



GGAS Newsletter

Issue 5, September 2007

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Introduction

The end of the financial year on 30 June also marked the close of GGAS 2006 vintage certificate creation – for abatement that occurred during the 2006 calendar year. As in previous years, finalisation of accreditations and audits to enable certificate creation was a major undertaking for the GGAS Secretariat, for members of our audit panel and for some of the companies involved.

This was particularly so this year which required finalisation of Performance Improvement Testing Regimes by some of the coal fired generators accredited under GGAS. The assistance and cooperation received from all involved was much appreciated.

The announcement by the Prime Minister in early June that the Commonwealth Government will introduce a national emissions trading scheme follows the announcement in February by all state and territory leaders that their governments would, in the absence of a Commonwealth commitment, implement a national emissions trading scheme by the end of 2010. Clearly it is now highly likely that Australia will, one way or the other, have a national cap and trade emissions trading scheme within the next five years.

Both proposals make clear that the ongoing operation of GGAS would be inconsistent with a national scheme and that transition arrangements will be necessary. The GGAS Scheme Administrator will work with relevant policy agencies as required in assisting with the development of transition proposals.

GGAS annual report

In early August, the fourth annual report for the NSW Greenhouse Gas Reduction Scheme was released. As well as reporting on compliance, the report provides an overview of the Scheme and how it has developed during its fourth year of operation.

During 2006 there was a very high level of compliance with Scheme requirements by both benchmark participants and accredited certificate providers.

All benchmark participants have reduced or offset their emissions to their benchmark levels in 2006 or have carried forward a small shortfall. These offset obligations were met through the surrender of 13,802,181 abatement certificates (or their equivalent in Renewable Energy Certificates) representing abatement of an equivalent number of tonnes of carbon dioxide equivalent (see the next page for further detail).

At the end of 2006, there were 167 accredited abatement certificate providers eligible to create abatement certificates, an increase from 146 providers accredited at the end of 2005. This represents a growth in participation in the Scheme by organisations undertaking activities to reduce emissions or enhance the removal of greenhouse gases.

These projects created almost 20 million abatement certificates during 2006 which is almost double the 10 million created in 2005.

In 2006, the NSW Government extended the Scheme to 2021 or until the establishment of a national emissions trading scheme.

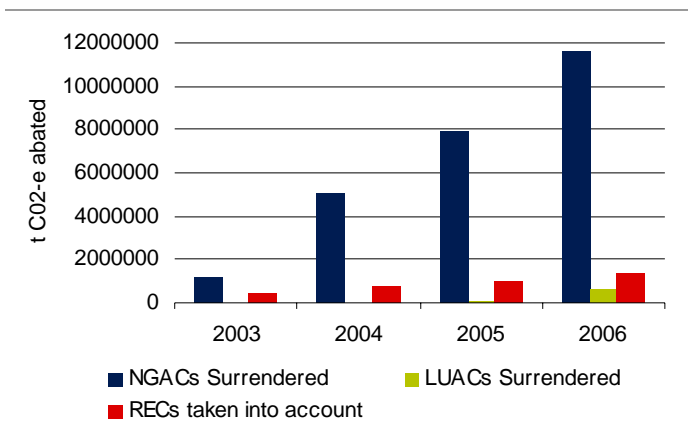
An electronic copy of the report can be downloaded from the Scheme website at www.greenhousegas.nsw.gov.au/documents/syn59.asp.

GGAS compliance for 2006

NSW benchmark participants demonstrated a high level of compliance with the majority choosing to fully meet their greenhouse gas benchmark in the 2006 compliance year. Benchmark participants reduced or offset their emissions through the surrender of abatement certificates to meet their individual benchmark targets, or carried forward a small allowable shortfall within the permitted 10 per cent buffer. For 2006, no benchmark participants were required to pay a penalty.

The number of NGACs surrendered has increased significantly since the Scheme began in 2003 as shown below.

Abatement/Renewable Energy Certificates surrendered



For the 2006 compliance year, NGACs offered for surrender increased by 45 per cent compared to the 2005 compliance year and represent approximately 11.6 million tonnes of carbon dioxide equivalent (tCO₂-e) abated.

Since the Scheme began in 2003, almost 26 million tCO₂-e has been abated in the form of NGACs surrendered. This figure increases to approximately 30.5 million tCO₂-e abated overall when LUACs and equivalent RECs are also taken into account.

GGAS penalty

The greenhouse penalty for benchmark participants that fail to reduce emissions has risen by 50 cents to \$12.00 per tonne of carbon dioxide equivalent, effective for the 2007 compliance year.

The greenhouse penalty is reviewed annually and adjusted in line with the movements of the Consumer Price Index by the Tribunal, pursuant to section 97CA of the *Electricity Supply Act 1995* and section 73C of the *Electricity Supply (General) Regulation 2001*.

Tomago site visit

On 15 August 2007, GGAS staff, as part of a pre-accreditation audit, visited the Tomago aluminium smelter, near Newcastle. The Scheme Administrator is currently assessing Tomago's application under the Large User Abatement Certificates (LUAC) Rule for greenhouse gas reductions made at the site.

The reductions have primarily resulted from technology improvements and changes to operating procedures to reduce the emissions of perfluorocarbons (greenhouse gas with very high global warming potentials).

Tomago is one of Australia's largest and most modern smelters, producing more than 500,000 tonnes of aluminium per annum.



