

# EPA Information

## Changes made to Environment Protection Authority licence fee structure to address issues raised in public consultation, May–June 2006, as well as issues raised by the Reference Group

Issued November 2007

*EPA 728/07: The EPA is changing the determination of fees for licences under the Environment Protection Act 2003 (the EP Act). This information sheet provides an overview of the changes to the fee structure as a result of consultation undertaken by the EPA.*

### Background

The EPA consulted all licensees and other stakeholders about the proposed draft licence fee settings in May–June 2006. In addition, the Licence Fee Structure Reference Group, consisting of members of industry, other government agencies and the community, was consulted in October and November 2006 about the way the EPA intended to address the issues raised.

While some concerns were raised about the individual impact of the changes, many respondents were specific in providing the EPA with ways to modify the fee structure to take their particular circumstances into account. The EPA was pleased with the quality of the comments raised, as it has enabled us to make changes in order to provide a fairer fee structure.

This document is a summary of the changes that were made to address the issues raised in submissions during public consultation and by the Reference Group.

### Summary of changes

In summary, the following changes to the fee schedule were made:

- implementation in 2008–09 rather than 2007–08
- increase in total licence fee revenue by \$1 million from 2008–09 as announced in the State Budget as part of the additional revenue measures by the SA Government
- all fees based on 2008–09, which includes an estimate for the CPI increase in 2008–09
- flat minimum fee revised from \$235 to around \$50 to cover the minimum administration costs common to all licences
- several changes to the environment management component, including:
  - the highest two fee levels adjusted to 80 fee units (from 50 fee units) and 50 fee units (from 30 fee units) and a level of two fee units added to the environment management fee schedule

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- removal of the factors 'proximity to residents' and 'proximity to watercourse' in the environment management fee schedule
- additional fee levels for some types of activities
- recalculation of the value of the environment management fee unit, taking these changes into account.
- introduction of the term 'resource efficiency fees' comprising pollutant load based fees and a water reuse fee. The following changes were made to this component:
  - adjustments made to zone weightings for pollutant load based fees
  - removal of the fee cap
  - introduction of a water reuse fee, which would apply to lower salinity discharges to marine
  - recalculation of the resource efficiency fees, taking these changes into account.
- the split between the resource efficiency and environment management components was selected at 40% resource efficiency component.

The details of these changes are discussed in the next section.

## Details of changes

### Administrative

There were several requests for transitional arrangements, for example phasing in the changes in licence fees.

It would be administratively very complex to phase in the changes, as this would require some licensees to provide the EPA with information on the old and the new fee schedules, and licence fees would consist of up to five components.

Therefore, the EPA will now implement the new fee structure in 2008–09 rather than in 2007–08, to give licensees more time to budget for the changes. The EPA wrote to all licensees in December 2006 to advise them of this change, and more recently in November 2007.

### Flat minimum component

While feedback on the flat minimum component was generally positive, some concern was raised that the minimum was too high.

The flat minimum fee was originally calculated by taking into account all licensing processes (notification letter and form, licence renewal, annual return, reminder notices, site validation, invoicing, receipt of payment, licence docket maintenance eg filing a copy of the licence in the docket, copy of licence for the public register and monthly reporting). The original proposed flat minimum fee reflected an average cost per licence of these processes. However, the minimum work common to all licences does not cover all these processes. For example, the annual return process requires less time than the licence renewal process and site validation is not required for every licence every year.

Therefore, we revised the flat minimum fee to reflect the minimum fee for the annual return process. This was calculated at around \$50, and is based on the total time for notification, annual return, invoicing, receipt of fees and minimum docket maintenance.

The remainder of the costs of licensing are spread across the environment management and resource efficiency components.

