



## **NSW Greenhouse Gas Reduction Scheme (GGAS) review**

GGAS is Australia's first and only mandatory greenhouse gas emissions trading scheme that has been successfully abating emissions since it began in NSW in 2003.

In recent years, the NSW Government has been preparing to transition GGAS to a national scheme. The NSW Government has regularly stated that a national emissions trading scheme is supported by NSW as the most efficient and least cost approach to mitigating greenhouse gas emissions.

All jurisdictions agreed at COAG in 2007 that a national emissions trading scheme would be the central greenhouse emissions reduction measure, and that State and Territory programs would be complementary to the national scheme. Delayed national action means that there are no clear signals to investors in the energy market regarding how Australian governments' (including NSW) emissions reduction targets are to be achieved.

In this context of ongoing uncertainty around the timing, form and scope of national carbon pricing arrangements, the NSW Government has commenced a review of GGAS.

The NSW Government recognises the importance for GGAS participants of a smooth transition to any national carbon pricing mechanism that may be implemented in the future and will take into account national policy developments in reviewing GGAS.

The NSW Government will consult closely with stakeholders if any changes to GGAS are proposed.

To inform the GGAS review, IPART has been requested to engage a consultant to undertake modelling of the scheme under a range of scenarios including examining options to strengthen the integrity of GGAS in light of its operation to date and for increasing its greenhouse gas abatement potential.

Options being examined include:

- Addressing the impact of changes to the Commonwealth Renewable Energy Target on acquittal of Renewable Energy Certificates under GGAS
- Re-opening GGAS to new applications
- Revising the GGAS Generation and Compliance Rules to improve integrity of the scheme
- Reviewing benchmark targets from 2012 onwards depending on the timing, form and scope of a national carbon pricing mechanism.



## **Facts about GGAS**

GGAS is Australia's first and only mandatory greenhouse gas emissions trading scheme and was established in NSW in 2003.

It is an electricity-sector specific scheme that establishes a per capita benchmark for greenhouse gas emissions by the NSW electricity sector.

GGAS requires Benchmark Participants, mainly NSW electricity retailers and large energy users, to meet mandatory targets for reducing the emission of greenhouse gases from the production of the electricity they supply or use by surrendering certificates that are created through activities that reduce or offset emissions.

The objective of the scheme is to require retailers in New South Wales and the Australian Capital Territory to lower the carbon intensity of their electricity purchases based on state population levels.

The scheme requires the Benchmark Participants to purchase emission abatement by means of a NSW Greenhouse Abatement Certificate (NGAC) which is produced by:

- low emission sources of generation throughout the NEM
- improved efficiency of existing thermal power stations throughout the NEM
- carbon sequestration in New South Wales forests.

Generators are allowed to create NGACs on the basis:

- that generation above a baseline produces electricity of lower emission intensity than the New South Wales pool coefficient; or
- of improvements in the efficiency of electricity production.

The energy efficiency component of GGAS ceased on 30 June 2009 with the introduction of the NSW Energy Savings Scheme, a mandatory energy efficiency trading scheme.

GGAS has reduced or offset over 90 million tonnes of greenhouse gas emissions since it began in 2003.