

GGAS Newsletter

Issue 4, June 2007

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Introduction

The last six months have seen a significant increase in public discussion of climate change and emissions trading in Australia. A number of factors have probably driven this including the Stern Report, the film *An Inconvenient Truth*, the release of the most recent IPCC assessment, activity by the States' and the Prime Minister's taskforces on emissions trading and, probably, the effect of the drought.

As has been mentioned before, GGAS was one of the world's first mandatory emissions trading schemes and is still the second largest in the world behind the European Union emissions trading scheme. The lessons learned through the development and operation of GGAS are providing useful insights to ongoing policy development in Australia. Similarly, useful experience has been gained by companies that have participated in the Scheme as we move towards a carbon constrained world and the likelihood of a broader price on carbon emissions.

Ministerial responsibility for GGAS

Following recent reallocation of Ministerial responsibilities, the Honourable Ian Macdonald MLC has assumed responsibility for GGAS as Minister for Energy. Amongst other functions Minister Macdonald will be the Scheme rule maker. He will be assisted with policy advice on the development of the Scheme from the new Department of Water and Energy. The New South Wales Government has also established the Department of Environment and Climate Change to develop and coordinate greenhouse policy generally, and this agency will provide advice to the Honourable Phil Koperberg MP, as Minister for Climate Change Environment and Water.

Tasmanian generators join GGAS

Tasmania became part of the national electricity market with the commencement of Basslink on midnight 28 April 2006. As a result, the Scheme Administrator has received applications to join GGAS from a number of Tasmanian generators wanting to take advantage of the opportunities offered by GGAS. To date, four generating systems have been accredited starting with the Remount Renewable Energy Facility operated by LMS Generation Pty Ltd. Remount is located north of Launceston at the Remount Rd Landfill and uses methane captured from the landfill as fuel.

Federal Budget Carbon Sink initiative

New tax treatments for forestry projects that are planted for carbon sequestration were announced in the Federal Budget for 2007-08 on Tuesday 8 May 2007.

Depreciation allowances for the costs associated with the establishment of a qualifying carbon sink forest will take effect from 1 July 2007 under horticultural plant provisions. Furthermore, there is allowance for immediate deductibility of costs incurred in establishment of forests for a five year period, also commencing 1 July 2007.

The new tax treatments are an important development in assisting the fledgling industry of carbon sequestration through forestry in Australia.

The Scheme Administrator recommends any party considering the tax implications for an existing or proposed Sequestration Pool should seek independent advice in regards to the eligibility requirements, and the specific implications of these new tax treatments. For further details on the announcement, visit www.budget.gov.au.

NSW Greenhouse Gas Reduction Scheme

Independent Pricing & Regulatory Tribunal
PO Box Q290, QVB Post Office NSW 1230
Level 2, 44 Market Street, Sydney NSW 2000
(02) 9290 8452

www.ipart.nsw.gov.au

www.greenhousegas.nsw.gov.au

GGAS

Amcor site visit

On 1 May 2007, GGAS staff visited the Amcor Pulp and Paper Mill in Botany. As a voluntary benchmark participant since 2005, Amcor is currently accredited for a suite of NGAC and LUAC creation projects that help to meet their benchmark obligations. The site visit provided an opportunity for the Secretariat to see the onsite improvements related to accredited projects on the Botany site and to gain a better understanding of the scale and scope of pulp and paper processing operations.



Stacks of recycled paper outside the waste paper plant



Inside one of the paper mills

Carry forward shortfall

Benchmark participants are usually permitted to carry forward a shortfall of up to 10% of their greenhouse gas benchmark to the following compliance year.

Please note that for the 2007 compliance year, benchmark participants are not permitted to carry forward any shortfall and must fully meet their benchmark target or be liable for a greenhouse penalty.

Shortfalls are not allowed to be carried forward in 2007 to ensure that NSW fully meets the greenhouse abatement target (which is 5% below the Kyoto Protocol baseline year of 1989-90).

Special accreditation conditions

When a company becomes accredited as an Abatement Certificate Provider (ACP), they receive a number of accreditation documents. These include a Notice of Accreditation, General Conditions of Accreditation, and Special Accreditation Conditions. The Notice and General Conditions are more or less generic for accreditations under a particular Rule. They list all the obligations for both the ACP and the Scheme Administrator in carrying out activities under GGAS.