### Environment management component

The following changes were made to incorporate comments made during public consultation:

- A fee level of two fee units added to allow for more fee levels to reflect lower levels of regulatory effort.
- The highest two fee levels in the fee schedule were adjusted to 80 fee units (from 50) and 50 fee units (from 30)—this is based on discussion with individual licensees and a review of regulatory effort, to reflect the higher level of regulatory effort for major licences.
- There was considerable opposition initially to the use of the ‘proximity to residents’ factor in the fee schedule. Initially, this factor was included for activities requiring more of the EPA’s time and attention when situated closer to residents (for example due to noise, odour or particulate emissions). However, concerns were raised that the proximity could be due to poor planning decisions not within licensees’ control. Licensees whose fees would increase with the removal of this factor also requested its removal, on the understanding that this would result in cross-subsidisation. Proximity to residents was therefore removed and the proposed fees for this factor would now be spread across all licensees.
- The factor ‘proximity to watercourse’ was removed because the risk of spills should be managed pro-actively, eg by bunding, rather than charging a fee. There was also confusion over what would be classed as a watercourse, eg a stormwater drain. This means that proposed fees for this factor would now be spread across all licensees.
- Activity 1(1) chemical storage and warehousing: after reviewing EPA regulatory effort, fees were set at a similar level to that for petroleum storage, because the environmental risks are deemed to be similar.
- Activity 1(6) wood preservation works: EPA regulatory effort is high for wood preservation works with copper chrome and arsenic (CCA) and other preservatives containing heavy metals due to their high environmental risk, which is reflected in the environment management component of the fee structure. However, in recognition of concerns about higher fees, a discount to a lower fee level has been included in the fee schedule for:
  - the containment of heavy metal contaminants within the confinement of the treatment and fixation areas of the plant
  - a satisfactory groundwater monitoring system.
- Activity 2(4) ceramic works: lower fees for brickworks/glassworks with lower emissions, and lower fees for other types of ceramic works such as pottery, based on regulatory effort and environmental risk.
- Activity 2(7) ferrous and non-ferrous metal melting: concerns were raised about the use of the *EPA Guidelines: Odour assessment using odour source modelling* (2007) for setting licence fees. Taking into account regulatory effort and environmental risk, demonstration of compliance with the odour guidelines (for a lower fee) will only be required where volatile organic compound (VOC) emissions are above 2,500 kg per year.
- Activity 2(12) surface coating works: there were requests for additional differentiation in surface coating fees. After reviewing environmental risk and regulatory effort, the fee level for metal finishing was reduced and three fee settings based on zinc emission levels were set for hot dip galvanising.
- Activity 2(15) vehicle production: after reviewing EPA regulatory effort, fees were set at 20 fee units.
- Activity 3(2) sewage treatment works or septic tank effluent disposal schemes (STEDS): the options for receiving a discount have been expanded to include disposal to an evaporation lagoon, discharge to another licensed sewage treatment works or STEDS or other sustainable re-use that is acceptable to the EPA. Several additional fee levels were added to the fee schedule, as requested in submissions.

