



FACT SHEET ABATEMENT CERTIFICATES

Each calendar year, benchmark participants must surrender enough abatement certificates to reduce their average emissions to their greenhouse gas benchmark.

The scheme includes two classes of abatement certificates:

- transferable NSW Greenhouse Abatement Certificates (NGACs)
- non-transferable Large User Abatement Certificates (LUACs).

Both types of abatement certificate represent one tonne of carbon dioxide equivalent (tCO₂-e) that would otherwise have been released into the atmosphere.

NGACs are the main way in which accredited abatement certificate providers will turn their electricity-related abatement activities into 'currency', which benchmark participants will purchase and use to acquit their obligations.

LUACs are a special class of non-transferable certificates. They reflect non-electricity-related abatement by large industrial customers, and can only be used by the customer that created them to manage their own benchmark.

Before creating NGACs or LUACs, potential abatement certificate providers must be accredited with the Scheme Administrator (see Fact Sheet *Seeking Accreditation as an Abatement Certificate Providers*).

All abatement certificates must be registered within six months of the end of the calendar year in which the abatement activity occurred.

A \$0.15c charge is applied for each NGAC or LUAC that is created. This charge is to be paid

prior to certificates being available for trade or surrender.

The scheme also gives benchmark participants credit for any Renewable Energy Certificates (RECs) they submit under the Commonwealth Mandatory Renewable Energy Target Scheme in respect of electricity sales in NSW only.

NSW Greenhouse Abatement Certificates

NGACs can be created by:

- generating electricity in a way that reduces the greenhouse gas emissions per megawatt hour
- reducing the consumption of electricity (demand side abatement or DSA)
- capturing carbon from the atmosphere in forests (carbon sequestration).

NGACs from Generation

Greenhouse Gas Benchmark Rule (Generation) No. 2 of 2003 sets out how low-emission generators which are electrically connected to the NSW grid can create NGACs.

Fact Sheet GEN-FS-01 *When can generators create NGACs?* summarises the Generation Rule.

NGACs from Demand Side Abatement

Greenhouse Gas Benchmark Rule (Generation) No.3 of 2003 sets out how persons carrying out demand side abatement (DSA) can create NGACs.

Fact Sheet DSA-FS-01 *Creating NGACS by demand side abatement* summarises the demand side abatement rule.

DSA activities are actions on the customer side of the electricity meter that reduce electricity consumption.

For example, DSA activities might include:

- changes to processes, controls, maintenance, or other factors that reduce the consumption of energy
- replacement of energy intensive appliances with less energy intensive appliances
- changing the energy supply or fuel for a piece of equipment or process to, or from, electricity, or
- reducing the emissions from on-site electricity generation where the electricity is consumed on-site and not exported to the electricity distribution grid.

NGACs from Carbon Sequestration

Greenhouse Gas Benchmark Rule (Carbon Sequestration) *No. 5 of 2003* sets out how forest managers in NSW can create NGACs.

Fact Sheet CS-FS-01 *When can forest managers create NGACs?* summarises the carbon sequestration rule.

The scheme recognises the capture of carbon by trees and the long-term storage of that carbon in the carbon pool represented by a forest. Carbon sequestration activity must:

- take place in planted forests located on land which:
 - is in NSW
 - is eligible under the Kyoto Protocol
 - has the carbon sequestration right registered on its title under the Conveyancing Act 1919 (NSW)

- remain stored within the carbon pool for at least 100 years.

This storage time corresponds with the period that emitted carbon dioxide is assumed to remain in the atmosphere before being recaptured in some terrestrial form.

Large User Abatement Certificates

Greenhouse Gas Benchmark Rule (Large User Abatement Certificates) No. 4 of 2003 sets out how large customers which are managing their own greenhouse benchmark and abating on-site emission from non-electricity related sources can create LUACs.

Fact Sheet LU-FS-01 *When can large customers create LUACs?* summarises the large user rule.

Renewable Energy Certificates

Benchmark participants may count towards meeting their greenhouse gas benchmark the number of RECs surrendered under the Commonwealth Mandatory Renewable Energy Target scheme in respect of sales in NSW only.

Division 4 of the *Electricity Supply Amendment (Greenhouse Gas Emission Reduction) Regulations 2002* covers how RECs are accounted for in the NSW scheme.

Broadly, for each REC submitted in respect of NSW sales, the benchmark participant's attributable emissions are reduced by an amount equal to the NSW pool coefficient (approximately 0.9 tCO₂-e)

The NSW scheme recognises the transfer of a RECs benefit to a large electricity user.

Legal context for this fact sheet

The Scheme Administrator has prepared this Fact Sheet as a general summary of relevant parts of:

- **the Act:** *Electricity Supply Act 1995 (as amended by the Electricity Supply Amendment (Greenhouse Gas Emission Reduction) Act 2002).*
- **the Regulation:** *Electricity Supply (General) Regulation 2001 (as amended by the Electricity Supply (General) Amendment (Greenhouse Gas Emission Reduction) Regulation 2002, the Electricity Supply (General) Amendment (Greenhouse Gas Abatement Certificate Scheme) Regulation 2003 and the Electricity Supply (General) Amendment (Reduction of Greenhouse Gas Emissions) Regulation 2003.*
- **the Rules:** Greenhouse Gas Benchmark Rules issued through the Department of Energy, Utilities and Sustainability and approved by the Minister for Energy & Utilities.

There are currently five Rules, addressing Compliance (Rule 1), Generation (Rule 2), Demand Side Abatement (Rule 3), Large User Abatement Certificates (Rule 4) and Carbon Sequestration (Rule 5).

This Fact Sheet should not be relied upon as a substitute for legal advice, and is designed to be read in conjunction with the above source document