

THE LANDFILL ALLOWANCE TRADING SCHEME (LATS)

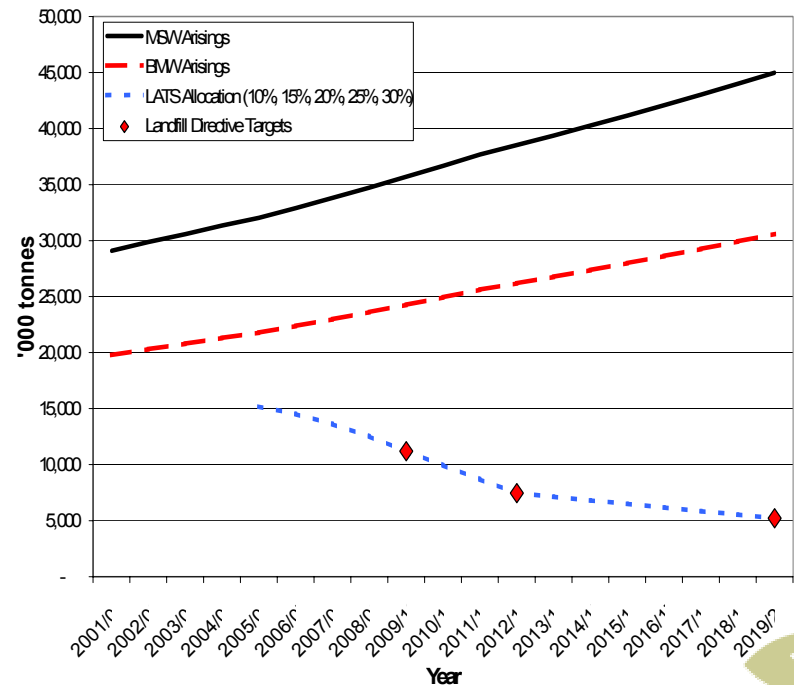
Background

- The EC Landfill Directive sets challenging targets for the reduction of biodegradable municipal waste (BMW) sent to landfill.
- The Waste and Emissions Trading Act provides the framework for landfill allowance trading schemes, designed to implement Article 5(2) of the landfill directive.

The challenge facing the UK

The reduction targets set by the 1999 Landfill Directive are:

- By **2010** to reduce the amount of BMW going to landfill to **75%** of that produced in 1995
- By **2013** to reduce the amount of BMW going to landfill to **50%** of that produced in 1995
- By **2020** to reduce the amount of BMW going to landfill to **35%** of that produced in 1995.



Why is LATS being introduced?

- Limiting Landfill (1999), outlined several options for meeting Article 5(2) of the Landfill Directive. The option of a tradable permits scheme (now known as allowances) for local authorities was overwhelmingly supported as the best way forward.
- A very cost effective method of meeting the Landfill Directive's targets.
- Allows waste disposal authorities (WDAs) to retain control over planning for the disposal of municipal waste.
- Allows the gradual reduction in the amount of biodegradable municipal waste going to landfill, meaning that WDAs will have more time to adapt and find lower cost means of waste reduction and diversion.

Overview

- The Landfill Allowance Trading Scheme (LATS) was be launched on **1 April 2005**.
- LATS has been designed as a tool to enable WDAs and England to meet the targets for the reduction of BMW sent to landfill in the most flexible and cost effective way.
- Failure to meet the targets in the EC Landfill Directive would mean that the UK could face a non compliance fine of up to £0.5m per day after the first target date in 2010.
- Government will hold the first review of the scheme in 2007.

Banking, Borrowing and Trading

Banking

- Unlimited banking will be allowed between target years.
- Banking is not permitted in either the target years or the year preceding the target years.

Borrowing

- Borrowing will be limited to up to 5% of the next year's allowances.
- Borrowing is not permitted in either the target years or in the year preceding the target years.

Trading

- Trading is not mandatory.

