



INFORMATION BULLETIN

ENVIRONMENT PROTECTION FEES IN VICTORIA: AN OVERVIEW

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VICTORIA'S ENVIRONMENT PROTECTION FEES

Victoria's environment protection fees are set out in the *Environment Protection (Fees) Regulations 2001*. These Regulations came into operation on 6 November 2001 and replaced the previous set of regulations – the *Environment Protection (Fees) Regulations 1991*.

The Regulations set out the fee structure for fees payable under the Environment Protection Act 1970 including:

- works approval applications
- licences
- permits for transporting prescribed waste
- septic tank permits
- environmental audits.

The *Monetary Units Act 2004* sets the monetary value of a 'fee unit' for the purposes of these Regulations and the *Environment Protection Act 1970* and allows for fees to be adjusted annually in accordance with the CPI. The current value of a fee unit, effective 1 July 2009, is \$11.69.

PHILOSOPHY BEHIND THE REGULATIONS

The Regulations establish a fee structure with the following characteristics:

- recovery of administrative costs associated with the licensing and works approval systems
- fee schedules weighted by the volume of emissions
- fees also weighted towards emissions of more environmentally harmful substances.

Victoria's load based licensing system is designed to provide incentives for licence holders to reduce their emissions and set licence fee levels to attain 'user pays' cost recovery. The fee level for an individual licence is based on both the volume of emissions being licensed and the type of emission, with higher fees applied to more environmentally harmful substances.

The Regulations have been based on key criteria developed following a review of the 1991 Regulations. The criteria aim to reflect the outcomes of

consultation undertaken with stakeholders during the review. These criteria are:

- reflective of the administrative cost of undertaking various functions under the Act – reflecting that different activities require different levels of resourcing with larger and more complex activities demanding increasing levels of resources
- in line with established environmental principles – the Act contains a number of established environmental principles including the 'user pays' and 'polluter pays' principles
- recognition of improved environmental performance via financial incentives – building in mechanisms to encourage improved environmental performance
- cost recovery – recouping the overall costs of undertaking environment protection functions.

FEES PRESCRIBED IN THE REGULATIONS

Works approval application fees

The works approval and licensing provisions of the Act apply to premises that have the potential for significant environmental impact and are currently 'scheduled premises' under the *Environment Protection (Scheduled Premises and Exemptions) Regulations 1996*. Works approvals are designed to ensure that development proposals adequately address potential environmental risks before any construction begins.

Companies apply to EPA for a works approval. Applications are referred to the local council and other relevant Government agencies for advice and advertised for public comment. EPA must consider any comments received and make a decision within four months of receiving an application. EPA decisions on works approval applications can be reviewed by the Victorian Civil and Administrative Tribunal.

Fees for works approval applications are calculated on the basis of the cost of the proposed works. The fees increase with the estimated cost of the works as this is considered an effective indication of the costs EPA will incur in processing the application.

* This document replaces EPA Publication 811.6, released July 2008.

Licence fees

Licences are required for premises identified in the *Environment Protection (Scheduled Premises and Exemptions) Regulations 1996* as premises whose operations generate a potentially significant discharge to the environment which needs to be managed on an ongoing basis. Licences help ensure that companies adopt environmentally sound practices and monitor their operations.

Each licensee is required to pay an annual licence fee which is calculated on a cost recovery basis. The type of industrial premises and the nature of the emissions determine the level of environmental risk and hence the level of resources EPA must commit to dealing with such emissions. In addition, the aggregate level of fees across all licences is set to ensure overall cost recovery.

Generally, licence fees comprise two parts: the base fee and the component fee. The only exceptions are fees for premises receiving waste, which are calculated on a fee per tonne of waste received, and premises licensed to decant ozone-depleting substances, which attract a flat fee.

Base fees are set according to industry category to reflect EPA time and effort involved in administering licences for that sector. Some industry categories have a scale of base fees, reflecting the greater level of resources required as premises become larger and more complex.

Component fees relate to the substances a licensee is permitted to emit under its licence. The component fees are payable on an annual amount per year. For discharges to the atmosphere this is generally calculated using the maximum amounts for each compound specified in a licence. For discharges to water and land, component fees are generally calculated using the median amounts for each compound.

An environment protection levy is payable by those premises which produce, store or handle prescribed industrial waste. This levy is set under the Act and is calculated at three per cent of the annual licence fee. Environment protection fees are capped at 42,000 fee units for each element of the environment (for example, air, waters or land) to which waste is licensed to be discharged.

Fees for permits to transport prescribed waste

Part 9A of the *Environment Protection Act 1970* establishes the framework for managing the transport of prescribed wastes, including permit requirements. The detail of the prescribed waste transport system is established in the *Environment Protection (Prescribed Waste) Regulations 1998*, which also classifies which wastes are 'prescribed wastes'. Fees for permits to transport prescribed waste enable EPA to recover

costs of activities including assessing applications and issuing permits.

