



Landfill Allowance Trading scheme

Description and Issues





Programme

- Description of of the scheme
- How big is the problem
- Issues
 - Trading
 - Commercial waste



Why have a scheme

- Landfill directive
- All waste must be treated before going to landfill to reduce environmental impacts
- Reduce the amounts of biological municipal waste (BMW) sent to landfill compared to the amount sent in 1995 by:
 - 25% by 2006
 - 50% by 2009
 - 65% by 2016(These dates can be delayed for up to 4 years)



What is BMW

- MSW defined as
 - “Waste from households, and other waste that, because of its nature or composition, is similar to waste from households.”
 - Includes all of the wastes the authority collects
 - Household waste
 - Civic amenity waste
 - Recyclable waste
 - Commercial waste collected by the authorities
- BMW defined as 68% of MSW
- All of Paper, green waste, kitchen waste
- Half of textiles, furniture and similar materials



Allowances

- Allocated by government to each disposal authority
- Based on English target amounts of BMW, which are:
 - 11.2 million tonnes in 2009/10
 - 7.46 million tonnes in 2012/13
 - 5.22 million tonnes in 2019/20
- This target allocated on 2001 tonnages of waste in each authority
- Allocations issued in draft form



Diversion from landfill

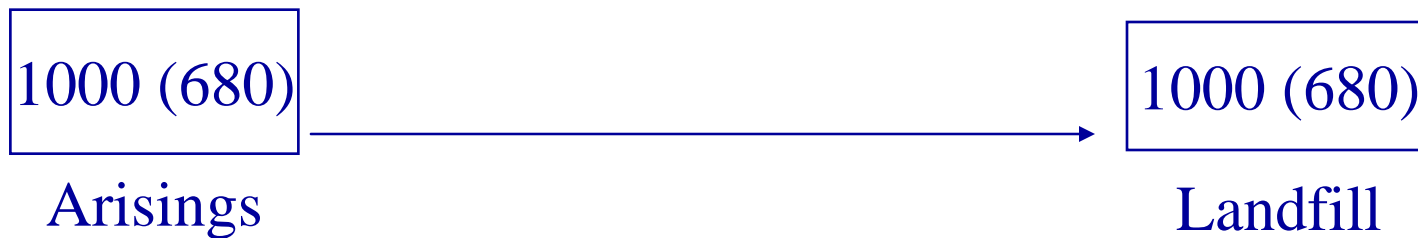
- Waste avoidance/minimisation/prevention
- Recycling
- Composting
- Combustion (incineration)
- Biostabilisation
 - Mechanical Biological Treatment (MBT)



