
WASTE MANAGEMENT

**Responsible Cabinet Member - Councillor Stephen Harker,
Consumer and Environmental Services Portfolio**

Responsible Director - John Buxton, Director of Development and Environment

Purpose of Report

1. To seek Members' approval for a course of action for developing the Council's waste management service to achieve an affordable solution to increasing costs of waste treatment and disposal, and to improve our position within the national performance framework for waste management.

Summary

2. Darlington's approach to waste management is currently heavily dependent on landfill. This approach cannot continue as it will become financially untenable and frustrate our abilities to meet performance targets.
3. The existing waste disposal contract is due to expire in the next few years and must be replaced.
4. The paper seeks approval for the procurement of a new waste contract (or contracts) that will run from 2009 to 2020, focus on technologies other than landfill, and meet statutory recycling and landfill diversion targets.

Information and Analysis

5. The current approach to waste treatment and disposal, heavily dependant on landfill, will become financially untenable over the next ten years due to the combination of increasing amounts of waste and the cost of Government penalties associated with landfill. A 'no change' approach could lead to waste management costs of over £12 million per annum, by 2019/20, compared to £2.67 million in 2005/06.
6. The capacity of our current recycling facilities is limited and could be fully utilised by 2009/10. They will not accommodate sufficient diversion of waste from landfill to significantly reduce landfill costs. Current and future best practice on levels of performance on recycling/composting cannot be achieved, with present arrangements, and as the amount of waste increases, the proportion that could be recycled/composted would actually decrease, with consequent impact on our best value performance indicators and the CPA.

7. Government policy aims to reduce landfilled biodegradable waste to 35% of 1995 levels by 2020. Waste disposal authorities have been given annual targets in the form of 'Landfill Allowances' – Darlington's allowance in 2019/20 is 11,872 tonnes of biodegradable municipal waste (BMW) sent to landfill, compared to 39,600 tonnes in 2005/06 and a projection of 62,000 tonnes of actual BMW in 2019/20. The fine for exceeding allowances has been set at £150 per tonne, and we need to reduce the projected amount of landfilled biodegradable waste by over 50,000 tonnes in 2019/20 to be compliant.
8. Compliance with this framework has been secured until 2008/09 by buying additional landfill permits from other local authorities under the 'Landfill Allowance Trading Scheme' (LATS). After that, costs are likely to rise steeply as either the price of permits rises, or they become scarce on the market, so that we are unable to cover our landfill tonnage and Government penalties come into play.

Contract Duration

9. This paper proposes the procurement of a new contract for the 11-year period from 2009 (subject to termination of the existing contract) until 2020. The rationale for this length of contract is set out below. The Office of Government Commerce (OGC) Kelly Report to the Treasury, 'Improving Competition and Capacity Planning in the Municipal Waste Market' (May 2006), highlights a number of issues in the market for waste treatment and disposal.
 - (a) There are currently few suppliers of waste treatment and disposal services, resulting in a lack of competition.
 - (b) Most suppliers have a regional or local rather than national presence, and there are fewest suppliers in the northeast region, with only three suppliers identified compared to six in London, the southwest, and Yorkshire and Humberside, and five each in the other five regions. Whilst this relative underdevelopment of the market in the region may reflect the smaller population and demand relative to other regions, it is nevertheless an issue in terms of procurement options and competitiveness, as well as an indication of future potential for growth.
 - (c) A trend of consolidation is evident, leading to fewer and larger suppliers in the future; whilst this may further reduce competition, larger companies will be better able to invest in new technologies and facilities, driven by the demands of the LATS/regulatory framework.
 - (d) There is a lack of market intelligence on authorities' future requirements and procurement plans, so that suppliers' forward planning is currently frustrated and the market is relatively unattractive to new entrants.
 - (e) National waste policy and regulation is perceived as not being sufficiently joined up and lacking clarity, again adding to uncertainty and discouraging new suppliers to enter the market.
 - (f) Potential new suppliers perceive the waste market to be too risky, particularly in terms of high bid costs, lack of skills within local authorities to deliver complex procurements, and few opportunities to partner and build capabilities.

