

The government is miscounting greenhouse emissions reductions

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Some projects shouldn't be receiving funding from the government. Yet, lack of proper monitoring has caused huge amounts of wasted money. Credit: www.goodfreephotos.com

The Emissions Reduction Fund (ERF), established in 2014 with funding of A\$2.55 billion, is mostly spent. With just A\$200 million left to be allocated, the Climate Change Authority this week released a [report on the fund's progress](#) that can be best described as magnanimous.

The federal government claims that 189 million tonnes of emissions

have been diverted or prevented from entering the atmosphere under the scheme. But research I have done with a co-author from Melbourne Law School has found serious issues, from giving unnecessary funds, to counting decade-old projects as new emissions "reductions".

While the Authority [made 26 recommendations](#) for improvement, each is relatively low-impact. Most of the recommendations go towards increasing the fund's transparency or removing barriers to participation. While these are laudable aims, there are deeper problems.

How should the fund work?

At its most basic, the ERF gives private companies and individuals a cash incentive to avoid or sequester [greenhouse gas emissions](#). These businesses or people compete for funding by putting their projects forward at reverse auctions.

The fund is unique in Australia's climate policy, in that the legislation that supports it has strong bipartisan support. Even if a change of federal government leads to a new policy for curbing emissions, it's very likely that the basic ERF structure will be carried forward.

But despite the fund's importance, there has been surprisingly little detailed academic analysis of it to date. In an effort to redress this, a colleague and I have a [paper forthcoming](#) that examines the underlying logic and effect of the fund. The paper focuses specifically on the path into the ERF for [landfill](#) operators, although the conclusions stretch further than just those projects.

Our conclusions are simple. With A\$2.55 billion, the fund has considerable potential to crop the low-hanging fruit of Australia's emissions profile. However, there are serious flaws in how some projects are assessed for funding.

Where support is granted to projects that would proceed without it, there is no benefit to the government's intervention. Rather than lopping the low-hanging fruit, we are instead throwing money at the fruit that is already sitting in a bowl on the kitchen bench.

How to avoid redundancy

In the language of offsetting schemes, assessing a [project](#) to see if it needs extra funding to be commercially viable is known as an "additionality" [test](#). The legislation that underpins the ERF contains [three such tests](#), which are actually very strong:

- **Newness:** is a project new? Has work on it already begun? If it has, the project is ineligible, because it is considered already commercially viable.
- **Existing regulations:** is a particular project or emissions abatement already required by law? If so, the project is ineligible for ERF funding.
- **Other government funding:** does a project have access to other sources of government funding? If it does, the proponent should use those funds instead.

If these three tests were mandated for all projects submitted to the ERF, it would be filled with projects that truly deliver new environmental benefit. But they're not – and it isn't.

There's a simple reason why these tests aren't used in all cases: there are 34 different ways of abating emissions recognised by the ERF (technically referred to as "methodologies"), from the destruction of methane from piggeries using engineered biodigesters, to avoiding deforestation.

Because these activities are so diverse, the legislation that underpins the

ERF allows the Department of Environment and Energy to create methodology-specific tests instead, in consultation with industry stakeholders. They are then subject to ministerial approval.

In most cases, the replacements merely finesse the tests to make them more appropriate to the specific circumstances. For example, the existence of a [conservation covenant](#) (basically a promise to protect land) is not an obstacle to participation under the avoided deforestation methodology, despite these covenants being legally binding on present and future users of the land.

The case of landfill gas

Other instances are much less innocuous. One such area is landfill, where the gas created by decomposing rubbish can be captured and burned to create energy.

In the most egregious examples of "regulatory slippage" that either myself or my co-author have ever seen, the tests for whether landfill-related schemes should get ERF money have been completely neutered.

One of the largest Australian companies in this area is [LMS Energy](#). Their Rochedale [landfill gas project](#) should, under the tests in the Act, be thrice barred from participation.

First, it predates the ERF by a full decade. Second, the capture and disposal of methane from landfill sites is required by [Queensland's air pollution laws](#). Finally, it receives renewable energy certificates under the Commonwealth Renewable Energy Target, as power is often created by methane burned to drive a steam turbine.

Nevertheless, this project is funded by the ERF. It should be noted clearly that there is no suggestion that the project is engaged in any

deception. Its operators are absolutely complying with regulations. The issue is that the regulations themselves have been watered down to a ludicrous degree.

Two of the three tests (no funding from other government programs and not legally required) have been replaced by an unbelievably tautological requirement that landfill gas and combustion projects fulfil the legislative definition of a landfill gas and combustion project. That is, in order to pass the tests, a landfill gas capture and combustion project must merely be a [landfill gas](#) capture and combustion project.

The newness requirement permits projects that were previously registered under schemes that predate the ERF, which includes most of the larger sites for the capture and combustion of landfill methane in Australia.

Because this project already existed, its contributions are captured in measurements of Australia's baseline emissions. While there's a good argument for rewarding ecologically responsibly companies, that is not actually the point of the ERF. To state the obvious, we should not be paying to maintain the status quo, and then claim to be reducing emissions.

The Climate Change Authority has unfortunately not taken the opportunity to address these underlying problems, or the potential for similar issues in future legislation.

More immediately, we must take the government's claim to have abated 189 million tonnes of emissions with a hefty grain of salt. The reality is that the scheme's effect on Australia's total emissions is considerably smaller.

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