Restrictions on Banking and Borrowing

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Banking	Unlimited	Unlimited	Unlimited	None	None	Unlimited	None	None
Borrowing	5% Total Allowances	5% Total Allowances	5% Total Allowances	None	None	5% Total Allowances	None	None

	2013/14	2014/15	2015/16	2017/18	2018/19	2019/20
Banking	Unlimited	Unlimited	Unlimited	Unlimited	None	None
Borrowing	5% Total Allowances	5% Total Allowances	5% Total Allowances	5% Total Allowances	None	None

Electronic Register of Landfill Allowances

- Defra has developed an Electronic Register of Landfill Allowances to record all allowances allocated to each WDA and to facilitate borrowing, banking and trading.
- Each WDA will hold an account for each scheme year, containing the allowances available for that scheme year.
- Each WDA will have a designated Trading Officer, who will be the main contact listed on the Register and will be the person authorised to enter requests to trade or borrow allowances onto the LATS Register. This user will be able to create other users within the respective WDA.
- The Register will be maintained by the Environment Agency.
- The Register can be accessed via <http://defraweb/environment/waste/localauth/lats/register.htm>

LATS Bulletin Board

- The bulletin board can be accessed via the Defra website.
- WDAs may use the bulletin board to post notices advertising allowances they wish to sell, or signalling the quantity they wish to buy.
- The bulletin board transfer log will list the price and quantity of every transaction completed (though not the trading authorities involved in the transaction), enabling WDAs to monitor the current market price of allowances.

Monitoring and Mass Balance process

- The **Environment Agency** (EA) is the monitoring authority for England and will use the mass balance process to monitor the amount of BMW sent to landfill in any year by each WDA.
- WDAs are required to provide quarterly returns of the tonnage of waste collected, sent to landfill and diverted from landfill, to the EA within three months of the end of each quarter.
- The EA will be able to access monitoring information via WasteDataFlow.
- At the end of each scheme year there will be 6 months reconciliation period.

WasteDataFlow

- WasteDataFlow (WDF) is an online web-based system for local authority waste data reporting.
- WDF allows faster, more accurate data collection into a single database.
- WDF enables local authorities to meet the requirement to report quarterly data under the Landfill Allowances and Trading Scheme (LATS) Regulations 2004.
- WDF can be accessed via www.wastedataflow.org

The Penalty system

- Designed to act as a disincentive.
- Penalties may be incurred if:
 - a WDA breaches its landfill allowances target:
 1. In a scheme year: a fixed fine of £150 per tonne will apply.
 2. In a target year: the Government will reserve the right to pass some or all of any fine imposed by the European Court of Justice
 - a WDA fails to provide monitoring information – a fixed fine of £1000 will apply.

How will penalties be applied?

- Breaching of landfill allowance targets
 1. A WDA identified as being liable for a penalty will be notified by the SoS in writing.
 2. A WDA can choose either to pay the penalty or make a case to the SoS to waive the penalty.
 3. A WDA will have a month from the date of the SoS letter to pay the penalty or interest will apply payable at one percentage point above LIBOR on a day to day basis.
- Failure to provide monitoring information
 1. WDAs failing to provide monitoring information will be first contacted by the Environment Agency, before a penalty is imposed.

M-BEAM

(Mass Balance Estimator and Allowance Manager)

- Defra has launched an electronic planning tool (M-BEAM), to assist local authorities in planning to meet their reduction targets.
- The M-BEAM tool enables individual authorities to develop and cost their strategies for using LATS (by banking, borrowing or trading) and help them meet their obligations under the Landfill Directive.
- The M-BEAM tool has been published on the Waste Implementation Programme (WIP), Local Authority Support Unit (LASU) website at <http://www.lasupport.defra.gov.uk/>.

LATS Stakeholder Group

- Both local authorities and the waste management industry are represented on the group.
- Intended that the group meets about every two months until the end of the first year of the scheme.

AIMS

- To provide a forum to discuss the Government's LATS communications strategy;
- To comment on the suitability and clarity of guidance before it is published;
- To inform the Government and the Environment Agency of issues arising from the implementation of LATS; and
- To provide an informal network of contacts to discuss experiences and gain information about allowances prices and availability.