



**WALGA**

**Western Australian Local Government Association Submission  
to the Department of Climate Change on the Carbon Pollution  
Reduction Scheme Green Paper July 2008.**

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## Executive Summary

There is no doubt that Western Australian Local Governments have expressed concern about climate change impacts and have shown considerable leadership regarding mitigation and adaptation strategies, but it is also true that the imminent Carbon Pollution Reduction Scheme presents myriad difficulties, both in its direct and indirect effects on Local Government.

The Federal Government, through the Department of Climate Change has expressed the view that climate change management is going to present some costs to the Australian economy, however it must also realise that there will be some sectors of the business and government community that will struggle to meet obligations under the conditions outlined in the recently released Green Paper. Exposed low income households and some businesses have been addressed in the paper; however Local Governments, perhaps the most under-resourced sector of Government, have not been specifically captured by the 'profit-share' mechanisms that the Federal Government has outlined in the CCAF to assist with implementation and cost implications of the forthcoming Carbon Pollution Reduction Scheme.

While Local Government is not reticent in adopting strict climate change measures or making considerable changes to 'business as usual', many Western Australian Local Governments (over 50%) are not well enough resourced currently to meet their immediate responsibilities in relation to asset and infrastructure management, let alone to comply with the future costs and legislative requirements that a Carbon Pollution Reduction Scheme will present (*The Journey – Sustainability into the Future, 2008*). So whether or not they wish to commit to deep cuts and significant abatement and adaptation strategies, they may simply not have the resources to do so. The rising costs of energy and water, along with lesser acknowledged impacts such as rising infrastructure management and construction costs for Local Government will further exacerbate the issue of inadequate Local Government resourcing and may lead to a situation prohibitive of necessary climate change action.

The Carbon Pollution Reduction Scheme must take into account the many disincentives to appropriate climate change management for Local Government, some of which are legislated and enforced by State and Federal Government. These will be explored later in this document. For the trading scheme to fully meet its potential, any legislative barriers must be removed prior to implementation.

While the Carbon Pollution Reduction Scheme is likely to capture Local Government directly through landfill facilities (and in fact has been designed to do so), there are a wide range of indirect impacts which will affect Local Governments in Western Australia which may not have an immediately calculable impact, however will be no less costly or pressing.

The Green Paper document does not imply any kind of specific resourcing for Local Government in relation to the development or implementation of the Carbon Pollution Reduction Scheme, despite the significant impacts it is likely to have on the sector. It is also largely dismissive of core environmental outcomes, focussing instead on the market mechanisms by which greenhouse gases might be reduced. While the Association considers this a worthy goal, if greenhouse emissions reductions outcomes come at the

risk of negatively impacting on the environment (as is evidenced by the limited offsets rulings and some waste disincentives), then one form of damage is merely replaced with another, creating an untenable and environmentally inequitable situation.

While WALGA accepts that the Federal Government may not have anticipated Local Governments being affected to the extent that they have been by the scheme, it would be of value for the implications for Local Government to be more specifically explored and addressed within the scope of this paper.

It must be recognised at this juncture that Local Government fulfils a number of essential economic and community services and that many of these are statutory requirements of Local Government. Waste Management, road construction and management and street lighting are just some of the fundamental services that Local Government provides that are essential and statutory; therefore Local Government has the responsibility and liability for the provision of these services. Significantly, these are the services most likely to be affected by coverage under the Carbon Pollution Reduction Scheme.

At present Local Government has inadequate capacity to pass on the additional costs arising from the CPRS in the form of rates (Productivity Commission confirmed very limited capacity for additional income from rates) and Fees and Charges (except those not set by State Legislation). Therefore, while Local Governments will have obvious incentives to increase the efficiency of use of carbon intensive materials and services, the Federal Government should adjust the funding it provides to Local Government through FAGS, Roads Funding and other grants to reflect the increased costs of delivering services and so maintain the service purchasing power of those grants.

It is also recommended that the report indicate what resourcing will be provided to Local Governments and via what mechanism, to assist with the implementation of the Scheme. It is further recommended that the consultation timeline and process for such an important document be amended and extended to meet the needs of the Local Government sector and other similarly affected bodies, particularly if those bodies provide key community support functions which might be affected by this scheme.

