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**INTERIM SUBMISSION TO THE**

**DEPARTMENT OF THE ENVIRONMENT**

**EMISSION REDUCTION FUND – GREEN PAPER**

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**Prepared by:**

Western Australian Local Government Association
15 Altona Street WEST PERTH WA 6005
PO Box 1544 WEST PERTH WA 6872
Tel: +61-8-9321 5055
Fax: +61-8-9322 2611
info@walga.asn.au

**Contact:**

Caroline Perks

Climate Change Coordinator

Telephone: +61 8 9213 2049

Email: cperks@walga.asn.au

**INTRODUCTION**

The Western Australian Local Government Association (the Association) is the united voice of Local Government in Western Australia. The Association is an independent, membership-based organisation representing and supporting the work and interests of all 140 Local Governments in Western Australia.

The Association provides an essential voice for 1,249 elected members and approximately 14,500 Local Government employees as well as over 2 million constituents of Local Governments in Western Australia. The Association also provides professional advice and offers services that provide financial benefits to the Local Governments and the communities they serve.

The comments contained in this submission have not been considered or endorsed by the Association’s State Council, as such, please be advised that this is an interim submission and that the Association reserves the right to modify or withdraw the comments as directed by State Council.

**LOCAL GOVERNMENT AND CLIMATE CHANGE**

The Association appreciates the opportunity to provide formal comment on the *Emission Reduction Fund – Green Paper* on behalf of Local Governments in Western Australia.

As the closest tier of government to the community, Local Government is a key stakeholder within climate change management. Western Australian Local Government have been actively managing climate change for a number of years, and are key delivery agents of Federal Government climate change policies. For example, a number of Western Australian Local Governments are participating in and co-funding projects within the Community Energy Efficiency and Local Government Energy Efficiency Programs[[1]](#footnote-1).

The Western Australian Local Government sector recognises that climate change mitigation and adaptation management impacts all three tiers of government, and each tier has different roles and responsibilities. The Association considers that the Federal Government is obliged to address climate change in cooperation with Local Government, as outlined in the Association’s Policy Statement on Climate Change, Section 1.3.2:-

*“Local Government asserts that climate change, being a matter of national significance, is a direct responsibility of the State and Federal Governments and that as a result the State and Federal Governments have an obligation to address climate change in cooperation with Local Government, and in consultation with the Australian community as a whole.” [[2]](#footnote-2)*

The sector highlighted their preference for a consolidated approach to climate change management in the 2013 Western Australian Local Government AGM motion requesting the Association “seek a more committed and coordinated approach in addressing the impacts of climate change.”[[3]](#footnote-3)

Local Government is committed to helping to reduce Australia’s carbon emissions in the most effective way possible. Local Government is committed to collaborating and partnering with the Australian Government to achieve the 5% reduction on 2000 emissions by 2020.

**GENERAL COMMENTS/KEY ISSUES**

The Association has consulted with WA Local Governments and has liaised with state and territory Local Government associations, as well as the Australian Local Government Association (ALGA). Submissions were received from the City of Joondalup, the City of Fremantle, the City of Cockburn, the City of Armadale, and the Eastern Metropolitan Regional Council. Through this consultation, a number of issues relevant to the sector have been identified. These include:-

* Local Government has limited ability to participate in the proposed Emission Reduction Fund (the Fund);
* Opportunity for large scale abatement - Energy Efficiency Grant Funding Programs;
* Opportunity for large scale abatement - LED Streetlighting Bulk Replacement; and
* The future of Carbon Farming Initiative Projects.
1. **Local Government’s Ability to Participate in the Emission Reduction Fund**

1.1 *Challenges to Local Government Participation*

The WA Local Government sector has been proactive in undertaking projects to reduce greenhouse gas emissions. Recently, the sector successfully utilised Local Carbon Communities funding programs, specifically the Local Government Energy Efficiency Program (LGEEP) and the Community Energy Efficiency Program (CEEP)[[4]](#footnote-4). A number of these successful energy efficiency projects have produced ongoing energy and cost savings as well as reduced emissions. For example, in July 2013 the City of Subiaco was granted $67,000 under the Local Government Energy Efficiency Program to install solar and/or heat pump hot water systems in council facilities in the Subiaco Local Government area.[[5]](#footnote-5)

Local Government are interested in maintaining their engagement with the new Federal Government Emission Reduction Fund. However, there are concerns that the design of the Fund will have limited opportunities for Local Government.

The Association notes that the *Emission Reduction Fund – Green Paper* outlines the fund as “a reverse auction to buy back the lowest-cost abatement.” This proposed design appears to focus primarily on engaging industry, and misses the opportunity to build on and complement existing work from within the Local Government sector.

The reverse auction mechanism could prove to be difficult for Local Government to engage with, as it requires upfront investing or financing in large-scale projects. However, WA Local Governments typically run operating deficits. Moreover, where operating deficits persist, rate revenue is insufficient to finance current operations[[6]](#footnote-6). This means the sector has limited capability for outlaying large amounts of capital.