- (g) On the demand side the Kelly report identifies a glut of contracts to be awarded by local authorities in the next four to six years, but planned procurements decrease significantly after 2010. The report identifies over 60 planned procurements in 2006 and 2007, over 70 in 2008, and over 50 in 2009 reducing to around 30 in 2010. The report comments that contracts will be competing against each other to attract the attentions of suppliers.
- (h) In other words, the next four to six years will see a market that is advantageous to sellers/suppliers rather than buyers. It is unlikely in this market that the Council could procure a contract now at as competitive a price as in ten to twelve years time. Of course, other local authorities may seek a medium term solution, as suggested here, thus increasing demand in 2018-2020 for new contracts. However, by then it is expected that the supply side in the market will have matured, with investment in and development of technologies that are new now but by then will be proven. The Kelly Report sets out proposals for Government, the public sector and the waste industry to stimulate development of the market.
10. Officer knowledge of the supply side of the market in the region accords with the Kelly Report. Two options for an alternative approach to landfill are known to be available with potentially a third subject to further investigation, and a fourth appearing on the horizon as this paper was prepared. These options involve either technologies that are still developing and relatively untried, facilities where the current capacity would have to be extended to accommodate Darlington's waste, or bringing together partnerships of contractors to provide the range of treatment required to deliver the needed outputs.
11. An appraisal has been carried out on treatment and disposal options: Mechanical Biological Treatment (MBT) using a waste digester technology; incineration and recovery of energy from waste (EfW); and an approach based on minimisation, re-use, recycling and composting. A fourth option, autoclaving of waste using superheated steam under pressure, has emerged more recently. This, together with a financial appraisal of the available options is set out in **Appendix 1** and, despite the lack of competitiveness in the market, they appear to offer significant savings over a 'no change' approach through to 2020.
12. **Appendix 2** provides background information on current waste levels, projections and performance.
13. **Appendix 3** provides background information on European and national policy targets and penalties. Of particular interest is the section on the Landfill Allowance Trading Scheme designed to ensure diversion of biodegradable municipal waste (BMW) from landfill. The required new approach must tackle the gap between our landfill allowances and projected levels of BMW.
14. Research by *Entec UK Ltd* for Government Office North East has assessed current and future waste treatment capacity in the region. It summarises the risks associated with the available treatment technologies, notably around planning issues, markets for the end products of treatment, and whether the technologies will achieve the anticipated levels of performance.

15. The *Entec* report recommends that GONE engages with waste management companies to develop technologies and capacity. Authorities should consider joint working to achieve economies of scale in procurement and also to stimulate interest from the waste management industry by offering larger contracts. Alongside these developments municipal recycling should be significantly increased, through regional co-ordination of campaigns and measures such as alternate weekly collections.
16. The other Tees Valley Authorities' current contracts expire in 2020. As both the Kelly and Entec reports suggest, the opportunity to join the other authorities in exploring joint procurement at that time could offer significant financial advantages.
17. The current national waste management strategy, built around the LATS regime, covers the period up to 2020. It is therefore a period of certainty in terms of the targets and improvements we are expected to achieve, and the penalties that could be applied. Beyond 2020, strategy and targets are an unknown. There could be a change of direction in national policy at that stage which might conflict with an established contract running beyond 2020.
18. All these factors point to the wisdom of not being tied into a contract beyond 2020. Procurement of a new contract from 2009 is suggested as the best option for improving performance and achieving compliance with LATS, but this procurement would take place in a relatively high-risk market. Market conditions and the opportunities for joint procurement in 2020 are very likely to enable a more cost-effective longer-term solution to be achieved than under current conditions.
19. Discussions have been held with Durham County Council, which also has a contract with Premier Waste Management on the same timescale as Darlington, to investigate the potential for joint procurement. However, discussions have concluded that a joint procurement is not a feasible option at this time.

Soft Market Testing

20. An event was held on 10 and 11 August with six waste management companies to gauge their level of interest in an 11 year contract with Darlington. Of the six, five expressed satisfaction with this duration, and all expressed an intention to tender. This confirms an industry appetite for this contract.