To conclude the summary comments WALGA recommends that in the development of the white paper, impacts of the scheme on Local Governments be given a specific section in the document (rather than being scattered throughout) and explored further than has currently been afforded to the sector.

## Recommendations

**Recommendation 1:** The Association requests and recommends a comprehensive analysis of the impacts of the CPRS on Local Government to be prepared in consultation with Local Governments and prior to the release of the White Paper

**Recommendation 2:** That the Federal Government adjust the funding it provides to Local Government through FAGS, Roads Funding and other grants to reflect the increased costs of delivering services and so maintain the service purchasing power of those grants.

**Recommendation 3:** That Local Governments (individually and as Regional Council constructs) are eligible to receive funding under the Climate Change Action Fund.

**Recommendation 4:** That Local Governments and Local Government waste/landfill operators be provided specific assistance in the technical requirements to enter the market for certificates.

**Recommendation 5:** That Federal Government provide an adequate consultation period for the CPRS and ensure that Local Governments are deliberately considered with respect to the cost implications and impacts on both the Local Governments themselves and their ratepayers.

**Recommendation 6:** That the Federal Government consider and quantify the significant costs of energy price increases and street lighting cost increases when assessing the impact of the CPRS on Local Government.

**Recommendation 7:** That Local Government involvement in the development and provision of essential local infrastructure (i.e. roads, bridges, recreational facilities etc) is acknowledged and that all cost impacts for Local Government are identified and adequately compensated.

That specific compensation for rural areas without access to public transport be considered.

**Recommendation 8:** That Federal Government acknowledge that while landfill facilities linked to Local Governments are a covered sector, this should not preclude participation in the voluntary offsets market for Local Governments generally. Alternative Waste Treatment facilities should not be considered a covered industry and should be able to generate offsets for sale into the voluntary offsets market.

**Recommendation 9:** That Federal Government review all State Local Government Acts to ensure that they are compatible with the CPRS and allow full trading activities to be carried out to prevent limitation and disadvantage for Local Governments comparative to other business participants in the Scheme.

**Recommendation 10:** That the Federal Government fully investigate the impacts that State Legislation (such as the Carbon Rights Act and Landfill Gas Legislation) might have on the implementation of the Scheme and consider amending these Acts for consistency with the Scheme.

**Recommendation 11:** That the current Fringe Benefits Tax be reviewed to ensure environmental outcomes and to further the aims of the CPRS (reduction of CO<sub>2</sub>e emissions).

**Recommendation 12:** That the Federal Government actively support voluntary offset programs such as the Greenhouse Friendly program to enable Local Government to participate in the voluntary market. That the Federal Government ensure that Forestry offsets options are available to Local Government by reviewing any State legislation which might present a barrier to implementation of such projects.

**Recommendation 13:** That Renewable Energy projects are eligible for offsets (in both the compliance and voluntary markets) and that in particular landfill gas to energy projects are supported as they present a double environmental outcome (avoided waste and reduced CO<sub>2</sub>e).

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# **Western Australian Local Government Association Submission to the Department of Climate Change on the Carbon Pollution Reduction Scheme Green Paper July 2008.**

## **1. Introduction**

### 1.1 The Western Australian Local Government Association

The Western Australian Local Government Association (WALGA) is the united voice of Local Government in Western Australia. WALGA is an independent, membership-based group representing and supporting the work and interests of all 139 Local Governments in Western Australia.

WALGA provides an essential voice for almost 1,400 elected members and over 12,000 employees of the 139 Local Governments in Western Australia. WALGA also provides professional advice and offers services that provide financial benefits to the Local Governments and the communities they serve.

WALGA is a member of the Australian Local Government Association (ALGA), and actively contributes to the development of policy at a national level. Through the national Association, WALGA is well placed to contribute to debate and decision-making at the Council of Australian Governments (COAG). The President of ALGA is a member of COAG.