It is predicted that sourcing up-front funding for Local Government energy efficiency projects will be increasingly difficult due to the closure of Local Carbon Communities energy efficiency funding programs, and the proposed abolishment of the Clean Energy Financing Corporation (CEFC). Local Government energy efficiency projects have largely been successful when there are up-front joint funding arrangements.

There are a number of examples where the CEFC has provided funding for councils to undertake street lighting upgrades. In one particular instance, the CEFC financing combined with funding from CEEP assisted Victoria’s Baw Baw Shire Council to switch to more energy efficiency street lighting and “cut carbon emissions by an expected 18 per cent and save more than $160,000 a year.”[[7]](#footnote-7)

Local Government is further disadvantaged by the reverse auction proposal, as many of its emission reduction activities may not be ‘low cost’ carbon. Local Government typically undertakes long term projects that provide a number of public benefits[[8]](#footnote-8). For example, the City of Busselton is introducing geothermal heating into the Geographe Leisure Centre[[9]](#footnote-9). This project is at a smaller scale, and its cost is unlikely to be competitive with private industry. However, the long term emission reductions, amenity value, and on-going benefits to the community make it a valuable and worthwhile project. The reverse auction scheme does not recognise these other qualitative components.

*Recommendation*

* The Association recommends that the Clean Energy Financing Corporation be rebadged to target Local Government activities. This would provide financing options to Local Government, and enable the sector to participate alongside private industry in the Emission Reduction Fund.
* The Association also recommends that the proposed fund includes a mechanism that recognises ’value added’ emission reductions, i.e. emission reduction activities that while not the cheapest option, will provide on-going community benefit and wellbeing. The program design should also include the requirement for a co-funding contribution from Local Government.
1. **Energy Efficiency Grant Funding Programs Opportunity**

As mentioned, there has already been a large amount of by in from the Local Government sector in relation to Low Carbon Communities programs. These programs have not only supported emission reductions within the sector but have also had financial benefits for the participating Local Governments. The anticipated discontinuation of these programs, with the repeal of the carbon price and the Clean Energy Future Program, has reduced the ability of Local Governments and their communities to increase their energy efficiency and reduce both costs and emissions.

The Association suggests that the Government considers a separate funding mechanism for Local Government within the Emission Reduction Fund, as the Local Government sector will find it challenging to compete with private industry under the proposed reverse auction framework. The Association recommends that some of the funding allocated to the Emission Reduction Fund be allocated to a grant fund, accessible to Local Governments (both metropolitan and regional) as well as community groups. It should be designed as a co-funded model, requiring a percentage of Local Government investment (either cash or ‘in-kind’).

This grant fund could support energy efficiency and emission reduction improvements to existing facilities, achieving best practice in energy efficiency in new buildings and developments as well as programs that support Local Government in assisting households with emission reduction actions including behaviour change initiatives.

*Recommendation*

* The Association recommends that a separate grant fund be designed within the Emission Reduction Fund, specifically for Local Government to apply within.

OR

* The Association recommends that ‘value added’ emission reduction projects are able to considered within the existing criteria of the Fund. This would include ‘co-benefits’ of potential projects such as community education, increased productivity or reduced energy costs.
1. **LED Streetlight Bulk Replacement Opportunity**

In its current form, the proposed Emission Reduction Fund favours industry and does not specifically support Local Government, State Government and community groups. Whilst it is acknowledged large business is a major contributor of greenhouse gas emissions, there are opportunities for other sectors of the community to successfully implement emission reduction projects.

For example, large scale emission reductions could be made by providing support to the Local Government sector and state utilities providers to improve the performance of street lighting assets. For example, emissions from street lights are reported to account for up to 44% of the City of Joondalup’s total greenhouse emissions[[10]](#footnote-10), and other Local Governments have a comparable emission profiles. Generally, Australian Local Governments allocate approximately 50% of their energy budgets to streetlighting[[11]](#footnote-11). As energy prices continue to escalate, the overall impact of energy costs and 20th century streetlighting technologies will deeply affect the ability for Local Government to efficiently and effectively deliver essential services and infrastructure to the public.

The potential for a Streetlighting Bulk Replacement Program, developed within the framework of the Emission Reduction Fund is an example of a large-scale, low-cost emissions reduction project. There is an opportunity to develop programs for all states and territories. It would increase national greenhouse abatement, reduce Local Governments annual energy costs, and help defer capital costs of stationary energy plant upgrades.

Specifically, a Streetlighting Bulk Replacement Program aims to replace Mercury Vapour residential streetlights, with either 42-Watt Compact Fluorescent (CFL) lamps or LED lamps, as this represents the largest current opportunity for streetlighting energy efficiency nationally. Australia wide, the majority of these street lights can be replaced by T5, CFL or LED streetlights, which reduce energy usage by 68%, 52% and 77% respectively, compared to the existing 80-Watt Mercury Vapour street lights[[12]](#footnote-12). The Fund could provide an opportunity for the Government to encourage adoption of improved energy management practices within Local Government, relevant energy service providers, and the broader community.