Septic tank permit fees

Section 53M(2)(b) of the *Environment Protection Act 1970* enables EPA to set a maximum fee for a permit to construct, install or alter a septic tank system. The permit is issued by the local responsible authority, which receives the payment for the permit. The maximum fee is set at a level to ensure that costs of processing the permit are covered. Responsible authorities are not obliged to charge the maximum fee.

Audit fees

The framework for the environmental audit system is established under Part 9D of the *Environment Protection Act 1970*. The Regulations set a sliding scale of fees for statutory environmental audits. These fees only apply to audits for which a certificate of environmental audit or statement of environmental audit is issued. The fees are based on the geographical size of the audited area and will be paid into the Environment Protection Fund and used to maintain and develop the audit system. The fees collected enable EPA to recover its costs in overseeing and ensuring the integrity of the audit system (for example, establishing guidelines and criteria for auditors to assist them in ensuring that audits are properly undertaken).

FINANCIAL INCENTIVES IN THESE REGULATIONS

One of the key criteria underpinning the Regulations is the use of financial incentives to encourage improved environmental performance. As fees are applied to activities recognised as having the greatest potential to impact on the environment, it is appropriate to build in financial incentives. Licensing and works approval functions take up a large percentage of EPA's resources. EPA recognises and encourages licensees who seek to improve their environmental performance and decrease their potential risk to the environment.

Works approval applications assessed by an environmental auditor

The Regulations provide a 25 per cent reduction in works approval application fees where an application has been assessed by an EPA-appointed environmental auditor. In general, works approval applicants discuss proposals with EPA before submitting their applications. This enables the applicant and EPA to work together to ensure that the design satisfies environmental requirements in the most efficient way. The standard of an application can

vary and some applications require substantially more EPA resources.

EPA can be more confident a works approval application meets statutory requirements if it has been scrutinised by an EPA-appointed environmental auditor. EPA will develop guidelines to assist environmental auditors assess works approval applications.

Accredited licensee discount

The Regulations provide a 25 per cent reduction in licence fees for licensees who have 'accredited licensee' status. A licensee may apply for an accredited licence if it has an environment improvement plan involving its local community, an environment audit program involving an EPA-appointed auditor and an environment management system accredited by an independent third party. In addition to a 25 per cent reduction in licence fees, accredited licensees benefit from simplified licence compliance reporting and exemption from works approval for minor works.

As accredited licensees demonstrate a responsible attitude to environmental management, they represent a lower environmental risk and thus require less attention from EPA. As EPA licence fees are based on the rationale of cost recovery, it is appropriate and necessary to recognise that less resources are required to deal with accredited licensees by reducing their fees.

Fee reduction agreements

The Regulations include provision for a licensee to apply to EPA to enter into a fee reduction agreement, in circumstances where its licence fees has increased as a result of the classification of new Class 3 air quality indicators. Air quality indicators are set out in the *State environment protection policy (Air Quality Management)* and are used as the basis for component fees for discharges to the atmosphere.

In line with the philosophy of providing incentives for good environmental performance, it is anticipated that in coming to an agreement, a licensee would be expected to meet certain conditions in exchange for a fee reduction. For example, EPA may agree to freeze an increase in fees payable provided the licensee undertakes infrastructure developments in an expedited timeframe. EPA is developing a separate Information Bulletin on these agreements in consultation with industry.

Approval of emission estimation techniques

The Regulations include provision for industries with appropriate monitoring systems in place to apply for Authority approval of an emission estimation technique. Once an estimation technique has been approved by the Authority it can then be used by a

licensee to determine an annual load for the purpose of fee calculations.

This mechanism provides a flexible option to all licensees. EPA, through consultation with industry, has developed a separate Information Bulletin to identify the issues licensees should consider prior to making an application, and the requirements the Authority would take into account when making a decision. See EPA Publication 856.2 (or current version).

The *Environment Protection (Fees) Regulations 2001* can be obtained from Information Victoria (telephone 1300 366 356) or can be viewed by following the link from EPA's website at www.epa.vic.gov.au/Publications/Legislation/regulations.asp

EPA CONTACTS

EPA Information Centre

40 City Road Southbank, 3006
Tel: (03) 9695 2722 Fax: (03) 9695 2785

EPA regional offices

Gippsland

7 Church Street, Traralgon 3844
Tel: (03) 5173 9800 Fax: (03) 5174 7851

North-East

27-29 Faithful Street, Wangaratta 3677
Tel: (03) 5720 1111 Fax: (03) 5721 2121

North-West

43 Williamson Street, Bendigo 3550
Tel: (03) 5442 4393 Fax: (03) 5443 6555

South Metro

35 Langhorne Street, Dandenong 3175
Tel: (03) 8710 5555 Fax: (03) 9794 5188

South-West

Cnr Little Malop and Fenwick Streets, Geelong 3220
Tel: (03) 5226 4825 Fax: (03) 5226 4632

EPA website

www.epa.vic.gov.au