- Activity 3(3) waste depots: significant changes were made to fee settings for waste depots, based on the issues raised during public consultation and after further consultation with the Local Government Association through the Reference Group:
  - Landfills: there was considerable resistance to the use of landfill size, based on the landfill guidelines, in setting fees, as this takes into account not only the volume of waste disposed but also the total capacity of the site. Many landfills would fall into the 'Large' category for landfills, and this size had the highest fee setting. The link to the landfill guidelines has therefore been removed, so that fees would now be based only on the amount of waste received (excluding waste fill). Fee discounts will be available for landfills accepting only inert waste, or for landfills having a leachate and landfill gas containment, monitoring and management system that is acceptable to the EPA<sup>1</sup>.
  - Liquid waste depot: fees to be based on the amount of waste disposed, for consistency with landfills. Fees will be higher than landfills for the same amount of waste, because liquid waste has a higher environmental risk, requiring higher regulatory effort.
  - Recycling depot and/or transfer station: fees will be based on the amount of waste received. Fees will be lower than for landfills receiving the same amount of waste, because of the lower environmental risk and thus regulatory effort associated with recycling depots and transfer stations.
- Activity 3(4) activities producing listed wastes: a lower fee is now included for less than five tonnes of waste per year, to take into account licences producing small amounts of listed waste.
- Activity 3(5) and 3(6) waste transporters: fee calculations for waste transporters were reviewed to take into account that only the highest fee would apply per vehicle.
- Activity 4(2) discharge of stormwater to underground aquifers: similar fee levels to the current fee schedule for discharge of stormwater to underground aquifers in Adelaide are proposed, as this would be managed by the Department of Water, Land and Biodiversity Conservation in future. However, this does not apply to discharge of stormwater to underground aquifers in Mount Gambier, where proposed fee settings reflect the level of regulatory effort and environmental risk of this activity in Mount Gambier.
- Activity 5(4) piggeries: there was significant concern about the fee levels for smaller piggeries and requests for additional fee levels. Several fee levels were added, based on the amount of nitrogen (pollutant) production.
- The amount of nitrogen produced can be calculated based on the number of pigs on site. It is also possible to measure this, however we expect that in general it will be calculated. The recommended correlation is one standard pig unit = 10 kg of nitrogen per year.
- Activity 6(1) abattoirs, slaughterhouses or poultry processing works: a higher fee level for abattoirs together with rendering works was added to reflect the higher regulatory effort and environmental risk of these activities together.
- References to wastewater disposal 'to sewer' were expanded to include disposal of wastewater to other licensed wastewater treatment plants. This applies to 6(1) abattoirs, slaughterhouses or poultry processing works, 6(2) breweries, 6(5) milk processing works, 6(9) tanneries or fellmongeries, 6(10) wool scouring or wool carbonising works and other activities that provided a discount for disposal to sewer.
- Activity 6(5) milk processing works: reduction in the fee level from eight fee units to four fee units for discharge to sewer, after reviewing the EPA's regulatory effort.
- Activity 6(11) wineries or distilleries: inclusion of an additional fee level for wastewater over 60 ML per year, after reviewing the EPA's regulatory effort. The requirements for a

<sup>1</sup> A leachate and landfill gas containment, monitoring and management system that meets the requirements of the landfill guidelines would meet the criteria for a fee discount.

fee reduction were expanded to include wastewater taken off site to an EPA approved disposal site. The requirements for a discount were revised to include achievement of specified limits for biochemical oxygen demand (BOD) and suspended solids, based on comments received.

- Activity 7(4) dredging: removed 'if suspended solids >25 mg/L' as this only applies to earthworks drainage.
- Activity 8(4) marinas and boating facilities: after reviewing regulatory effort and environmental risk, fee levels were differentiated between providing moorings or dry storage for vessels and providing repair and maintenance facilities, with a higher fee for the latter.

The EPA's regulatory effort was reviewed and the environment management component was adjusted for the following activities:

- Fee levels reduced to reflect regulatory effort and environmental risk for:
  - 2(1) abrasive blasting
  - 2(5) concrete batching
  - 3(1) incineration
  - 3(4) activities producing listed waste
  - 6(1) abattoirs.
- Fee levels were increased to reflect regulatory effort and environmental risk for:
  - 3(2) sewage treatment works or septic tank effluent disposal systems—only larger sewage works have higher regulatory effort
  - 3(3) waste depots—landfills, particularly larger landfills.

### **Resource efficiency component**

The following changes were made to incorporate comments made during public consultation:

- Zone weighting for sulfur dioxide in Port Pirie: on the basis of advice from the Department of Health, the EPA decided to reduce the zone weighting of sulfur dioxide in Port Pirie from 2 to 1.
- Zone weighting for lead in Port Pirie: reduced to 15 after the adjustment was made to the zone weighting for sulfur dioxide. The fee for lead would be highest, reflecting the fact that this is the major environmental concern at this site.
- Zone weighting for red dust particulates in Whyalla: the zone weighting for particulates in Whyalla was amended to apply only to red dust particulates, because this is the key pollutant requiring reduction in emissions.
- Zone weighting for VOCs in Metropolitan Adelaide: reduced to 1.5 to provide equity with interstate fees (Victoria).
- Zone weighting for VOCs at Moomba and other very remote regional sites: Reduced to 0.5 to reflect that this is a very remote regional area.
- Fee cap: removed, based on comments received about cross-subsidisation and the polluter pays principle whereby those that pollute more, should pay more.
- Water reuse fee: during public consultation, we realised that the current marine discharge fee includes a significant (five-fold) factor to promote water reuse. This factor would also address concerns raised about a potential shift in fees from the public to the private sector. The water reuse fee would apply to discharges of more than 10 megalitres

per year at an annual average salinity below 1,500 mg/l total dissolved solids (TDS) to marine waters, to encourage reuse of this water.

- The 2005 National Pollutant Inventory (NPI) data (the latest available at that time) was used in the revised calculations.
- There was a request to review the zone weighting for suspended solids in the Port River. The proposed zone weighting of suspended solids is at the default of 1 fee unit. No adjustment was made as there was insufficient justification.

## **The split between the environment management and resource efficiency (formerly load based) components**

The split between the environment management and resource efficiency (formerly load based) components was addressed in many submissions and was discussed at length by the Reference Group as well as the steering committee. The final selection was made taking the following into account:

- draft fees per activity group and draft fees for small and large licences were compared for 35% and 40% resource efficiency component
- many submissions from consultation requested an increase in the resource efficiency component, to provide a larger incentive for reduction of pollutants in line with the polluter pays principle. Some submissions requested a decrease, to reduce their potential licence fees
- government policy, including a decision to increase the extent of load based licensing
- the polluter pays principle.

Taking all of the above into account, a resource efficiency component of 40% was selected. It should be noted that this determines the initial values of the fee units, but that the actual percentage resource efficiency component can change as licensees make environmental improvements and reduce their licence fees.

## **Other issues that were raised in public submissions**

- Design of licence annual return or renewal form: it would be useful to provide the previous year's information. This will be done on the EPA's electronic Environment Licensing Forms (e-ELF). The previous year's information will also be provided to licensees with the renewal or annual return letter, which will include a blank form for those preferring to use a paper-based system.
- Auditing of pollutant emissions currently only covers pollutants reported to NPI. Verification of non-NPI pollutants such as temperature, organic matter and suspended solids will be undertaken by the EPA, based on monitoring data that is reported to the EPA.
- Other incentives for a lower fee discount will be investigated in the future.

## **Conclusion**

The consultation process was very useful and the EPA thanks all those that provided submissions and/or attended public workshops as well as the Reference Group members for their contribution to the development of a fee structure that is more fair and equitable.

## **CURRENCY OF THIS DOCUMENT**

This document offers advice to assist with understanding the new EPA licence fee structure. The advice is subject to amendment and persons relying on the information should check with the EPA to ensure that it is current at any given time.

## FURTHER INFORMATION

### *Legislation*

Legislation may be viewed on the internet at: <[www.legislation.sa.gov.au](http://www.legislation.sa.gov.au)>

Copies of legislation are available for purchase from:

Service SA Government Legislation Outlet 101 Grenfell Street Adelaide SA 5000	Telephone: Facsimile: Internet:	13 23 24 (08) 8204 1909 < <a href="mailto:shop.service.sa.gov.au">shop.service.sa.gov.au</a> >
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*For general information and other EPA guidelines about the new licence fee structure please contact:*

Environment Protection Authority GPO Box 2607 Adelaide SA 5001	Telephone: Facsimile: Freecall (country): Internet: E-mail:	(08) 8204 2004 (08) 8124 4670 1800 623 445 < <a href="http://www.epa.sa.gov.au">www.epa.sa.gov.au</a> > < <a href="mailto:epainfo@epa.sa.gov.au">epainfo@epa.sa.gov.au</a> >
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