

Landfill Allowance Trading Scheme (LATS)

The Government (DEFRA) are implementing a Landfill Allowance Trading Scheme from 1 April 2005 under the Waste Emissions Trading Act (WET)2004. This will have a significant financial effect on Waste Disposal Authorities (WDA's) across England. In simple terms, each WDA will have an annual allowance from 2005/6 to 2019/20 for the tonnage of Biodegradable Municipal Waste (BMW) it is permitted to landfill. The Council has challenged its allocation. If the estimated tonnage in any year is expected to exceed the allowance, the WDA would be required to buy allowances from another authority not using its full allowance, at a cost determined by the two authorities or risk a penalty of £200, payable to the Government, for every excess tonne. Both are in addition to the cost of disposing of the waste.

Many factors may significantly affect the cost or income to this Council in any year. Many are variable making it difficult to predict the financial implications with any certainty. The most significant factors are:

- Level of allowances
- Achievability of the required reductions in BMW which are dramatic. A 35% reduction in 1995/96 levels by 2009/10, 50% reduction by 2012/13 and 75% reduction by 2019/20.
- The immediate gap between current waste diversion levels and new allowances. DEFRA assume no waste growth after 2001/02 and a further 10% reduction in BMW going to landfill.
- No responsibility placed on Waste Collection Authorities (WCA's) for achievement of the targets. Under the WET Act, WDA's will be able to direct WCAs to recycling points, but at the WDA's cost. This will inevitably result in , tensions in two tier authorities .
- The final penalty level
- Late delivery of any of the key facilities within the Integrated Waste Management Services Contract (IWMSC), most notably Energy Recovery Facilities (ERF), and any savings as a result of the contractor delay will be far outweighed by the penalties that will be payable to the Government.

In summary, until DEFRA issue the final allocation of allowances for the authorities later this month the financial consequences range from a cost of some £4m to income of some £12m in the period to 2020 assuming a £100 / tonne cost in addition to the disposal cost.

With the IWMSC and the Corporate Waste Reserve, this Council is in a better position than most. It is expected that the financial risk presented by the introduction of this scheme will be managed through the Reserve. The Reserve will provide the flexibility needed in the early years of the scheme up to 2009/10. After that time the introduction of the ERF, providing its implementation does occur, should ensure that the landfill targets are achievable allowing this Council to sell excess allowance.

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