WALGA works closely with both State and Australian Government Ministers and Departmental Officers to ensure Local Government has a strong voice across the political community, develops robust policy and policy projects and provides an advocacy role where necessary. The influence of WALGA within the Local Government sector and on its behalf is significant and WALGA has recently signed a Climate Change and Sustainability Partnership Agreement with the Western Australian State Government ensuring that both Local and State bodies are working towards complementary objectives. This will be achieved through the construct of the State / Local Government Climate Change and Sustainability Council, comprising relevant State Ministers, the President of WALGA and officers of State and Local Government, as required.

### 1.2 Consultation Process and Intergovernmental Agreement

The Association wishes to raise the point that, despite the Federal Governments' tight timeframes, which are understood; there are processes and procedures that Local Government need to undertake in order to ensure adequate consultation with stakeholders takes place. The consultation process for Local Government is longer than the consultation process afforded by the Green Paper has allowed in this case, and as a result, an incomplete representation of Local Government needs and issues is likely to be captured here. While consultation with a small, expert stakeholder reference group has taken place in lieu of wider and more formal consultation, it is advised that the Federal Government take note of stakeholder communication requirements in the future if they seek adequate and representative feedback.

In Western Australia a State / Local Government Partnership Agreement on Communication and Consultation exists to ensure that Local Government adopts a fair

and equitable Code of Practice on consultation, and allows a suitable length of time to deal with issues arising. A paper of the magnitude of the Green Paper (at 516 pages in length) which has significant impacts on the Local Government sector needs to be afforded a considerable consultation period (in excess of the expected period of 12 weeks) and be presented as specifically as possible for each directly affected sector/industry. This paper is structured so that Local Government has to search for, amongst the very complex information, issues that will directly and indirectly affect them, and then analyse them for their specific area.

Additionally the *Inter-Governmental Agreement Establishing Principles Guiding Inter-Governmental Relations on Local Government Matters (April 2006)* establishes that “any consequential financial impacts are to be considered within the context of the capacity of Local Government”. This implies that any policy or legislation handed down from Federal or State Government to Local Government for implementation must be properly considered and consulted and all cost implications taken into account. This is a binding Agreement between Federal State and Local Government.

**Recommendation: That Federal Government provide an adequate consultation period for the CPRS and ensure that Local Governments are deliberately considered with respect to the cost implications and impacts on both the Local Governments themselves and their ratepayers.**

## 1.2 Overview of Local Government Concerns

Local Government is charged with providing essential community services on both a statutory and obligatory basis. The range of services that Local Governments provide from health and environmental services, to road building, street lighting and infrastructure management are diverse and complex and the decision making process that governs these services equally so.

The Association asserts that the Scheme creates some unnecessary comparisons between ‘covered sector industries’ and affords inequitable rights to some over others. The proposal to grant free emissions permits to emissions-intensive trade-exposed (EITI) industries or to consider some industries ‘Strongly Affected’ effectively provides a ‘cushioning’ process for those industries which have historically emitted at a very high level and have undertaken limited abatement or energy efficiency projects and is likely to continue to do so. This is juxtaposed against the Local Government operated waste industry, which has undertaken significant abatement activities and continues to do so, but will struggle to meet obligations under the Scheme and yet at this point in time is offered no assistance. This is likely to generate inequities and significant costs to the community that are not being picked up currently in the development of compensation mechanisms.

The Association asserts that while low-income households should be compensated for increased costs due to the impacts of the Scheme (and that these costs should be stringently assessed and aggregated across the broad range of increases, not simply related to energy cost increases), the Green Paper’s proposal to physically compensate householders (i.e. direct rebates not linked with environmental outcomes or behaviour change processes) is largely flawed. There are however some possible approaches

which would assist Local Government to pass on additional costs without suffering adverse public reaction.

- Approach 1: In providing compensation to households and business for the costs resulting from the introduction of CPRS the Federal Government must include those additional costs that Local Government must pass on through increased rates, fees and charges and make it clear that it has done so (facilitating the process for Local Governments to recover the costs).
- Approach 2: The Government must recognise that the taxing powers of Local Government are very narrow and hence any additional costs brought about through the introduction of CPRS will inevitably be passed on through increased rates, or reduce the capacity of Local Government to deliver essential services. As rates are a very blunt instrument for encouraging behaviour change Local Government should be eligible for direct payments from the funding raised by the Federal Government from the sale of permits.

