

# THE LANDFILL ALLOWANCE TRADING SCHEME (LATS)

## Allocation of allowances

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## ALLOCATION OF ALLOWANCES

### 1. What is the basic aim of the allocation method?

The allocation method must be seen to be as fair and equitable as possible so that all WDAs make the same relative contribution to the targets for England, based on their share of municipal waste arisings in 2001/02.

To achieve this, allocations for the target years (2009/10, 2012/13 and 2019/20) are based on applying each WDA's percentage contribution to 2001/02 (the base year) municipal waste arisings to the maximum amount of BMW that can be sent to landfills from England in target years.

This is considered to be the most equitable way of allocating allowances in target years, as it means that by 2010 all WDAs will have to make a contribution to England's targets (either by diverting BMW or by buying allowances) which reflects their share of total municipal waste arisings in England.

### 2. How were allowances for scheme years allocated?

Allocations from the first scheme year 2005/06 to 2008/09 reflect the difference between an authority's base year figure and its allocation for the first target year 2009/10. The reductions (or increases if the WDA already meets its 2009/10 target) for a WDA from its base year figure to its first target year figure are a proportion of the difference between the two figures. To ensure that the curve is steeper towards the end of the period, the proportions are 10/15/20/25/30% for the scheme years 2005/06 to 2009/10 respectively.

**3. How were allowances allocated for the scheme years after the first target year?**

This is done on the same basis as the earlier scheme years except that the reductions were calculated on a proportion of the difference between the target years (that is, scheme years 2010/11, 2011/12 and 2013/14 to 2018/19), with equal year on year percentage reductions.

**4. On what data are the allocations based?**

The allocation of allowances for every waste disposal authority is based on the total waste arisings and amounts sent for disposal, recycling, composting or recovery that were reported to Defra by each local authority in the 2001/02 Municipal Waste Management Survey.

**5. Why wasn't more recent data used?**

It was envisaged that LATS would start in April 2004. Deferral of the start of the scheme until April 2005 means that data from the 2002/03 Municipal Waste Management Survey was available. However, it was thought that using the more recent data would be unfair on a number of authorities that had begun to divert waste from landfill in anticipation of LATS starting in April 2004 and Defra had no wish to penalise authorities for taking early steps to meet their landfill diversion targets.

**6. Did all local authorities report the same types of waste in their 2001/02 municipal waste management survey return?**

The municipal waste management survey asked for data on all the municipal waste under the control of the authority. As all authorities work under different contractual arrangements, there may be differences in some types of waste reported. However, the types of waste included in the 2001/02 survey return on which the allocation of allowances was based, should continue to be reported under the monitoring of LATS. The Environment Agency is required to audit each WDA's data returns and will seek to identify any significant changes in the volumes of waste reported and may ask for information on why such significant changes take place.

**7. Does the allocation method take account of population growth?**

No. We recognise that certain areas with above average population growth will find the implementation of LATS particularly challenging. However, we have concluded that the nature of the challenge posed by population growth should not be addressed by basing the allocation of allowances on population levels (or predictions of population levels) but by means more akin to waste generation.

#### **8. Why has an allowance not been made for population growth?**

A clear message from the LATS Consultation in 2003 was that all waste disposal authorities wanted certainty in their allocations. It is our belief that basing the allocations on predictions of future population growth will not provide that certainty.

#### **9 Why did the allocations change from those issued provisionally in August 2004?**

The landfill reduction targets for England as a whole are fixed by the Landfill (Scheme Year and Maximum Landfill Amount) Regulations 2004. Therefore, the number of allowances for England as a whole is finite and changes to even one authority's allocation requires that all other allocations be revised as well. As a result of the provisional allocation consultation, some authorities identified discrepancies in the 2001/02 data and the corrections that followed resulted in the landfill allowances for all authorities having to be recalculated.

#### **10. Isn't the reduction unfair?**

When the provisional allocations were issued they were intended only to give authorities an early indication of the allowances the authority may ultimately receive. It was made very clear that as a result of the consultation exercise, the final allocations may change for all authorities (including those that did not identify an error in the provisional allocation).

#### **11. What is the extent of the reduction?**

The reduction in the allocation is less than 1% for the majority of authorities and strategies should be flexible enough to cope with such minor changes. Given the flexibilities built into the scheme, there is no reason why any authority should ever need to pay a financial penalty.

Defra has also issued an electronic tool – the Mass Balance Estimator and Allowance Manager (MBEAM) – to assist local authorities in integrating LATS with their waste management strategy and ensure they use the Scheme in the most effective way. MBEAM has been revised and improved on a number of occasions in response to WDA's requests, the latest version went public in April 2008.

**12. Dont authorities with an increased allocation have an unfair advantage in the Scheme and have surplus allowances to sell?**

No authority should have an unfair advantage as a result of adjustments to the allocations. Corrections to the 2001/02 data have only been allowed to ensure that data is accurate for all WDAs.

**13. Will the allocations be reviewed?**

A very strong message from the 2003 Landfill Allowance Trading Scheme Consultation was that local authorities wanted certainty in the allocations. The Government recognised that it is important for local authorities to have certainty with which to plan their investment strategies so will only review allocations in exceptional circumstances. To date there have been no reviews of allocations.

**14. Waste from other waste disposal authorities is sent to landfill in our area, how will this affect our allowances?**

This will have no affect on your allowances; only waste produced by your waste disposal authority (WDA) that is then sent to landfill counts against allowances, the location of the landfill site used is not relevant

**15. Allowances have only been allocated to waste disposal authorities - what role do Waste Collection Authorities play in ensuring that England meets its BMW landfill diversion targets?**

Waste Collection Authorities need to work very closely with their waste disposal authority to ensure that the allowance system works effectively and that the Landfill Directive targets are met. Waste collection authorities and waste disposal authorities also need to work together to discuss the most effective diversion strategy for their area and plan the waste management infrastructure to achieve the necessary diversion. Provisions in the Waste and Emissions Trading Act 2003 (WET Act) require waste disposal and waste collection authorities

(with some exceptions) to produce a Joint Municipal Waste Management Strategy to ensure a partnership approach to local waste management planning.

The WET Act also amends the Environmental Protection Act 1990, to enable a WDA to direct a collection authority to deliver waste in a specified form. This power can only be exercised when a waste disposal authority considers it necessary in order to meet its obligations under any enactment. When a WDA decides it needs to use this 'power of direction' it is required to have regard to guidance given by the Secretary of State. The guidance encourages waste disposal authorities to try to reach an agreement with collection authorities without issuing formal directions. The amendments also provide for disposal authorities to pay collection authorities such amounts as are needed to ensure that a collection authority is not financially worse off as a result of delivering waste in the separated form

required by the disposal authority.

**16. Are neighbouring WDAs able to pool their allocations?**

The Government recognises that this is an important issue for WDAs who are currently operating joint contracts with neighbouring WDAs. Authorities are, however, responsible for meeting their own targets and so targets cannot be pooled in the sense that one partner can landfill more than its allowances providing another partner landfills less. However, if WDAs wish to meet their obligations by working with other WDAs, there is no reason why this should not happen - allowances could be shared using the trading mechanism and with non-monetary trading, no money would need to change hands.

The Local Government and Public Involvement in Health Act 2007 introduced new powers to allow the creation of joint waste authorities where two or more local authorities wish to discharge some, or all, of their waste functions to a joint waste authority. This power was introduced at the request of local authorities and where two or more WDAs join together they will be able to pool their LATS allowances.