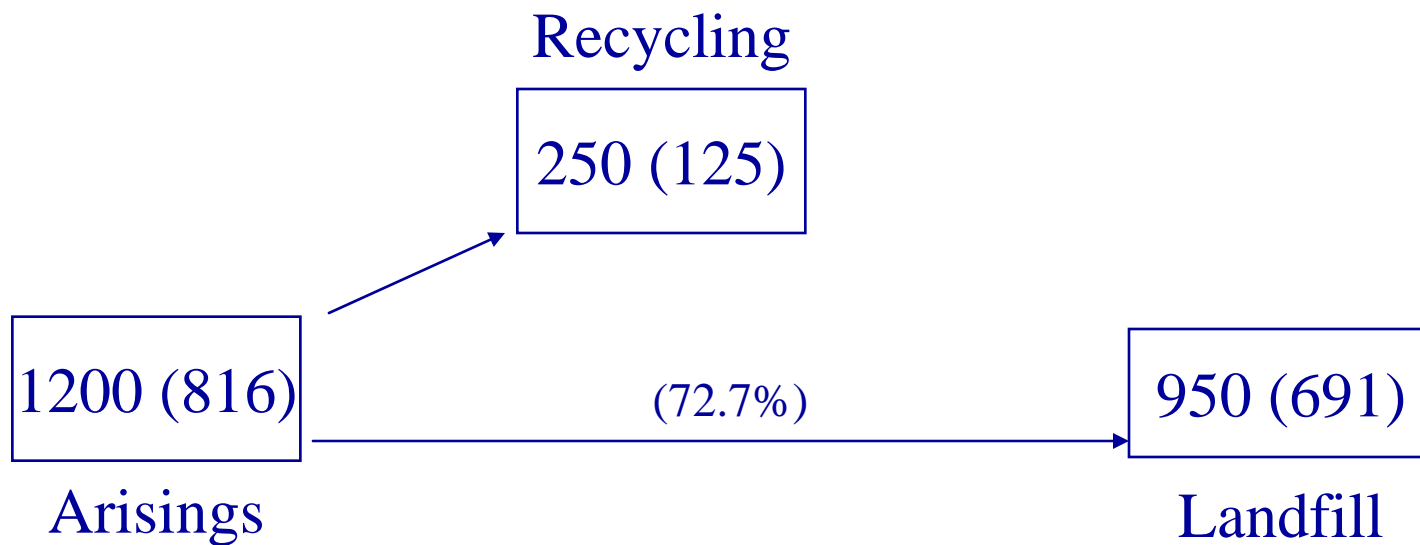
How will the scheme work

- Based on a mass balance calculation
- Total collected MSW
- Multiply by BMW % (68%)