Government investment into reduction of emissions for householders and provision of energy saving technologies and other cost reduction measures would have the benefit of encouraging behaviour change and buffering 'at risk' householders from price rises. This is particularly the case in relation to Government investment into essential infrastructure which would reduce emissions and costs to the community (e.g. adequate public transport infrastructure, renewable energy infrastructure investment, waste reduction and collection investment, sustainable street lighting infrastructure etc) while providing a more equitable compensation option than a means testing structure.

The obvious indirect impacts of the Carbon Pollution Reduction Scheme to Local Government are the rising costs of energy, fuel, construction and maintenance and Local Government operated community amenities such as swimming pools and recreation centres. Local Governments, as representatives of the local communities, are obliged to provide and maintain community infrastructure and amenities. Increases in the costs of building, lighting and maintaining these facilities are likely to be passed on to the user. These costs must be taken into account when assessing the need for 'compensation' to householders, as inevitably these costs will be passed on to householders through Local Governments rates.

## 2. Impacts of a Proposed CPRS on Public Service Delivery

### 2.1 Energy & Street Lighting

The provision of these services is largely dependent on the capacity of the community to absorb the rates which are charged. The general implication of the Carbon Pollution Reduction Scheme is that energy costs will rise, to which Local Government already allocates a significant portion of its revenue. This is of particular concern in relation to street lighting, which for many Local Governments accounts for over half of their total energy spend, is a community service, a statutory requirement and a liability, and yet while Local Governments in Western Australia have expressed their desire for sustainable street lighting options to reduce energy consumption, emissions and costs, little support has been offered by the State Government energy providers.

The disincentive in this case has come directly from the State Government, whose reluctance to allocate funds to a street lighting infrastructure overhaul that would accommodate sustainable technologies has provided a barrier to Local Governments implementing sustainable options. If State Agencies are not held accountable for their contribution, direct or indirect through barriers and perverse legislative and policy drivers, to greenhouse emissions reductions, does this not herald an inequitable situation if Local Governments are to be held accountable for theirs?

It is essential that the definition of facility under the legislation does not capture dispersed infrastructure such as street lighting. This could create significant inequity between adjacent Local Governments, should those with landfills covered for the purposes of the CPRS, also have that coverage extended to other Local Government activities in that jurisdiction including street lighting, operation of recreational facilities etc and so required that Council to report its wider activities.

**Recommendation: That the Federal Government consider and quantify the significant costs of energy price increases and street lighting cost increases when assessing the impact of the CPRS on Local Government.**

### 2.2 Roads & Other Infrastructure

Over 20% of total Local Government expenditure in WA is allocated to road construction and maintenance (over \$450 m in 2006/07).

Road construction is carbon intensive, requiring:

- Materials with substantial energy in their manufacture such as cement & steel
- Materials with high levels of intrinsic energy e.g. bitumen
- Energy consuming processes including excavation, road works and materials transport.

About 33% of road expenditure was used to reconstruct an estimated 600 km of roads. Road construction in Australia generates an estimated 750 tonnes CO<sub>2</sub>e per kilometre of road (Vic Roads 2007). (US estimates are nearly double this – possibly due to the more extensive use of concrete).

In WA, road reconstruction alone would generate around 590,000 tonnes of CO<sub>2</sub>e. If the costs of this are passed through the supply chain at \$20 per tonne CO<sub>2</sub>e, this adds \$10 - \$12m to the cost of road reconstruction in WA

Maintenance, upgrade and network expansion activities would add to the total CO<sub>2</sub>e generated from the management of road transport infrastructure.

A very rough estimate would suggest that Roads Funding will need to increase 4 – 5% to offset the direct costs of CO<sub>2</sub>e at \$20 per tonne while maintaining the purchasing power of government funding to achieve the desired outcomes.

Much of this investment in roads is in rural and remote regions where alternatives such as public transport are unlikely to have a major impact on demand for roads in the medium term. There is an obvious impact of the CPRS on regional equity and encouraging the development of rural and regional communities – in particular where communities are reliant on freight and have no public transport choices – the paper intimates compensation for households – is there specific compensation for the regions?