Strategic Environmental Assessment

21. European Community legislation (European Directive 2001/42/EC) requires a Strategic Environmental Assessment to be carried out on major plans and strategies for services including waste management. The pre-tender documentation and technical specification would form the basis for the first stage of SEA, which would continue through the procurement process.
22. As a guide to costs, the combined SEA/Sustainability Appraisal on the Local Development Framework Core Strategy was carried out by a framework partner consultancy at a cost of £20,000. The Darlington Gateway SEA also cost £20,000, whilst the SEA for the Open Spaces Strategy cost £12,000.

Procurement Timetable

23. The following timetable for the procurement process is suggested. At this stage dates are provisional, pending the outcome of the market testing period:

12 & 28 September	Cabinet/Council – formal approval to procure
4 October	Publication of OJEC Notice
10 November	Closing date for return of Pre Qualification Questionnaires followed by preparation of shortlist of prospective bidders
22 November	Tender Panel to endorse bidder shortlist
27 November	Commence Competitive Dialogue process to develop tender specification
22 December	Completion of Competitive Dialogue period
2 January	Send out tender documents to commence 6 week tender period
16 February	Closure of tender period; Tender Panel opens tenders; commencement of 4 week tender evaluation period
16 March	Completion of tender evaluation; Tender Panel select supplier; bidders informed of outcome during next week
9 April	Formal signing of contract

Project and Risk Management

24. This paper is the product of work carried out to date by a small team of officers that is responsible for examining Waste Management as one of the Council's 'Leading Edge' projects. The team leader reports to a Project Sponsor and Board that oversee the progress of the project.
25. It will be apparent from the content of this paper that a significant number of risks could impact on both the delivery of the existing service and on the procurement process suggested in the paper. One of the team's ongoing tasks at its weekly meetings is to review and update the project's risk which is examined and challenged by the sponsor and project board.
26. A wide range of risks have been identified, with the most significant area of risk relating to the treatment and disposal market – its capacity to provide a method of treatment and disposal that meets the Council's LATS obligations at an affordable price, and its interest in bidding for the suggested 11 year contract. The period of soft market testing, in particular, has focused on reducing these risks by ascertaining market conditions in advance of formal procurement.

Financial Implications

27. The Medium Term Financial Plan (MTFP) includes provision for waste disposal costs to rise by £1m per annum from 2008 – 09 as a result of new arrangements following termination of the current contract. As the contract will now terminate on 1 April 2009, there should be scope to make some saving in 2008 – 09. There is, however, currently no provision in the MTFP for the cost of a Strategic Environmental Assessment.
28. Looking further ahead, the indicative disposal costs for potential waste management solutions shown in **Appendix 1** range from £65 per tonne to £100 per tonne. At the lower end of that range some saving compared with the MTFP may be sustained into future years. If disposal costs under the new contract are at the higher end of the range additional provision may be needed in the MTFP in future years from 2009 – 10. Any firmer indications of costs that may become available as the procurement progresses will be used to inform the 2007 – 08 to 2010 – 11 MTFP.

Outcome of Consultation

29. This matter was referred to a special joint meeting of Resources and Public Protection and Community Partnerships Scrutiny Committee on 24 August 2006. The outcome was that the Joint Scrutiny Meeting supported the approach to procurement as contained within the report.

Legal Implications

30. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

Section 17 of the Crime and Disorder Act 1998

31. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

Council Policy Framework

32. The issues contained within this report do not represent change to Council policy or the Council's policy framework.

Decision Deadline

33. For the purpose of the 'call-in procedure this does represent an urgent matter, to enable the contract to be met in a timely matter, but it has already been considered by Scrutiny on 24 August 2006.

Recommendation

34. It is recommended that the procurement process for the disposal and treatment of municipal waste, as described in the paper, be approved.