- Subtract diverted BMW
- Add BMW for residues from treatment
- = Total BMW landfilled

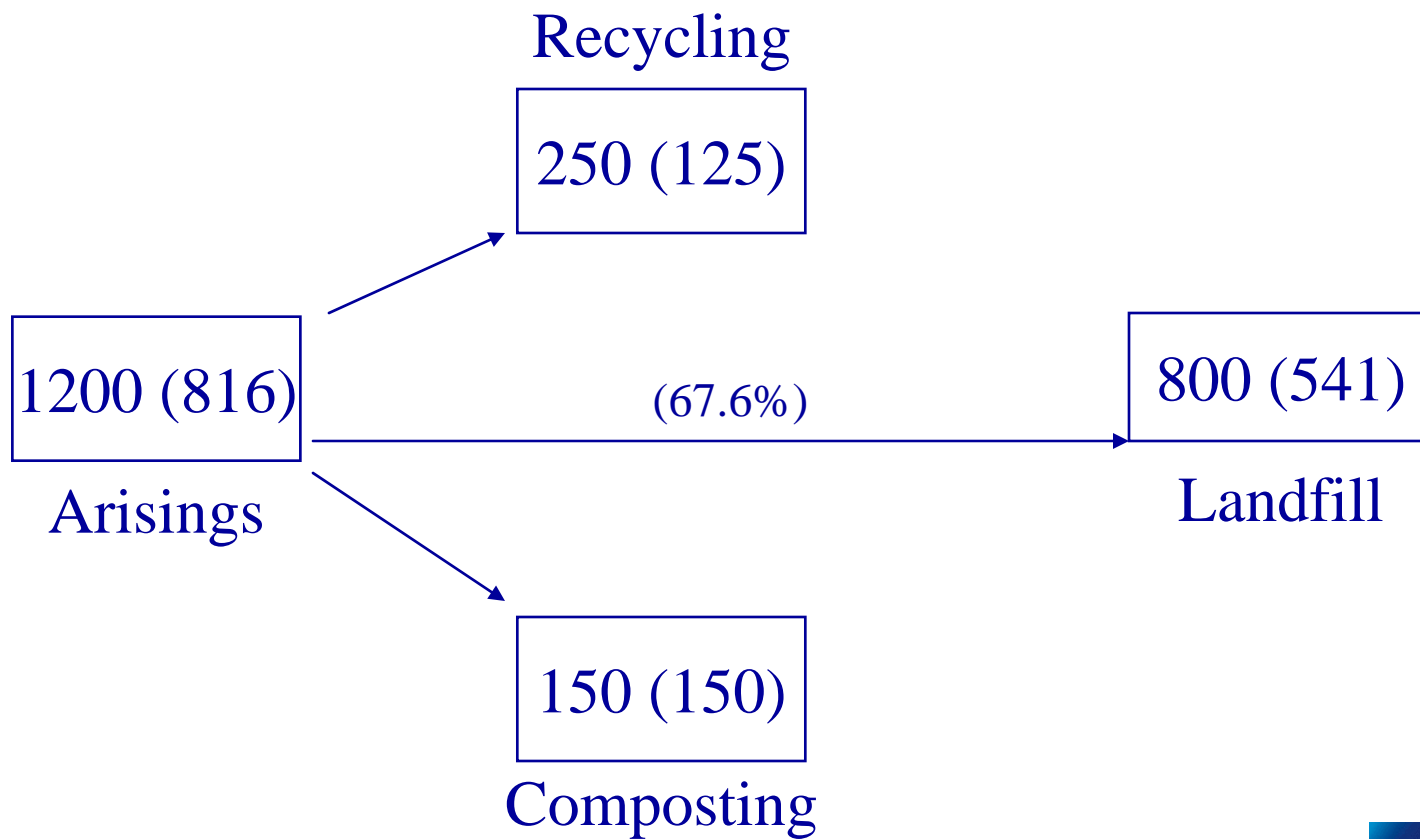
What is mass balance?