Currently, State Agencies and the WA utility Western Power are undergoing a State Underground Power Program. This program provides an opportunity for a complementary Bulk Replacement Program to be undertaken alongside. The undergrounding project is currently replacing Mercury Vapour streetlights with CFL technology, however with additional proceeds through the Emission Reduction Fund, Local Governments could utilise LED technology as an alternative. This would drive increased emission reductions and would provide greater cost saving to the Local Government sector.

*Recommendation*

* The Association recommends that the Federal Government examines the feasibility of including a LED Streetlighting Bulk Replacement Program relevant for each State/ Territory, as a large-scale, low-cost emission reduction project within the Fund.
1. **Carbon Farming Initiative Projects**

The Carbon Farming Initiative (CFI) “allows farmers and land managers to earn carbon credits by storing carbon or reducing greenhouse gas emissions on the land. These credits can then be sold to people and businesses wishing to offset their emissions”[[13]](#footnote-13) Western Australian Local Governments have invested into the Carbon Farming Initiative as the carbon price offered a revenue stream.

A number of Local Governments have been working towards project recognition under the ‘*Diversion of Legacy Waste* and ‘*Capture and Combustion of Methane in Landfill Gas from Legacy Waste’* Methodology Determinations. The objective of these projects is to mitigate the level of carbon emissions andto create carbon credits and associated revenue streams. These streams form a crucial component of Local Government business cases, used to justify the approval of significant capital infrastructure[[14]](#footnote-14). The Association is supportive of the proposed transitional arrangements, as outlined on page 43 of the Green Paper. The financial impact on Local Governments with existing projects spanning five to seven years should be considered, and the sector should not be penalised for developing carbon mitigation projects prior to the implementation of any new legislation.

*Recommendation*

* The Association recommends that the Federal Government honour commitments made to Local Governments under the Carbon Farming Initiative and ensure that they have continued access to carbon credits and revenues over consistent timescales.
	1. *CFI Methodologies - Legacy Waste*

Offset projects established under the CFI need to use methodologies approved by the Government. “Methodologies may be developed by private applicants and industry associations as well as government agencies.[[15]](#footnote-15)”

A CFI methodology has already been determined which involves the collection of methane from legacy waste in landfills. The Department of Environment’s *Emissions Reduction Fund Update: February 2014* Newsletter highlighted that the Waste Working Group has a focus to “broaden the existing Carbon Farming Initiative (CFI) methodologies for landfill gas capture to include non-legacy waste”[[16]](#footnote-16).

*Recommendation*

* The Association recommends that a representative from the Local Government sector be appointed to the working group on waste to represent the Local Government authorities who currently manage landfills.
	1. *Voluntary Carbon Market*

As stated within the Green Paper, “emission reductions (in the Emission Reduction Fund) will be recognised by the issue of Australian Carbon Credit Units, as currently occurs under the Carbon Farming Initiative.”[[17]](#footnote-17) Local Government is interested in the options for trading these credits at the conclusion of the Emission Reduction Fund, after the three years of funding has been allocated.

*Recommendation*

* The Association supports the concept of a voluntary carbon market to be developed and supported within the Direct Action Plan, allowing credit to be traded across Australia and internationally.

**CONCLUSION**

The proposed structure of the Emission Reduction Fund will potentially limit Local Government involvement in Australia’s future emission reduction activities, as Local Government cannot compete with private industry when funding decisions are based solely on lowest cost. However, Local Government can be a key delivery agent of Federal Government emission reduction programs, and cost savings can be achieved by the two tiers of government working in a collaborative partnership. The Association recommends that a co-funding principle between Local and Federal Government is introduced.

Local Government is an early adopter of Federal Government initiatives, and is committed to helping Australia achieve its emission reduction targets. However, Local Government cannot fund projects that require large upfront investments, so to participate in any Federal Government climate change initiatives, funding must be available for Local Government. The current Emission Reduction Fund proposal, coupled with the repeal of the Clean Energy Financing Corporation means that Local Government are finding it increasingly difficult to participate in Federal emission reduction programs. Rebadging of the Clean Energy Financing Corporation to target Local Government activities would help facilitate Local Government involvement into the Emission Reduction Fund.

There are a number of opportunities for the Federal Government and Local Government to partner, such as an LED streetlighting bulk replacement project, or through Energy Efficiency Grants. Changes to the carbon farming initiative methodologies could provide further opportunities for Local Government involvement into Federal initiatives. The Association asserts that any changes to Federal initiatives and programs must consider the impact on Local Government, and be completed in consultation with the Local Government sector.

The Association requests that the Emission Reduction Fund captures the opportunity to work with Local Government and not solely to the lowest bidder. The Association recognises that low cost carbon is a key component of the emission reduction fund, but seeks that part of the fund is set aside to provide for ‘value added’ emission reduction activities.

Thank you for the opportunity to comment on the Department of the Environment’s Emission Reduction Fund – Green Paper.

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10. Appendix 2. City of Joondalup Comments on Emission Reduction Fund – Green Paper [↑](#footnote-ref-10)
11. WALGA Streetlighting Bulk Replacement Program, Business Case. 2012. <http://www.walgaclimatechange.com.au/announcements/sustainable-street-lighting-project-for-western-australia>. Last Accessed 13th February 2014. [↑](#footnote-ref-11)
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