Reasons

35. The recommendation is supported to enable the Council to secure waste management services.

John Buxton
Director of Development and Environment

Background Papers

- 1 OGC Kelly Report to the Financial Secretary to the Treasury: “Improving Competition and Capacity Planning in the Municipal Waste Market.” Office of Government Commerce. May 2006.
- 2 A Study of Future Residual Waste Treatment Capacity and the Potential for Refuse Derived Fuel Production. GO-NE. March 2006.

Appendices

- 1 Financial Appraisal
- 2 Waste Data and Projections
- 3 European and National Policy, Targets and Penalties

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Financial Appraisal

1. Officers have identified three options for waste treatment and disposal. The Kelly and *Entec* reports back-up this summary of the current local market.
2. The costs shown in the table below are based on currently available information and are indicative at this stage. They will only be established accurately through the formal procurement process. MBT and EfW will require additional capital investment in plant. The Council might be expected to contribute through Prudential Borrowing, in which case officers will assess whether it is advantageous to the Council to do so. The tonnage costs in the table are calculated on the basis of no such Council investment. Capital input would reduce the tonnage revenue costs. Further discussion with providers is required to identify the optimum balance of revenue and capital costs and this can take place within the formal procurement process

Technology	Mechanical Biological Treatment (MBT)	Energy from Waste (EfW) - Incineration	Re-use and Recycling
Description	Range of technologies – mechanical stage separates some recyclables and grades waste. Biological process converts BMW to ‘compost-like’ substance. Technology available in northeast uses ‘tower’ digestors for biological stage, with residual recyclables left at end of process.	Well-established technology, with markets for electricity generated. Reusable, recyclable and compostable materials separated at front end of process; residual waste incinerated and energy used for heating/power generation	Strong focus on maximising separation of materials for re-use and recycling, use of new digester technologies for large scale composting of household BMW; landfill of residue within landfill allowances
Commentary	No requirement for front-end recycling, but this would reduce amount of waste going to treatment and therefore costs, as well as boosting PIs. Technology would achieve high level of performance against composting PI, with recyclable materials left for sorting at end of process. Dependent	Incinerator at Billingham running at full capacity, but planning permission granted for a 3rd ‘line’; this will require capital investment. Front-end recycling not would reduce amount of waste going to incineration and thus costs – essential to be comparable with MBT or most optimistic landfill projections. Proven and ‘clean’	The simplest technology, reliant on minimising residual waste. Limited capital investment in technology required. Would still involve landfilling of residual waste within LATS allowances, with Landfill Tax payable, together with fines if landfill allowances are exceeded. Potentially lowest start-up costs and

	on market for compost-like material produced by process. Facility operating at Easington, but would require investment in new capacity to accommodate DBC waste there or at new site. Provider is developing a new front-end recycling method that would separate out dry recyclables. End product is inert, so residual landfill would not count against LATS	technology, but issues around public perception/concerns. Would boost performance on EfW PI (currently nil) but would not by itself produce performance against recycling/composting PIs. Residual landfill of bottom ash and during plant down-time	may deliver lowest running costs despite landfill component, but requires further exploration of potential. Likely to require partnership of providers to maximise recycling.
Risks	Planning permission for new facility Public opposition on grounds of traffic/visual amenity Limited markets for end products Risk: Low/medium	Carbon Tax, if introduced, would significantly increase costs Planning permission for new 'line' Public opposition – technology is emotive for some people Risk: Medium/high	Failure to meet landfill diversion targets. Cost of landfill tax and LATS penalties Potential build-up of public opposition to continuing landfill Relies on a partnership of providers that doesn't currently exist Risk: Medium
Potential Cost	£65 per tonne	£100 per tonne	To be determined

3. The graph below illustrates the projected relative costs of the likely range of options open to the Council. A number of assumptions have been made in projecting costs, primarily about the future cost of LATS permits and the costs per tonne of incineration and MBT/Digestion.
- The chart shows the potential range of costs associated with continuing with landfill. The highest costs (Landfill/LATS Penalties) is based on not being able to purchase LATS permits after 2008/09, and paying the full LATS penalties of £150 per tonne of BMW landfill – hence the steep rise in costs from 2008/09 to 2009/10.
 - The Landfill/LATS Permits projection assumes that permits will continue to be available for purchase until 2020, with the price rising from £18 per tonne currently to £50 in 2020. Both these assumptions are generous and it is likely that, if permits are still available, the cost will be considerably higher.
 - The incineration option has been projected at a cost of £100 per tonne, which is the best indication of cost that officers have obtained.