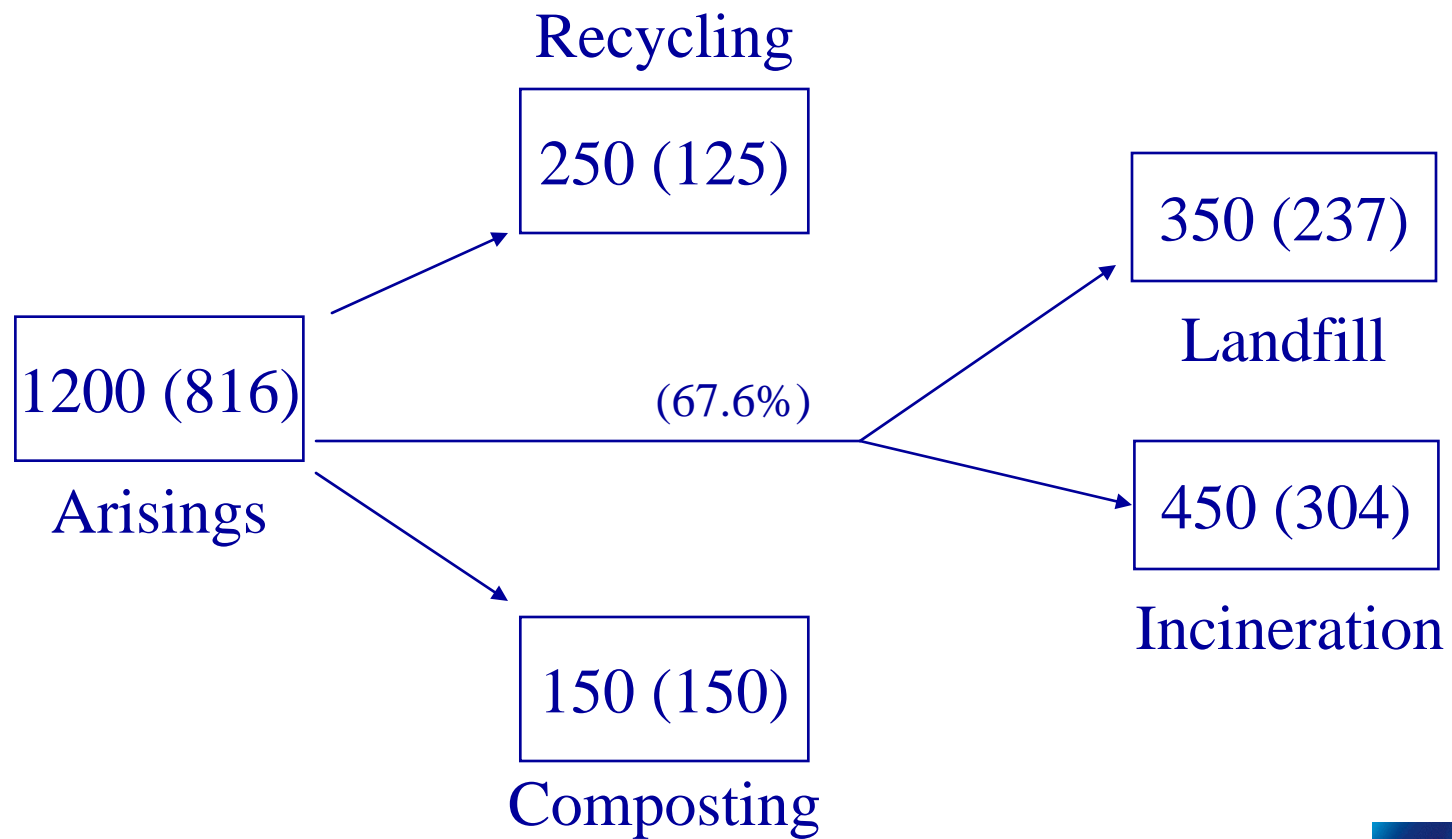
What is mass balance?



