compost at home).

**Q25 - should WDAs be required to provide monitoring information within one month of the end of the quarter?** No - this is unrealistic. Up to three months will be needed.

**Q27 - Does the proposed level of penalty reflect the principles and act as a sufficient disincentive to prevent WDAs from breaching allowances?** The majority, but not all, of respondents to LARAC's survey of members, responded yes to both questions. However, the proposed method of assessing the level of penalty for exceeding allowances (twice the cost per tonne of the most costly established method of diversion from landfill) will be open to mis-interpretation, will lead to variations between (and, possibly, within) regions, will distort the "market" for allowances and will generally increase the perceived risk attached to the scheme for WDAs when considering capital investments. It would be better to specify a

universal, fixed level of penalty. There is a strong feeling that penalties should not be imposed during the first year of the scheme, given the haste with which WDAs appear likely to be required to implement it.

**Q30, 31 - are the proposed penalties for failing to provide information relevant to the LATS appropriate?** In general the answer is "yes", but the penalties should be imposed sparingly, with due regard to the response to Q25 above, and only in cases where the failure to provide information has been deliberate.

**Q28 - Should the whole or part of any EU fine for breach of targets be passed onto the WDAs responsible for the breach?** LARAC members that are WDAs would find it both unacceptable and financially unrealistic to be penalised twice for breaching targets in a target year. Past experience has been that Government has not provided the leadership or the funding required to reduce the landfilling of BMW as required, and has given ambiguous and changeable messages to local authorities about the measures needed to achieve the targets. If there is to be an apportionment of blame, the Government should be prepared to accept the greatest part. However, ***LARAC would prefer an approach based on working together to ensure that targets are achieved instead of apportioning blame in anticipation that they might not be met.***