- (d) The lowest costs are associated with the MBT/Digestor option. Costs have been projected at £65 per tonne, which was the best indication available for the projection.
- (e) The projections assume recycling at the maximum current capacity of 12,500 tonnes. Costs would, of course, be reduced through minimisation and enhanced recycling. The projections are useful in comparing the relative costs of the treatment and disposal options rather than absolute costs.

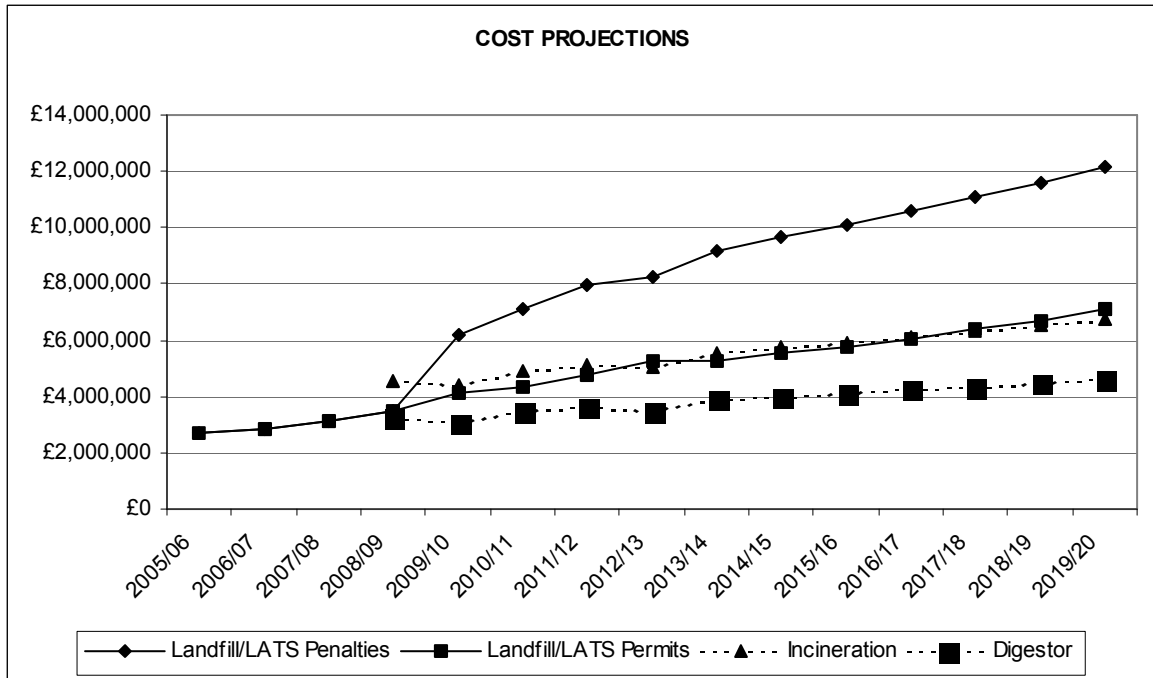


Figure 3 – Cost Projections of Treatment and Disposal Options

4. The chart emphasises that the combination of future costs and non-compliance with national objectives make the continuation of the current landfill-based approach to waste management untenable, and that the available information points to procurement of a new contract based on one, or a combination of more than one, of the available options, which at the time of formal procurement are likely to be wider than those assessed in this Appendix. (This was confirmed through the market testing event).

Waste Data and Projections

Current Waste Treatment and Disposal Contract

1. The current contract with Premier Waste Management was ‘inherited’ from Durham County Council in 1997. The earliest date that the contract could have been terminated was 31 January 2008, but termination requires serving of two years’ notice, by either party. A key milestone to be established in tender preparations is, therefore, the optimum date for serving the notice to terminate in order to co-ordinate with a new contract whilst protecting the existing service in the meantime.