An additional concern is raised that infrastructure development (i.e. road construction), as a public good (as opposed to a service) cannot have a direct fee or charge levied and therefore has limited means of recouping costs through ‘fee for service’ mechanisms. As these developments are property based, the only cost recovery mechanism that Local Government is likely to have in this instance is via a property based tax (rates). With these costs added to the rate increases that Local Government is already likely to pass on there is little opportunity to link to the price signals that assumedly underpin these Scheme.

Other indirect impacts include the fact that higher prices for higher grade fuel products encourage oil refineries to increase efficiency, reducing the production of by-products such as asphalt leading to increases in asphalt cost to the road construction industry.

**Recommendation: That Local Government involvement in the development and provision of essential local infrastructure (i.e. roads, bridges, recreational facilities etc) is acknowledged and that all cost impacts for Local Government are identified and adequately compensated.**

**That specific compensation for rural areas without access to public transport be considered.**

### 2.3 Local Government and the Waste Sector (in brief)

As the waste sector will be confronted by the direct impacts of the CPRS these have been comprehensively explored in a second paper submitted by the Association in conjunction with the Municipal Waste Advisory Council. A brief overview of concerns is outlined below.

While Local Government is not at the present time a producer of energy there are ways in which it might be able to participate in the Carbon Pollution Reduction Scheme. Some Western Australian Local Governments are already involved in schemes, through their waste management facilities, which involve the abatement of greenhouse gas emissions

or even the production of energy through the capture of these emissions. These projects, or their abatements, are currently being traded as offsets into the voluntary market, or those with Greenhouse Friendly verification as 'carbon credits'. This is an opportunity for Local Governments to create financial incentives to abate carbon emissions from their operations.

A significant issue for Local Governments is the question of 'additionality' and how that will affect the sector. If the Carbon Pollution Reduction Scheme references previous papers and policies, it seems likely that it will significantly disadvantage those Local Governments who have embarked on abatement projects prior to the 3<sup>rd</sup> June 2007 'early abatement' deadline. Effectively those projects commenced prior to that date (of which there are quite some number as Local Governments have been responding to issues of climate change for over ten years and utilising voluntary offsets markets for over five years) are likely to be not only disadvantaged in a commercial sense, but also to find their assets devalued by this issue.

The most important factor here is for Federal Government to acknowledge that while many Local Governments operate waste facilities; this should not rule them out of being able to generate carbon credits through additional activities not associated with those facilities.

Additionally, waste facilities who have developed significant abatement projects (many of which come with a multi-million dollar price-tag), will potentially be disadvantaged (compared with other sectors) as a result of abatement activity that was carried out in accordance with regulatory requirements of State/Territory or Local Governments and further through the loss of an ability to generate offset credits.

WALGA acknowledges the aim of both the additionality and 'no offsets options' requirements within and implied by the Green Paper and previous Federal Government papers but does not see an incentive for Local Government to continue with 'good works' in the face of penalties for having been early movers in the market. It requests that the Federal Government make specific clauses for those sectors, like Local Government, who will be widely affected, to ensure that they have access to opportunities to recoup costs and ensure climate change management action continues.

**Recommendation: That Federal Government acknowledge that while landfill facilities linked to Local Governments are a covered sector, this should not preclude participation in the voluntary offsets market for Local Governments generally. Alternative Waste Treatment facilities should not be considered a covered industry and should be able to generate offsets for sale into the voluntary offsets market.**

### **3. Assisting the Community and Business to Move to a Lower Carbon Economy**

#### **3.1 Removing Disincentives and Legislative Barriers**

There are a number of disincentives and legislative barriers to the full implementation of the CPRS for Local Government. In order to ensure that Local Government is adequately resourced to meet its community obligations, as well as to continue to implement the forward thinking climate change management strategies it has been

proactively developing over the past ten years, it is necessary for both State and Federal Government to acknowledge and lift the legislative barriers that exist to hinder Local Governments' full engagement in these actions. Some of these barriers are briefly outlined below.