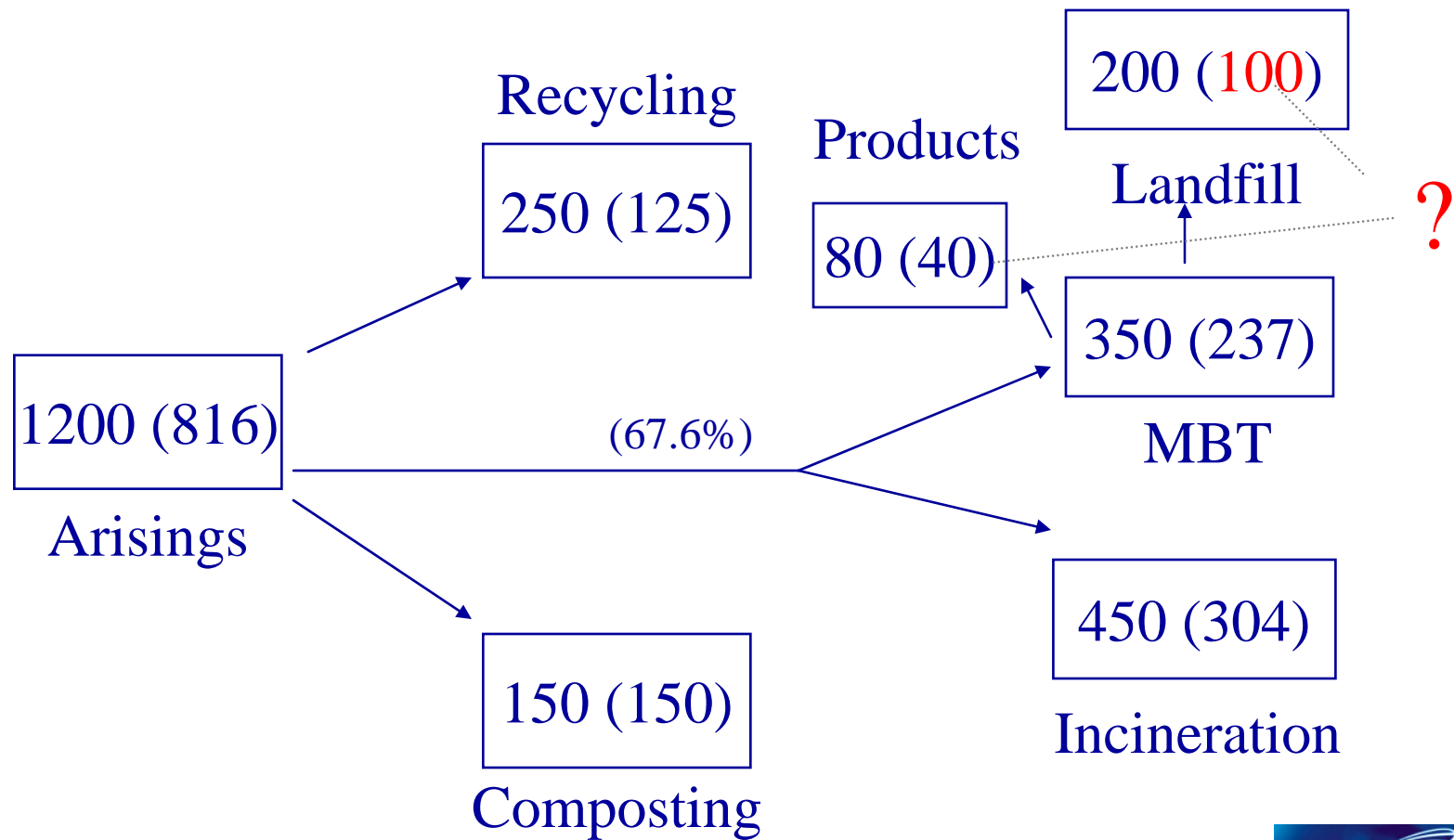
What is mass balance?



