



GGAS Newsletter

Issue 9, September 2008

Landcare CarbonSMART
Greenhouse penalty

NEET proposal
CFL Distribution

DSA Rule
Registry stats

Fridge Buyback Program



Introduction

The recent release of the Commonwealth Government's Green Paper on the proposed national Carbon Pollution Reduction Scheme (CPRS) has stimulated debate about emissions trading in Australia. The Commonwealth proposes commencement of the CPRS on 1 July 2010. The Green Paper includes a limited discussion about state level market based programs such as GGAS. The Commonwealth Government will discuss transition arrangements with relevant jurisdictions.

Clearly the commencement of the CPRS will have significant implications for many participants in GGAS. The NSW Government has previously indicated that GGAS will cease on the commencement of a national emissions trading scheme such as the CPRS. Greater clarity around transition arrangements will result from discussions between the NSW and Commonwealth Governments.

The commencement of the CPRS will impact different classes of GGAS participants in varying ways. Demand side abatement or energy efficiency projects will not be able to create any form of credit under the CPRS for energy use avoided. The proposal by the NSW Government to introduce energy efficiency trading from next year will go some way to addressing this gap. This is discussed elsewhere in this newsletter.

Landcare CarbonSMART

Staff of the Scheme Administrator recently travelled to Narrandera to participate in an audit of Landcare CarbonSMART. This organisation is accredited under the Scheme's Carbon Sequestration Rule.

The audit included review of forest areas that comprise CarbonSMART's carbon sequestration pool. The Rule specifies eligibility requirements for the inclusion of a forest that are consistent with those of the Kyoto Protocol. That is, the forest has to be planted after 1 January 1990 on land that was largely unforested on 1 January 1990. The forests that were the subject of this audit were planted between 1999 and 2003 on land that had previously been pasture used for grazing.

Landcare CarbonSMART is a carbon trading organisation setup by Landcare Australia. This is a not-for-profit organisation with a national network of locally based community groups who care for our country via a number of different programs. One of these programs is landcare, which involves the planting of trees, often on farmland, which also helps to control soil salinity and erosion. Landcare CarbonSMART is accredited for forests that have been planted under the landcare program, and Landcare CarbonSMART aim to add other landcare forests to their accreditation in the future.



Native forest site near Narrandera

NSW Greenhouse Gas Reduction Scheme

Independent Pricing & Regulatory Tribunal
PO Box Q290, QVB Post Office NSW 1230
Level 8, 1 Market Street, Sydney NSW 2000
(02) 9290 8452

www.ipart.nsw.gov.au

www.greenhousegas.nsw.gov.au

GGAS

NEET Proposal

On the 18th of June the NSW Premier and Minister for Climate Change announced the introduction of new energy efficiency targets linked to GGAS. This was followed by a public forum and the release of a [Discussion Paper](#) on the proposal for a NSW Energy Efficiency Trading (NEET) scheme to operate from 1 January 2009.

Work is progressing within the NSW Government on the detailed design of NEET, as outlined in the [Discussion Paper](#). Staff of the GGAS Scheme Administrator are assisting in the development work.

Of particular importance to existing GGAS abatement certificate providers (ACPs) will be transition arrangements from GGAS into NEET. At this stage it is proposed that:

- Demand side abatement or energy efficiency activities, other than on-site generation, currently accredited under GGAS, will occur under NEET from 1 January next year. This is subject to the Scheme Administrator being satisfied that the activity meets the requirements of the Act, Regulations and the new NEET rules. On-site generation apart, no DSA NGACs would be created for activity after the end of this year. However, to allow for time lags between abatement activity occurring and certificate creation, DSA NGACs could be created for abatement activity that occurs in 2008 up to the 30th June 2009.
- Only certificates created under NEET will be used to meet NEET certificate surrender obligations. Similarly, only NCACs would be able to be used to meet GGAS obligations.
- Organisations that are accredited as ACPs under the Demand Side Abatement Rule for demand side abatement activities, other than on-site generation activity, would have their accreditation transferred to a NEET accreditation. However, the Scheme Administrator will need to consider any changes to eligible activities or calculation factors that are required by the NEET legislation and rule as changes to conditions of accreditation.

In relation to compliance obligations under NEET, the Discussion Paper indicates that the compliance burden for NEET will rest with electricity retailers. It is anticipated that IPART will be the compliance regulator for NEET as it is for GGAS and that information returns for both schemes will dovetail. Unlike GGAS, there will not be the opportunity for large electricity customers to become elective participants and directly manage NEET compliance obligations.

