

THE LANDFILL ALLOWANCE TRADING SCHEME (LATS)

Background

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2. Why was it necessary to introduce a trading scheme, rather than simply set each local authority individual targets?
3. How does the Scheme work?
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BACKGROUND

1. Why was the Landfill Allowance Trading Scheme being introduced?

Article 5(2) of the EC Landfill Directive requires the UK to reduce the amount of biodegradable municipal waste (BMW) it sends to landfill, in order to prevent or significantly reduce the negative effects of sending waste to landfill on the environment and human health. The Government consulted twice on how to meet this obligation and the option preferred by respondents was a tradable landfill permit scheme (the landfill permits are now known as allowances). To that extent LATS is a means to achieve the Directive targets rather than the instrument that imposes those targets.

2. Why was it necessary to introduce a trading scheme, rather than simply set each local authority individual targets?

The Landfill Allowance Trading Scheme was developed as an innovative tool to enable local authorities in England to reduce the amount of BMW sent to landfill in the most cost effective way, whilst reassuring Government that the necessary progress towards the Directive is being made. The scheme offers an alternative to the regulatory system of inflexible targets, by offering authorities the opportunity to tailor the required reductions to their specific strategy through the flexibilities of banking, borrowing and trading.

LATS is the first of its kind involving waste, but trading schemes have already been used successfully across the world to reduce emissions. For example, trading schemes have been successfully used in the USA to reduce sulphur dioxide emissions from power stations. BP spent \$ 20 million on an internal emissions trading scheme and ended up making energy efficiency savings worth \$650 million and reducing emissions by 20 per cent over 2 years 8 years ahead of schedule.

Landfill allowance trading is a new way of working for many waste disposal authorities, but the allows authorities to make the best use of the waste management funding that is available to them. LATS allows authorities to retain control over planning for the disposal of municipal waste and allows the gradual reduction in the amount of BMW going to landfill, meaning that WDAs have more time to adapt and

find lower cost means of waste reduction and diversion.

3. How does the Scheme work?

Landfill allowances are allocated to each authority at a level that will enable England to meet its targets contribution to the UK targets, under the Landfill Directive. The number of allowances issued conveys the right for an authority to landfill an amount of BMW in a specified year, each allowance being equivalent to one tonne of BMW.

Each WDA is able to determine how to use its allocation of allowances in the most effective way. They are able to save unused allowances for use in later years (banking), or use a proportion of their future allocation of allowances in advance (borrowing). This allows individual WDAs to use their allowances in accordance with their investment and sustainable waste management strategies.

WDAs also have an incentive to trade allowances with other WDAs depending on the relative costs to that WDA of diverting waste from landfill. Trading is not compulsory – a WDA could choose to landfill in line with its allowances without trading. The advantage of trading is that it overcomes the fact that different WDAs will face different diversion costs depending on their particular circumstances.

4. When was the Scheme be launched?

The scheme was launched on 1 April 2005. Defra held a series of Road shows in the summer to ensure that local authorities understood the requirements of the scheme.

Training workshops on using the Electronic Register of Allowances for local authority officials were held shortly after the scheme's launch and the Environment Agency, which monitors the scheme, still provides guidance and advice to new users.**5. Where can I find more information on the scheme?**

Information about the scheme is available on the Defra website at **www.defra.gov.uk/environment/waste/localauth/lats/index.htm**.

The Defra's Municipal Waste Policy team deals with the implementation of the scheme and can be contacted for information or to answer any queries regarding the scheme. The contact details are landfill.policy@defra.gsi.gov.uk or 0207 238 4813.