### 3.2 Local Government Act/s

Local Government Acts may limit the extent to which Regional Councils or Local Governments can trade in the financial instruments necessary to manage the financial risks associated with needing to purchase and acquit permits over time. The legislative changes necessary cannot begin until the CPRS design is clear, which may leave little time to enact legislative changes. Through COAG the Federal Government should review these constraints on a state by state basis.

There may need to be changes in the relevant Acts to allow Local Governments to trade in the financial instruments that the CPRS will require trade in. Legislative change is often lengthy and can take up to two years to amend an Act. Given this timeframe Case law in the UK has illustrated a need for Local Government legislative instruments to be examined to ensure that Local Governments are not restricted in their ability to participate in trading activities, which might prevent them from being able to adequately meet the needs of the CPRS. In this UK it was found that, under their current legislation, the Council of Hammersmith-Fulham was not empowered to trade in some financial instruments. Current legal advice to Treasury indicates that unless governing legislation specifically allows you to trade then you cannot.

**Recommendation: That Federal Government review all State Local Government Acts to ensure that they are compatible with the CPRS and allow full trading activities to be carried out to prevent limitation and disadvantage for Local Governments comparative to other business participants in the Scheme.**

### 3.3 Carbon Rights Act 2003

The term 'Carbon Right' is used in Western Australia to describe the class of property rights, created under State law, that recognise the right of ownership to carbon sequestered in vegetation on a particular area of land. It is not a right to a defined tonnage of CO<sub>2</sub>.

All States now have legislation to define Carbon Rights, (in Western Australia the *Carbon Rights Act 2003*), as a property right that can be bought and sold, and protected through registration on freehold land title if desired. Legislation varies between States and it only establishes a basic framework for the creation and ownership of Carbon Rights.

The Carbon Pollution Reduction Scheme may, in the near future, provide an opportunity for landholders to create a tradable commodity with which to add value to their core business and to mitigate the cost imposts of the scheme. However, in its current iteration the Act precludes many parties (including Local Government) from a source of revenue, which presents a competitive disadvantage in this instance.

The rights to carbon sequestered through biodiversity conservation and dedicated reforestation projects can, at present, only be registered by the owners of freehold land or crown land. At present the Act precludes parties who implement reforestation projects on long term pastoral or mining leases, and the rights of traditional landowners to register carbon rights. This is a major impediment to engaging indigenous communities in the benefits of the CPRS, which is a stated aim of the Scheme.

Addressing this perverse incentive could provide significant social, economic and environmental incentives to these parties, and add value to the environmental integrity of the state through valuable biodiversity conservation projects.

**Recommendation: That the Federal Government fully investigate the impacts that State Legislation (such as the Carbon Rights Act and Landfill Gas Legislation) might have on the implementation of the Scheme and consider amending these Acts for consistency with the Scheme.**

#### 3.4 Fringe Benefits Tax Legislation

The current Fringe Benefits Tax system is prohibitive of positive environmental outcomes. Current legislation penalises employees who do less kilometres in their company vehicle when calculating payment for Fringe Benefits Tax liability. Under the current arrangements company vehicle users who choose to use alternative transport solutions (i.e. public transport network, bicycle, walking etc) and use their company vehicle less, thus creating less greenhouse emissions, are penalised for their commitment to reducing greenhouse emissions.

Currently WALGA is committed to lobbying Federal Government to put in place amending legislation to the Fringe Benefit Tax system that rewards employees and employers for implementing the use of environmentally friendly vehicles such as gas or other hybrid vehicles, and other programs which reduce the use of company vehicles for the benefit of reducing greenhouse emissions. The current legislation promotes higher vehicle use to decrease the Fringe Benefit Tax liability, therefore creating higher emissions. Although it is uncertain as to how Local Governments will be affected by transport being a covered sector at scheme commencement, this is another example of how legislation can act as a disincentive to reducing greenhouse gas emissions.