What is mass balance?



What is mass balance?





Monitoring

- Electronic registration through WasteDataFlow
- Monitored by Environment Agency
- Quarterly data period
- 6 month reconciliation period



Banking and borrowing

- Possible to bank or limited borrowing of allowances outside of target years
- Banking
 - Excess allowances can be saved up to following years
 - 5% of next years allowance can be borrowed
 - No banking or borrowing in to or out of Landfill Directive target years, 2009/10, 2012/13, 2019/20



Trading

- Trades arranged between authorities
- Registered on EA portal site
- Values are unknown, but initial estimates suggest £20-50/t
- However penalties could apply
- Europe is interested in trading as may be a model for the future



Timetable

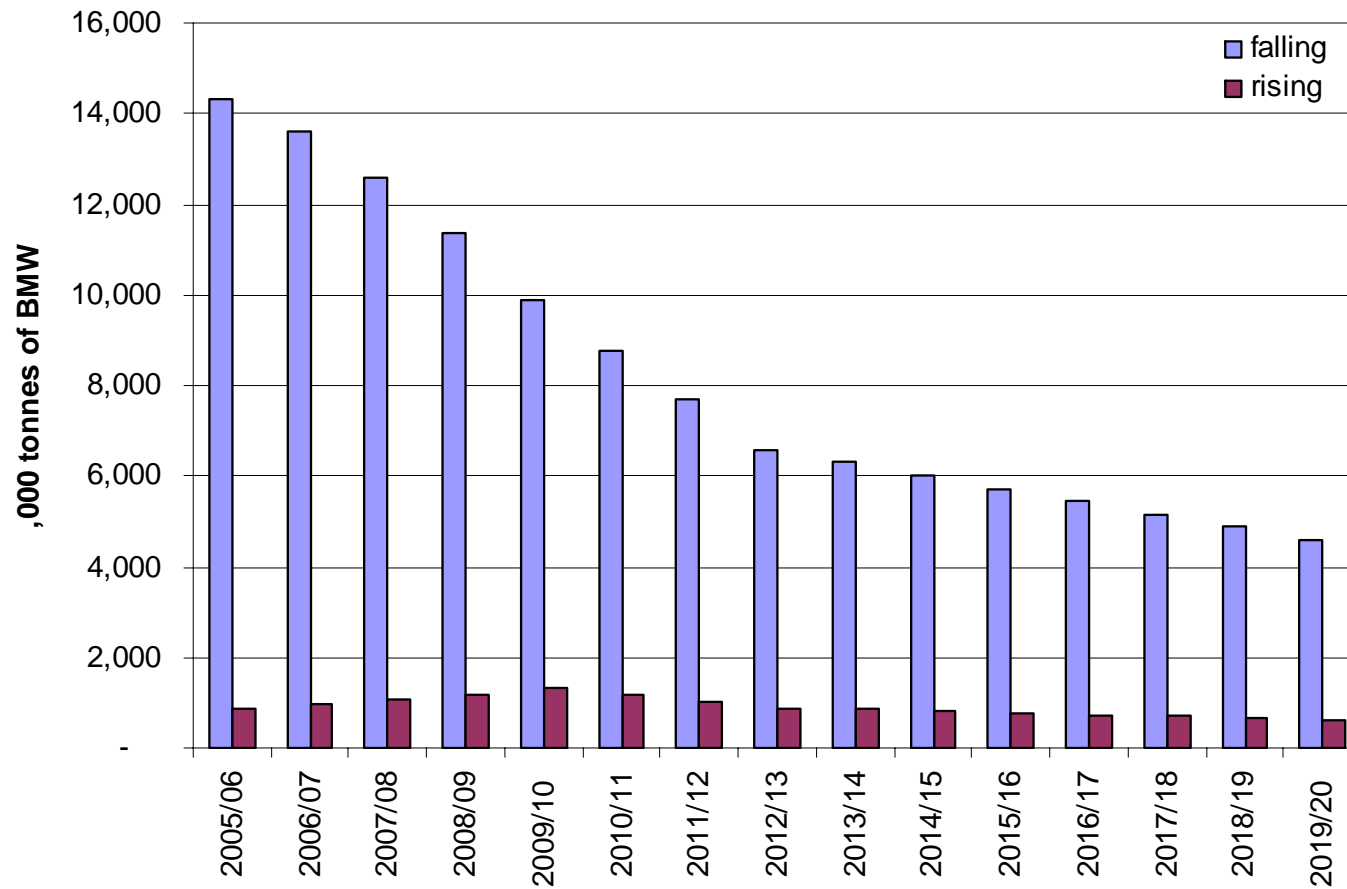
Month	Activity
1 to 3	All data entered on WDF and submitted
4 to 5	Errors, queries cleared, draft reconciliation (two stage)
6	Borrow or trade
7	Final reconciliation and report and banking



