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Attention: Carbon Farming Initiative Review Team

Climate Change Authority
GPO Box 1944
Melbourne VIC 3001

Sent by email to: submissions@climatechangeauthority.gov.au

Dear Review Team,

Carbon Farming Initiative Review

LMS appreciates the opportunity to provide feedback about the operation of the Carbon Farming Initiative (CFI). Being one of the largest, if not the largest, creator of Australian Carbon Credit Units (ACCUs) LMS is in a unique position to be able to provide substantial practical feedback on the operation of the CFI over the past few years.

LMS would note that over the course of 2014 it has provided multiple detailed submissions for the legislative process of the Emission Reduction Fund (ERF) and subsequent CFI Amendment bill. It is LMS' understanding that the Climate Change Authority (CCA) will look at these submissions when performing its review. LMS will not repeat its submissions; alternatively we have provided a summary of the four major issues that we believe would improve the CFI.

LMS suggests the following areas could be improved:

- **Subsequent crediting periods;**
- **Eligibility of all waste abatement;**
- **Clearing price for the reverse auction; and**
- **Better consultation.**

Subsequent crediting periods

Under the current CFI rules projects can apply for reaccreditation when their initial term expires, however we understand that at the time of writing CFI Amendment bill provides projects with one crediting period only, even if a project is still additional at the end of its crediting period. LMS strongly suggests that if a project is still assessed as additional against an established set of internationally consistent additionality criteria it should receive a subsequent crediting period. This will ensure additional abatement activities are not lost, whilst also bringing the CFI amendment bill in line with international principles.

Eligibility of all waste abatement

The proposed CFI Amendment Bill excludes abatement achieved from the destruction of landfill gas from waste deposited during the carbon tax years from being eligible to create ACCUs. LMS has been told this is because of s27(4A)(c) of the CFI Amendment bill requires the avoidance of crediting abatement that has already been paid for under another scheme. Specifically the Department has stated "As the community has already paid for abatement of these methane emissions under the carbon tax, this abatement should not be eligible for credits under the ERF".

However the Department has misunderstood how the tax was applied in the waste industry:

- a) The abatement was never paid for by gate fee collection (gate fees were for future emissions and liability, not abatement); and
- b) Even if the gate fee was for abatement (which it was not) the ACCC is forcing landfills to pass back this money that was claimed to be collected from the community.

It therefore cannot be said that abatement from the capture of landfill gas from waste deposited during the carbon tax has been paid for under any other scheme. To ensure scheme integrity and policy consistency all waste needs to be eligible for ACCU creation otherwise opportunities for potential abatement will be lost.

Clearing price for the reverse auction

LMS suggests that the auction be conducted on a marginal clearing price basis similar to how the Australian Energy Market Operator (AEMO) conducts the electricity dispatch auction. Not only does this provide a proven auction method to design the ERF auction around, it should ensure much more rational bidding behaviour. This will help to avoid opportunistic bidding which could leave the Government short of promised abatement.

Better consultation

LMS has been concerned about the lack of proper consultation conducted by the Department throughout the CFI.

The Department appears to make decisions before consultation occurs then tailors justifications to suit their original decisions, rather than having an open consultation process. There has been multiple times where the Department has changed its justification for making a decision rather than listen to consultation as to why their original position may be unjustified.

Many of the problems with the CFI and proposed CFI Amendment bill appear to stem from the lack of proper consultation. One major improvement LMS would suggest is that going forward the Department of Environment stop treating industry as an adversary and work with industry in an open and constructive consultation process.

LMS would welcome any opportunity to further discuss improvements to the CFI and ERF.

Yours sincerely,



COMMERCIAL MANAGER
Michael Lebbon