**Recommendation: That the current Fringe Benefits Tax be reviewed to ensure environmental outcomes and to further the aims of the CPRS (reduction of CO<sub>2</sub>e emissions).**

#### 3.5 Offsets Opportunities & Community Leadership

The Association does wish to illustrate some possible offsets opportunities which might assist Local Government to cope with additional costs associated with the Carbon Pollution Reduction Scheme and have limited impact on the Federal Government. However these opportunities for Local Governments to reduce costs and increase abatement currently only exist as possibilities for participation in a voluntary market (with the possible exception of reforestation projects). In order to truly enable Local Governments to contribute to the Scheme and further the development of significant

abatement opportunities (which one assumes is the Scheme's main purpose), the compliance market for permits must be made available on a broader scale than is currently proposed.

WALGA requests that, given that Local Government will be affected across a wide range of services, the Federal Government enable opportunities for Local Governments to offset those costs through carbon abatement projects and services. While the Green Paper has made clear that for covered sectors the generation of carbon credits will not be an available cost offset option, WALGA requests that the Federal Government make clear in subsequent papers/reports that while waste may be considered a covered sector, Local Government should not be considered ineligible to access the trading market opportunities simply because it is associated with waste facilities. This will enable Local Governments to access the opportunities that may exist to reduce costs and raise additional revenue to cover emissions reduction needs.

Additionally, WALGA acknowledges that there are many Local Governments who have recognised early action on climate change as 'good business sense', and have chosen to voluntarily offset their emissions or invest in carbon emissions reduction projects. As WALGA has chosen to do, many businesses, including many Local Governments, currently offset their fleets, flights and operational emissions through a voluntary scheme. This shows a certain faith in the inevitability of the market. Local Governments are readying themselves for the forthcoming scheme and are responding with early, positive action. In light of this fact it is imperative that within the Carbon Pollution Reduction Scheme early action on climate change, and particularly projects involving heavy infrastructure and investment, is recognised and rewarded, not penalised.

There are possibilities for individual Local Governments to capitalise on carbon trading (national and international) and opportunities to aggregate Local Government carbon credits for sale to the national or international carbon trading market.

As Local Government is well aware, the diversity around the vast state of Western Australia, in a climatic, social, economic and environmental sense, is immense and this will play a large part in the development of appropriate carbon-centric projects. While some rural Local Governments may have the environmental conditions to mount large-scale tree planting ventures (should current legislative barriers be lifted), metropolitan Local Governments may be better suited to the development of waste management or renewable energy projects.

There exists some opportunities for Local Government to be a provider of carbon credits/offsets, rather than simply a purchaser, and through this to generate additional streams of income, addressing the current sustainability crisis across the sector (which exists in many states/territories across the country). The development of carbon credits projects will require creativity and innovation, and significant investment by Local Government. WALGA requests that the Federal Government acknowledge via adequate resourcing and support the magnitude of this investment and sufficiently value its contribution to climate change management.

Local Government is an effective mechanism for driving change at the community level. It is requested that Local Government be considered a "partner of choice" in facilitating the investment and behaviour changes needed of households and business in order to move Australia to a lower carbon economy. Funding Local Government to implement

behaviour change through models such as the 'Solar Cities' framework could facilitate a more comprehensive coverage of carbon pollution reduction across all sectors.

### 3.6 Forestry Offsets Options

Biological sequestration projects operate by planting trees as carbon sinks. The science of exactly how much carbon is sequestered by trees, shrubs and understorey is difficult to quantify, however guidelines have been set, both at a national and international level, which allow well monitored and evaluated projects to offer legitimate offsets value to buyers. The Greenhouse Friendly Program provides an accreditation process for projects of this type to allow verification of offsets.

Local Governments control substantial land resources in the State either freehold or vested under their care and control. Most Councils also have a local 'environmental' workforce that usually contains some expertise in horticulture/environmental management and has access to heavy equipment, either individually or in a regionally shared capacity. This combination may offer opportunities to produce carbon sinks that achieve biodiversity goals and produce net revenue.

In addition, some smaller or more remote Councils have access to large areas of land but due to their size would have difficulty investing resources to evaluate this opportunity and assess the compliance requirements before taking action.