Penalties

- Penalties are £150/t for insufficient allowances
- £1,000 for failing to supply information
- In target years, potential to pass on share of UK fine
- However mitigation due to “extreme” circumstances
 - Facility breakdown
 - Force majeure.
 - Change in Government policy
 - Planning consent delay
 - Site licensing delay
 - Bankruptcy of a contractor
 - Planning refused
 - WCA non compliance
 - Vandalism
 - Fuel strike
 - Civil emergency

Allowance market



17 Rising
451kt
104Falling
4,447 kt

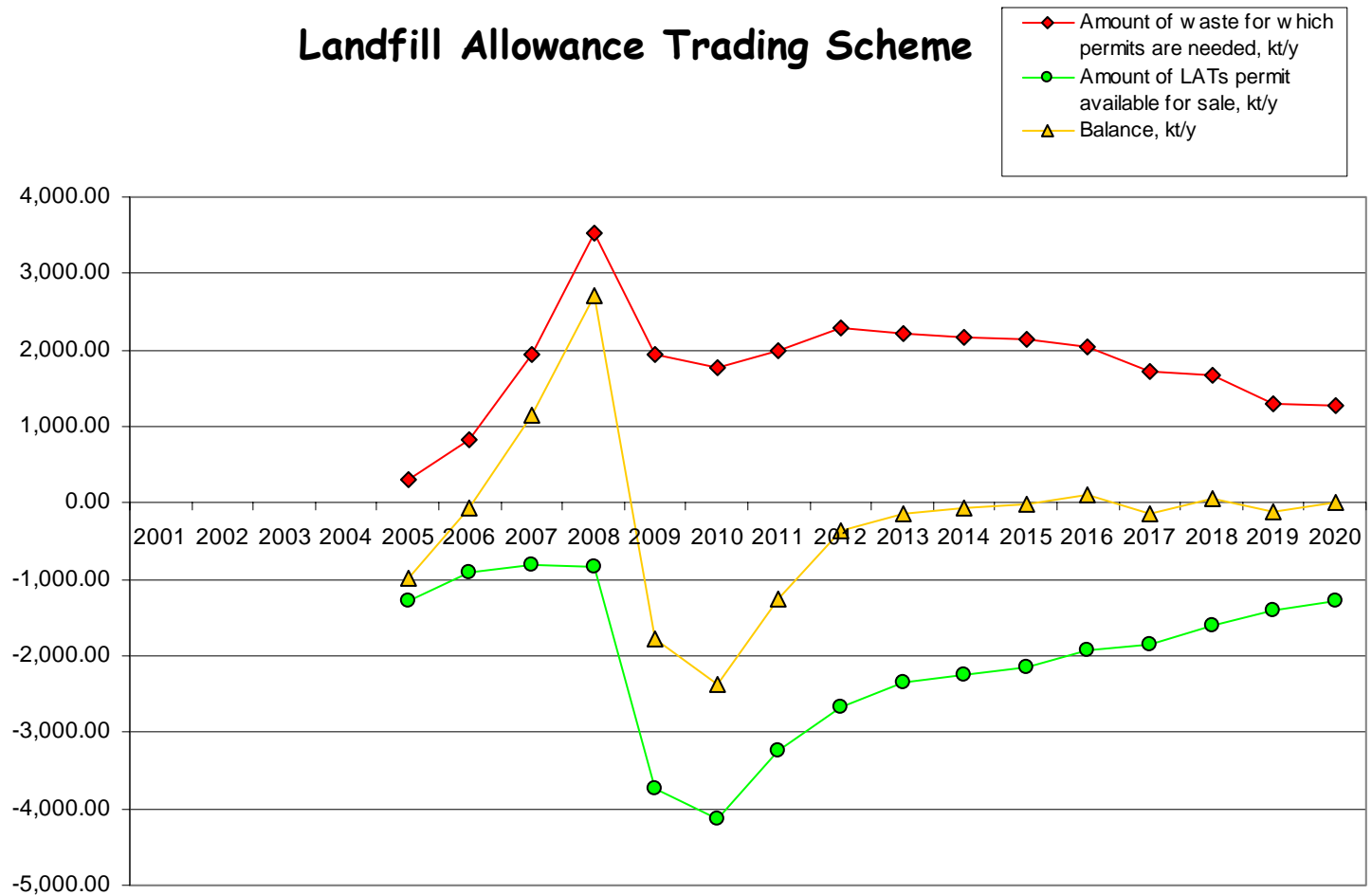


Rising authorities

- East Sussex County Council
- Birmingham City Council MBC
- Coventry City Council MBC
- Dudley MBC
- Greenwich LB
- Hartlepool BC
- Isles of Scilly Council
- Lewisham LB
- Middlesbrough BC
- North London Waste Authority
- Nottingham City Council
- Redcar and Cleveland BC
- Solihull MBC
- Stockton-on-Tees BC
- Stoke-on-Trent City Council
- Westminster City Council
- Wolverhampton MBC