The Demand Side Abatement Rule

As indicated in the [Discussion Paper](#) on the NSW Energy Efficiency Trading proposal (NEET), the current Demand Side Abatement (DSA) Rule will be reviewed as a part of the transition to NEET. This is likely to result in a change to the Default Abatement Factor values for installation of energy efficient lighting. This activity, principally the installation of compact fluorescent lightbulbs, has been the largest contributor to GGAS DSA certificate creation to date.

The introduction of Minimum Energy Performance Standards (MEPS) for lighting is likely to have the effect of making this type of efficient lighting the norm. The number of certificates that can be created for the installation of compact fluorescent lightbulbs may reduce, possibly significantly, following review of the Rule.

The Department of Water and Energy, as GGAS policy agency, is likely to lead consultation on development of the Rule underpinning NEET. The Department would be interested in hearing suggestions from organisations, whether ACPs or not, for new areas of energy efficiency activity that might be incorporated into the Rule.

Fridge Buyback Program

The Tribunal recently amended Next Energy's Fridge Buyback Program accreditation, to facilitate the creation of NGACs from the collection of an additional 19,000 refrigerators over the next three years. The Next Energy program offers customers up to \$35 for the removal of an eligible 'second working fridge', if the fridge is more than 10 years old, in working order and has a capacity of greater than 250 litres.

The refrigerant from each fridge is collected and destroyed in keeping with Australian Refrigeration Council regulations before the fridges are sent for recycling into scrap metal. This provides a double benefit. The powerful greenhouse gases used for refrigeration are not released into the atmosphere, where they may also have an ozone depleting effect, and the removal of inefficient second fridges can significantly reduce household energy consumption.

Greenhouse penalty

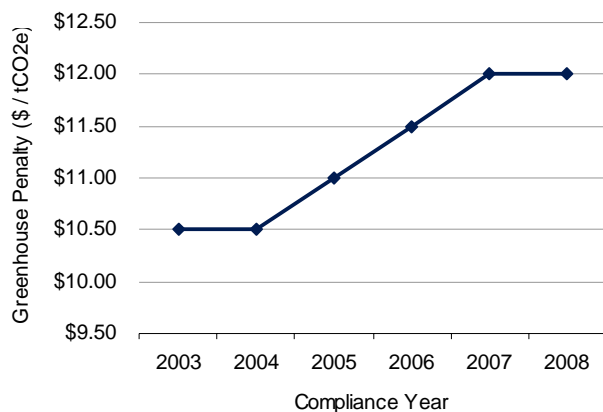
Each year, benchmark participants are required to reduce their emissions of greenhouse gases to the level of their greenhouse gas benchmark. Where a benchmark participant's emissions are above the benchmark, it must offset its excess emissions through the surrender of certificates. Excess emissions remaining after the surrender of certificates results in a greenhouse shortfall which is liable for a greenhouse penalty.

IPART have reviewed the greenhouse penalty for the 2008 compliance year and determined that the penalty will remain unchanged at \$12.00 per tCO₂e.

Clause 73C of the Electricity Supply (General) Regulation 2001 (the Regulation), provides for the penalty to be adjusted annually. The adjustment is calculated using the quarterly movements of the Consumer Price Index (All Groups Index) for Sydney in the preceding 12 months. Once adjusted by the Index, the figure is rounded to the nearest 50 cents. In the last financial year, there were some upward movements in CPI but not enough to increase the penalty due to this rounding methodology.

Therefore any benchmark participant who fails to comply with their 2008 greenhouse gas benchmark (beyond the acceptable shortfall) will continue to be liable to pay \$12.00 for each tonne of CO₂-e of excess emissions.

Annual movement in the Greenhouse Penalty



Distribution of CFLs

There were nearly 1.5 million compact fluorescent lamps (CFLs) distributed by Demand Side Abatement (DSA) Accredited Certificate Providers (ACPs) in the June quarter of 2008. This brings the total number of CFLs distributed under GGAS to date to 24.1 million. This information is based on the quarterly activity statements that all ACPs distributing CFLs have been required to provide since 2006.

Registry statistics

Abatement certificates created since the Scheme commenced:

Generation	45,544,983
DSA	24,968,385
Carbon Sequestration	1,991,094
Large User	2,233,572

Current accreditations as at 31 August 2007[^]:

Generation	125
DSA	77
Carbon Sequestration	7
Large User	9

New accreditations in the last 3 months (1 June – 31 August)[^]:

Generation	6
DSA	3
Carbon Sequestration	0
Large User	0

**Figures in the 'New accreditations in last 3 months' table are included in the 'Current accreditations' table.*

[^]Note, accreditation totals include multiple projects.

Data as at 31 August 2008