There may be an opportunity to develop an accredited emissions abatement program which addresses Local Government emissions while generating revenue for individual Councils through the sale of carbon credits. In essence the program would encourage Local Governments to allocate tracts of cleared land to greenhouse abatement revegetation projects, which take into account biodiversity values and local needs. These plantings could then be 'protected' by covenant or agreement and the value, per hectare of planting, quantified to produce carbon credits.

The plans of the sector to reduce net CO<sub>2</sub>e in the atmosphere and lessen the financial cost to the community of the move to a less carbon emissions intensive economy require that the government continue to actively support accredited offset programs such as the Greenhouse Friendly scheme.

**Recommendation: That the Federal Government actively support voluntary offset programs such as the Greenhouse Friendly program to enable Local Government to participate in the voluntary market. That the Federal Government ensure that Forestry offsets options are available to Local Government by reviewing any State legislation which might present a barrier to implementation of such projects.**

### 3.7 Renewable Energy Offsets Options

There may also exist a possibility for Local Governments to create their own carbon credits through Local Government owned renewable energy projects. Rural communities are uniquely placed to make use of the natural energy solutions available to the Australian market. Solar, wind, geothermal and hydrological energy are all options for rural Local Governments across Western Australia. Given adequate funding and support through National and State frameworks Local Governments should be able to create for themselves revenue generating energy projects, which have the potential to not only

address Local Government financial sustainability, but also regional growth and employment creation in rural areas.

Projects such as these take into account the significant contribution that Local Government, as a collective sector, makes to the greenhouse gas emissions total in Western Australia. They also take into account the significant costs that will be associated with fossil fuel energy in the future carbon constrained world. Additionally Renewable Energy projects are often connected with landfills and can assist with the capture of landfill gas from the waste industry and the conversion of this into a useable resource (i.e. energy). This is a significant environmental outcome and should be rewarded for its leadership and innovation.

**Recommendation: That Renewable Energy projects are eligible for offsets (in both the compliance and voluntary markets) and that in particular landfill gas to energy projects are supported as they present a double environmental outcome (avoided waste and reduced CO<sub>2</sub>e).**

### 3.8 Climate Change Partnerships

Another identified opportunity for Local Governments is the concept of climate change partnerships between international cities (such as those in America, China, India and other highly polluting nations) and Australian Local Governments. The opportunity exists for Local Governments to charge international cities to sequester their carbon on Local Government land, conceptually becoming climate change partners and having the added benefit of enhancing international relationships.

It is important for the Scheme to acknowledge that any carbon pollution reduction must be international if it is to have any chance of achieving its objectives. International relationships between cities and states are one way to help achieve this level of cooperation and these can be directly facilitated by Local Government. The Federal Government has the opportunity not only to assist global pollution reduction targets, but to foster positive international relations ships through funding to Local Government to develop and deliver this project.

## **Conclusions**

While Local Government in Western Australia is working towards best practice, the Federal Government does not seem to have acknowledged the deep effects that this scheme might have on one of its most valuable service providers. As a provider of services, both statutory and obligatory, to the community, Local Governments across Australia could be a perfect implementation mechanism for the Federal Government in terms of ensuring complete community coverage and understanding of the Carbon Pollution Reduction Scheme when it comes into effect.

Leadership, the opportunity to value environmental services, the opportunity to protect and promote Local Government interests and prospects for the future and opportunities for rural Councils to partner with metropolitan or even international Local Governments to offset their emissions as well as selling abatement credits to large emitters such as

the mining and energy industries, all provide a great incentive to Local Governments to consider carbon credits a source of future income.

However, the fear exists that many of the opportunities for Local Government, some of which have been outlined above, will be negated by the Scheme, and therefore make implementation of climate actions very difficult, or even unviable, for some Local Governments. The Scheme as it stands, taking into account the limited offsets opportunities proposed, precludes most of the opportunities outlined above, and as a result makes climate change abatement merely an obligation and cost to Local Governments, rather than an opportunity for innovation, community development and growth. For the Scheme to represent good community outcomes, the Association recommends that the Federal Government reconsider its current offsets position and allow a broader range of projects to be accepted into the compliance market, or to make clear what role the voluntary market will play and how Local Government might make use of this opportunity.

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