Current Waste Generation

2. In round figures approximately 69,000 tonnes of municipal solid waste (MSW) was collected in Darlington in 2005/06. Of this, 54,000 tonnes was household waste, 10,000 tonnes was the Council’s operational waste and 5,000 tonnes was ‘trade’ waste collected from businesses.
3. The Environment Agency has determined that 68% of MSW is Biodegradable Municipal Waste, or BMW. In 2005/06, 47,000 tonnes of Darlington’s waste was therefore BMW. This breakdown is important, because Government policy, outlined in **Appendix 3** below, is focused on reducing the amount of BMW sent to landfill.
4. The general national trend is towards an increase in waste of just under 3% per annum, and there has been a similar growth rate in Darlington over the last 5 years.

Projected Waste Generation

5. European and Government policy is focused on the period up to 2020. The key target year for this paper is therefore 2019/20. Based on an annual growth rate of just under 3%, 104,000 tonnes of MSW would be generated in Darlington in 2019/20. Of this, BMW will account for around 71,000 tonnes (68%), with around 62,000 sent to landfill, assuming that present trends continue.

Current Recycling Performance

6. The amount of waste diverted from landfill has increased in recent years through the introduction of the kerbside collection service, and both recycling and composting will be further improved in the short term by the recent upgrading of the Civic Amenity Site – now the Household Waste Recycling Centre (HWRC).
7. Of the 54,306 tonnes of household waste collected in 2005/06; 14.7% (7983 tonnes) was recycled via kerbside collection, bring sites and the HWRC; and 3.38% (1836 tonnes) was composted via the HWRC. The remaining 81.92% (44,487 tonnes) was landfilled. The total of 18.08% diverted from landfill showed a small increase from the previous year and achieved the statutory target for Darlington of 18%.

8. The following table provides a summary of our current position on the key national waste performance indicators. It is notable that, whilst our recycling and composting PIs (BV82a/b) have continued to improve year-on-year, and the amount of waste collected (BV84) has only increased at or below the national average rate of increase, our comparative position has deteriorated significantly as the best practitioners have got to grips with waste minimisation programmes and enhanced recycling and composting.

Ref	Description	2005/06 Actual	Top Quartile	Current Quartile
BV82a	Percentage of household waste recycled	14.7	17.89	Lower
BV82b	Percentage of household waste composted	3.38	9.80	Lower
BV82c	Percentage of household waste used to recover energy	nil	7.03	Bottom/not applicable
BV82d	Percentage of household waste landfilled	81.92	67.47	Bottom
BV84	Kilograms of household waste collected per head of population	521	397.7	Bottom

9. We can predict some of the likely effects of the available treatment and disposal options on our performance indicators. MBT will significantly boost BV82b, by turning potentially all BMW into a compost-like material, and will produce residual recyclable materials at the end of the process. Additional facilities currently being developed by the provider would offer enhanced recycling.
10. Energy from waste will result in good performance against BV82c, for which our current performance is nil, but by itself will not score on BV82a/b. Landfill will be limited to residual levels – incinerator bottom ash and landfill during plant downtimes – but this should be well within landfill allowances.
11. Other technologies likely to be offered during the formal procurement process would also have positive impacts on the recycling, recovery and landfill diversion targets.
12. However, irrespective of these impacts, sustainable waste management must be built around minimisation, re-use, recycling and composting – the so-called waste hierarchy – whichever treatment method is procured, to secure reduced treatment costs, environmental gains and good performance against national indicators.

Projected Recycling Performance on Current Trends

13. Consultants have established that, if our current recycling services, including the HWRC, were used to full capacity, the maximum combined recycling and composting performance that could be achieved would be around 23% of household waste at current levels of waste generation, compared to the current 18%. This capacity would allow for the recycling or composting of around 27% more waste than is currently achieved.