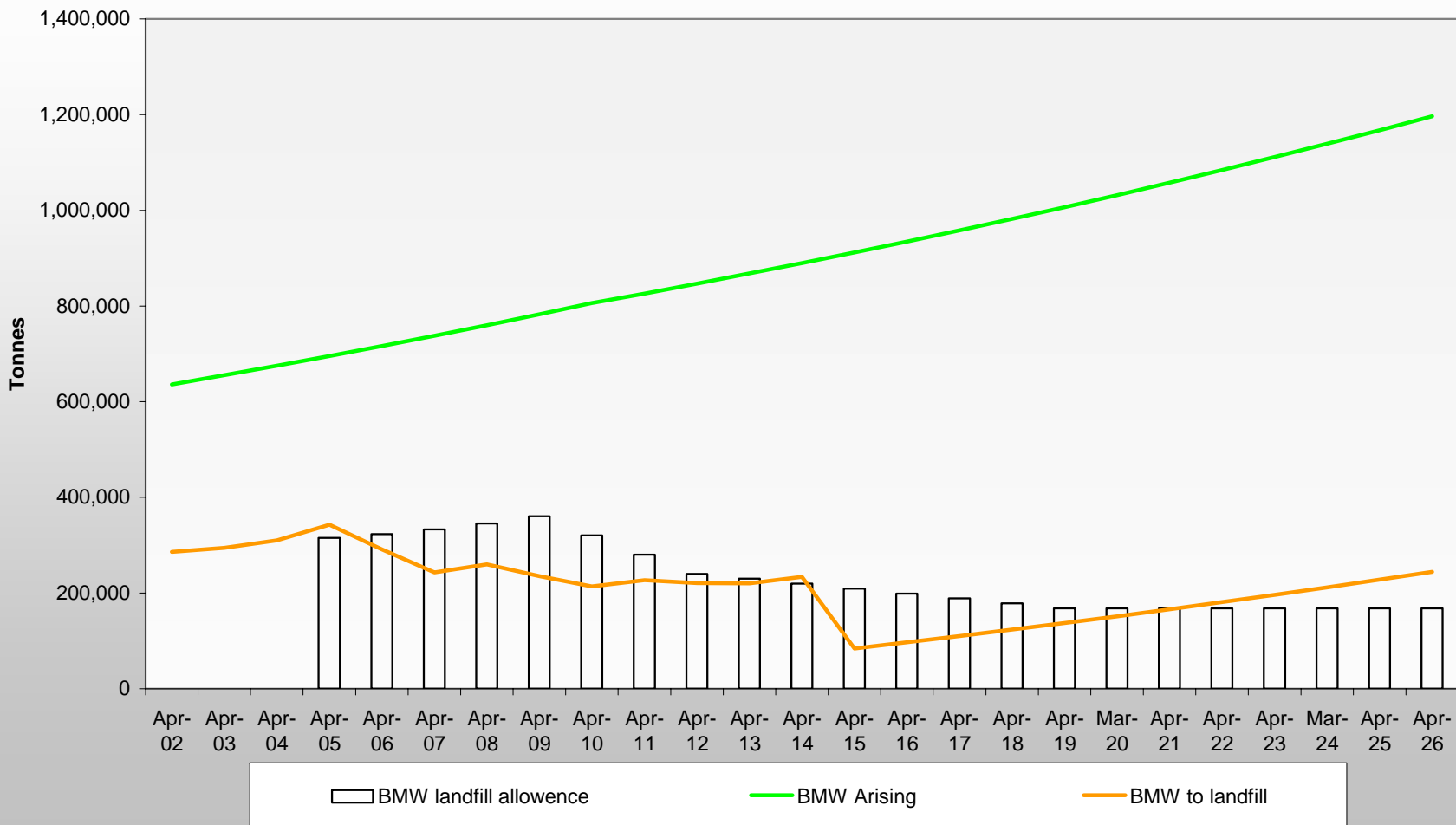
National LATs model (LAWRRD)

Landfill Allowance Trading Scheme



How big is the problem for NLWA

BMW Diversion Performance





Problem?

- NLWA is in fortunate position of potentially having excess allowances until 2014
 - Assuming
 - 3% / 2.5% growth in waste
 - NLWA Waste strategy for increases in recycling and composting
 - Constant proportions of commercial waste
- After 2014, need replacement of Edmonton capacity **and** additional BMW diversion



Trading

- NLWA will have allowances for trade
 - This represents a potential income to offset operating cost
 - The early stages of the scheme will be the most challenging for the UK as infrastructure needs to be built and hence provide the best opportunity
 - Need to determine a strategy for optimising the income/risk i.e. when to trade, when to bank
- But quantities are determined by
- Recycling performance
- Waste growth
- Other wastes collected



Commercial waste

- Commercial waste is included in the BMW calculation
- Recent guidance suggest that this is so even if the function has been divested to the private sector, but further clarification will be necessary on this
- Every tonne of commercial waste collected above what is currently collected will reduce available allowances for trade or potentially push NLWA in to deficit.
 - This will have consequent cost effects
 - Approximately 68% of trading value ie £13.60 up to £102/t either lost income or extra outgoings if NLWA get in to deficit