

Agenda Item No:

NORTH LONDON WASTE AUTHORITY

REPORT TITLE:

LANDFILL ALLOWANCE TRADING SCHEME UPDATE

REPORT OF:

HEAD OF WASTE STRATEGY & CONTRACTS

FOR SUBMISSION TO:

AUTHORITY MEETING

DATE:

27th APRIL 2005

SUMMARY OF REPORT:

This report advises Members of progress with the Landfill Allowances Trading Scheme, including the Member Working Group of February 2005 and outstanding national issues.

RECOMMENDATION

It is recommended that Authority notes the report.

**Signed by Head of Waste Strategy
and Contracts**

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Date:.....

1. BACKGROUND

- 1.1 The background to the Landfill Allowances Trading Scheme (LATS) has previously been reported to the Authority in some detail.
- 1.2 In response to the complexity of the scheme and the many issues raised, the Authority agreed to form a separate all-party Member working group to examine these issues in greater detail.
- 1.3 On 2nd February 2005 this group received a presentation from AEA Technology reminding them of the background, but focussing on key issues such as the functioning of the mass balance approach and a view on the likely nature of the market for buying and selling tradable allowances.
- 1.4 The group also received a presentation from the Head of Waste Strategy & Contracts raising the following issues of principle and asking if Members sought to take a particular approach on any of them:
 - 1.4.1 a trading strategy for the Authority and an appropriate scheme of delegation;
 - 1.4.2 the priorities for using any income received in future years (i.e. new biodegradable waste facilities or collection services); and
 - 1.4.3 impacts of the scheme on borough commercial waste collection services and the general street scene.
- 1.5 The presentations are attached as Appendices 1 and 2.
- 1.6 It was concluded that a full set of proposals should be developed by officers and presented to a future meeting of the Member Working Group.

2 OUTSTANDING ISSUES

- 2.1 The scheme came into operation on 1st April 2005. However, whilst the actual number of allowances has now been confirmed by the Government for all waste disposal authorities, there remain two outstanding issues on which officers are seeking clarification from the Government.

- 2.2 The first of these is the precise scope of the scheme, as the Waste and Emissions Trading Act 2003 defines municipal waste as “waste from households or waste that because of its nature or composition is similar to waste from households” whereas the scheme being implemented uses *de facto* the definition of waste under the control of waste disposal authorities (as this was the basis of the tonnages submitted by the Government to the European Union, and approved by the European Union as the basis for assessing the UK’s compliance with the Landfill Directive).
- 2.3 The second is the accounting regime under which tradable allowances have to be managed. It remains unknown if tradable allowance income and expenditure is to be treated as revenue or capital, and restrictions apply to both; there may also be additional accounting requirements. As a consequence, it is not yet possible to develop the proposals identified at paragraph 1.4 above, including the proposed reward scheme to Boroughs for the diversion of biodegradable municipal waste, until this matter is resolved.
- 2.4 Officers are pursuing these matters, and will develop a full set of proposals as soon as possible for Members’ consideration.

3 RECOMMENDATION

- 3.1 The Authority is recommended to note the report.

4 COMMENTS OF THE FINANCIAL ADVISER

- 4.1 The Financial Adviser has been consulted in the preparation of this report and has no further comments to add.

5 COMMENTS OF THE LEGAL ADVISER

- 5.1 The Legal Adviser has been consulted on this report and has no further comments to make.

Local Governments Act 1972 – Access to information

Notes of LATS Member Working Group, February 2005.
DEFRA Landfill Allowance Trading Scheme Workshop 1 March 2005
LGA LATS Conference – Trading and Investment 15 March 2005

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Report Ends