14. If recycling/composting increases by one percentage point per year from the current 18%— ie 19% in 2006/07, 20% in 2007/08, etc, this increase combined with the overall increase in waste collected, would result in the capacity ceiling being reached in 2009/10. Thereafter this fixed recycling/composting capacity would decline as a proportion of increasing household waste, to around 15% in 2019/20.
15. Whilst this paper is focused on the procurement of a new approach to waste treatment and disposal, current recycling capacity is an important factor in terms of our limited ability to divert waste from treatment and therefore reduce costs, as well as in limiting our waste management performance in comparison to the national picture. Best practitioners are currently achieving a combined recycling and composting rate of around 45 to 50%. The need to improve recycling/composting performance is therefore a key factor in assessing treatment and disposal options.

European and National Policy, Targets and Penalties

1. The focus of European and national policy is on achieving a dramatic reduction in the amount of BMW sent to landfill. The European Landfill Directive sets a target for BMW landfill in 2020 at 35% of the 1995 level, in the face of a trend that would see it double in the same period.
2. Whilst there are potential advantages from landfill in terms of reclamation of holes in the ground left over from quarrying, etc, the need for change arises from its associated environmental costs. These include: the contribution to greenhouse gases and climate change of methane generated by landfilled BMW; the missed opportunity for re-use and recycling of materials and resources, and the ongoing cost of monitoring and managing landfill sites.
3. Interim Landfill Directive targets require BMW landfill to be 75% of 1995 levels in 2010 and 50% in 2013. National Governments not achieving these targets from 2010 onwards can be fined up to €500,000 (£350,000) per day. These fines will be passed on in turn to Waste Disposal Authorities not achieving the targets set for them in national policy.
4. The Government has implemented the Landfill Directive through the Waste and Emissions Trading Act. This sets annual targets for each authority up to 2020 based on the amount of waste produced in 2001. These targets represent each authority's 'Landfill Allowance'. Darlington's target/allowance is a maximum of 11,872 tonnes of BMW sent to landfill in 2020, compared to approximately 39,600 tonnes in 2005/06, and the projection of 62,000 tonnes on current trends in 2020.
5. Therefore, to meet Government targets, Darlington requires a new approach to waste management that will reduce landfill of BMW, based on current trends and projections, by at least 50,000 tonnes in 2020 (the projected 62,000 tonnes BMW minus landfill allowance of just under 12,000 tonnes).
6. The Government's targets will be backed up by stringent financial penalties. Authorities will be subject to fines currently set at £150 for each tonne of BMW landfill over their allowance. Fines are additional to Landfill Tax, which was set at £18 per tonne in 2005/06, increasing by £3 per year up to a maximum of £35 per tonne. Additionally, any penalties imposed on the UK Government by Europe for not achieving national targets (para 16) will be passed on to authorities not achieving their BMW landfill targets. The level of these 'passport' penalties is dependent on the number of authorities incurring a share of the national fines.
7. The chart following shows the widening gap, year-on-year, between our decreasing landfill allowances and our increasing BMW landfill, on the basis of existing trends and projections. The graph also shows the amount of non-biodegradable waste sent to landfill and the amount of waste recycled, again based on current trends and projections.

8. If we were to continue with our current approach to waste management, the gap between allowances and actual BMW landfill would result in penalties of £7.5 million in 2019/20, as well as Landfill Tax, at £35 per tonne, of £2.852 million, on top of the actual costs of disposal. Increasing fines and tax up to this level would, of course, be accruing in the intervening years. The total cost of a ‘no change’ waste management service in 2019/20 would be over £12 million, compared to £2.67 million in 2005/06.