The Special Accreditation Conditions are unique for each project accredited under GGAS. They set out particular conditions for an ACP, usually relating to reporting and auditing requirements, and any special requirements regarding the registration of NGACs. It is the responsibility of the ACP to be familiar with these conditions and to comply with them. If not, an ACP may find itself in breach of its Accreditation Conditions, and this may lead to enforcement action being taken by the Scheme Administrator.

The Special Accreditation Conditions are meant to assist ACPs to remain in compliance with obligations of GGAS.

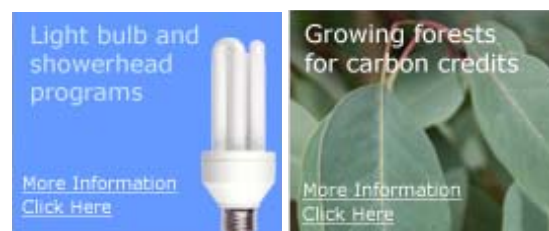
2006 Annual benchmark statements

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 is a greenhouse shortfall which could be liable for a greenhouse penalty.

All benchmark statements for the 2006 compliance year have been submitted and assessed. IPART is currently preparing its report to the Minister for Energy regarding the level of compliance by all benchmark participants.

GGAS website enhancements

The GGAS website (<http://www.greenhousegas.nsw.gov.au>) has undergone enhancements in the past few months. We now have buttons on the home page, linking to information on light bulb and showerhead programs and growing forests for carbon sequestration.



Auditor training

The Scheme Administrator maintains a panel of companies which undertake validation and verification audits of benchmark participants and abatement certificate providers (ACPs) as well as providing technical advisory services to the Scheme Administrator. Before undertaking any audits under the Scheme, auditors must attend an auditor induction training session. Training provides an outline of the audit framework used by the Scheme and provides guidance on the appropriate engagement and conduct of audits under the Scheme.

On Monday 14 May 2007, the Scheme Administrator held an auditor induction training session in Sydney. This was the eighth training session conducted since the commencement of the Scheme and will result in the addition of 20 auditors to the panel. This brings the total number of auditors trained in the Scheme to over 220 lead auditors and key personnel from 14 audit firms.

Training sessions are generally held twice a year on a needs basis. If you wish to register your interest in attending the next training session, please advise Kylie Watts on (02) 9290 8452 or email kylie_watts@greenhousegas.nsw.gov.au.

Registry statistics

Abatement certificates created since the Scheme commenced:

DSA	11,375,568
Generation	28,860,403
Carbon Sequestration	1,300,009
Large User	911,801

Current accreditations as at 31 May 2007[^]:

DSA	65
Generation	108
Carbon Sequestration	5
Large User	7

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

DSA	5
Generation	8
Carbon Sequestration	0
Large User	0

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

[^]Note, the way of counting accreditation and project totals have changed. Accreditation totals may include multiple projects. Data as at 31 May 2007

Voluntary surrender

The GGAS Scheme was created as a mandatory emissions reduction scheme aimed at reducing emissions associated with the production and use of electricity. As knowledge of global warming becomes more widespread, individuals and companies are becoming interested in offsetting their emissions through the surrender of GGAS certificates.

The GGAS [Registry](#) is an online system that maintains ownership of abatement certificates and allows any member of the public to own abatement certificates which can be surrendered to offset emissions – this process is regarded as voluntary surrender. The surrender of one certificate is equivalent to the abatement of one tonne of carbon dioxide.

A fact sheet detailing the voluntary surrender process on the Registry can be found on our website at <http://www.greenhousegas.nsw.gov.au/documents/syn98.asp>

Benchmark participant elections

Large consumers of electricity may be eligible to elect into the Scheme. A company wishing to elect to manage its benchmark must submit an [election form](#) to IPART for the 2008 compliance year by 31 August 2007. Please note that current elective benchmark participants must also submit an election form by this deadline if they wish to alter their existing elections.

Recent news from our website

2 April 2007 The GGAS Scheme Administrator released the proforma Annual Report Statement – Carbon Sequestration Rule for use by accredited parties. <http://www.greenhousegas.nsw.gov.au/Documents/syn104.asp>

28 March 2007 Over 40 million NGACs have been created.

3 March 2007 The GGAS Scheme Administrator has released the Fact Sheet – Creating NGACs using the Australian Building Greenhouse Rating (ABGR) – DSA Rule. <http://www.greenhousegas.nsw.gov.au/Documents/syn103.asp>

2 March 2007 The GGAS Scheme Administrator has updated the Fact Sheet – Creating NGACs using the Default Abatement Factors Method. <http://www.greenhousegas.nsw.gov.au/Documents/syn90.asp>