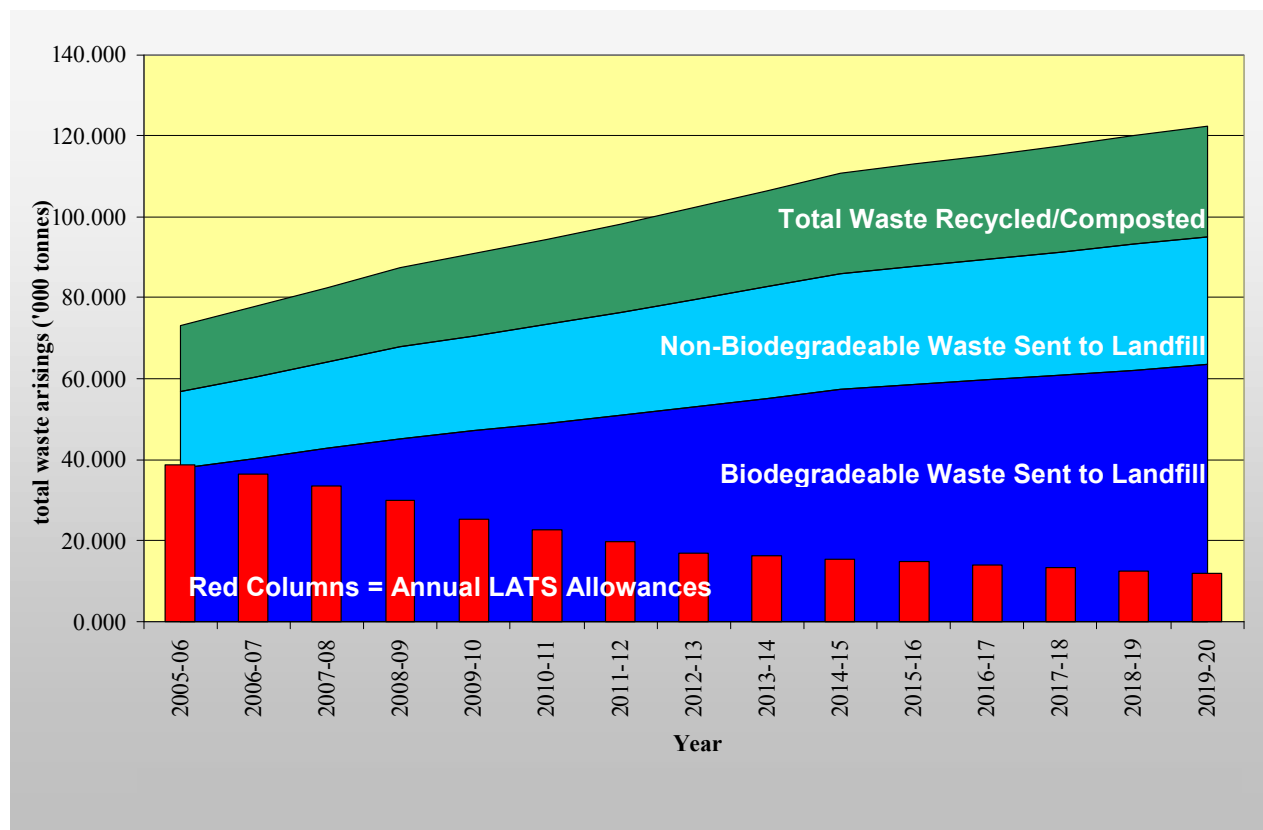


Figure 1: LATS Allowances and Waste Projections

The Landfill Allowance Trading Scheme

9. Government has calculated local authorities’ landfill allowances on the basis of BMW landfilled in 2001, resulting in some authorities having higher allowances than they currently require, whilst others (Darlington included) have lower allowances than they need. The Waste and Emissions Trading Act established the Landfill Allowance Trading Scheme (LATS), allowing trading of excess allowances in the form of Landfill Permits. Authorities can also ‘bank’ their excess allowances for use in future years, whilst authorities with insufficient allowances can ‘borrow’ from their future years’ allowances, subject to limitations in certain years.

10. Darlington has purchased sufficient landfill permits from other authorities to achieve compliance with its LATS allowances up to and including 2008/09. Beyond 2008/09 the gap between allowances and projected requirements will get wider and more costly to bridge. The most recently traded permits cost £18 per tonne. If this remained unchanged the permits required to bridge the gap in 2019/20 would cost £1.1 million. However, it is most likely that the price of permits will rise considerably as those authorities currently in a position to trade see their requirements catch up with their allowances, so that the permits available to trade become scarcer.