One of the smelter's six potrooms, which produce molten aluminium. Each potroom contains 140 electrolysis cells (pots)



Aluminium Billets ready for shipment

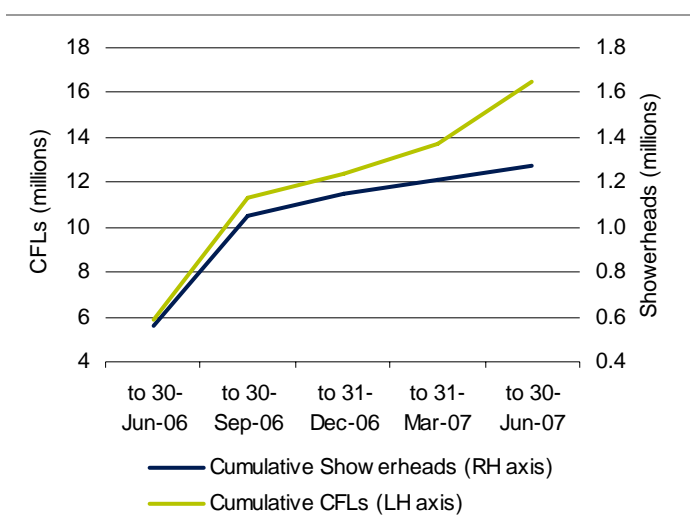
Direct installation of light bulbs and showerheads increasing

Changes to the DSA Rule, implemented in October 2006, has resulted in an increase in the proportion of compact fluorescent lamps (CFLs) and water-efficient showerheads directly installed. In the quarter to June 2007, over 80% of CFLs and 70% of showerheads distributed by GGAS accredited ACPs were installed rather than given away. Only two accredited certificate providers (ACPs) are now conducting giveaway programs.

2.8 million CFLs were distributed in the quarter to June 2007, double the number distributed in the March quarter. In total, over 16 million CFLs have been distributed since the Scheme commenced. Over 60,000 showerheads were distributed in the same period, bringing the total number of showerheads distributed under the Scheme to 1.3 million.

There are now 10 ACPs accredited for projects distributing CFLs and showerheads, with nine applications currently under consideration by the Scheme Administrator.

Summary of installations



In response to the growing variety of business models used by ACPs and applicants, the Scheme Administrator recently circulated for comment proposed minimum requirements for DAF installation programs. These seek to achieve consistency across the Scheme with respect to legal relationships between ACPs and installers, installer training, and customer service. Currently, the Scheme Administrator is evaluating the feedback received. Accredited ACPs will have a two month period to adjust their programs before the minimum requirements are introduced. The Scheme Administrator would like to thank all those who provided feedback on the proposal.

Using NGACs to be carbon neutral

Over the past two years, the level of interest in using NGACs to voluntarily offset greenhouse gas emissions has increased significantly. Much of this interest comes from increasing desire to achieve a "carbon neutral" status by individuals and organisations. Evidence suggests NGACs are considered to have broad appeal as a standard instrument traded on the open market representing one tCO₂-e of abatement. For the 2006 calendar year, 2,660 NGACs were voluntarily surrendered and this year to date over 6,100 NGACs have been voluntarily surrendered.

To facilitate this "voluntary" market participation, the GGAS Registry was upgraded in 2006 to allow organisations other than benchmark participants (the liable parties) to surrender NGACs. It should be noted that while the Scheme Administrator accepts voluntary surrenders through the Registry, it does not provide any verification as to whether the volume of NGACs surrendered equates to the participant achieving carbon neutrality.

To voluntarily surrender (also known as retire) NGACs, an account on the Registry must be opened and NGACs transferred into that account. Certificates can then be surrendered on the Registry.

Purchasing and holding NGACs in a Registry account does not equate to achieving an offset, NGACs must be surrendered to be effective in offsetting a participant's carbon footprint.

There are important deadlines that voluntary participants need to consider when deciding to surrender NGACs. Individuals can voluntarily surrender NGACs at any time between 1 July and 20 June of each financial year.

Certificates that have been surrendered before 20 June of each financial year will be accepted by the Scheme Administrator and on 30 June of each year all surrendered certificates will be cancelled by the Registry and the certificates cannot be un-surrendered or reused..

As a tradeable commodity with a market value, voluntary participants should carefully consider the volume of NGACs they wish to surrender to offset their carbon footprint, as once surrendered, the commodity cannot be retrieved.

For further information regarding opening and managing an account on the Registry see the Registry FAQs on our website at <http://www.greenhousegas.nsw.gov.au/registry/tips.asp>

For further information regarding the process for voluntary surrender on the Registry, see the fact sheet on our website at <http://www.greenhousegas.nsw.gov.au/documents/syn98.asp>

Treatment of power stations supplied via common fuel networks

The Scheme Administrator has recently accredited a power station project that will be supplied via a common fuel network (in this instance the network transports waste coal mine gas (WCMG) and coal seam gas (CSG)). The applicant assumed in its calculations that the power station would use 100% WCMG on the basis of contractual arrangements for the supply (via the common fuel network) of sufficient WCMG to meet the power station's requirements. (Clause 10.1.1 of the Generation Rule requires that an applicant calculate the "Total Greenhouse Gas Emissions ... for each Fossil Fuel Used").

For this project, the Scheme Administrator determined that it was appropriate to interpret the "fuel used" by the power station as 100% WCMG on the basis of the contractual arrangements outlined, and the accepted gas industry practice of assigning the use of fuels supplied via common fuel networks to different end users.

WCMG and CSG have the same physical nature, but are distinguished by whether the coal seam that is the source of the gas is being or will be mined. Where the coal seam is being (or has been) mined, the gas is classified as WCMG, while CSG is gas sourced from unmined coal seams. The WCMG produced from mining operations would otherwise be vented to the atmosphere or flared, while CSG remains "trapped" underground. Hence, under the Generation Rule, an applicant is able to create certificates for avoided fugitive methane emissions for the use of WCMG, but not for the use of CSG.

As outlined, this project involves the commingling of gases of the same physical nature. The Scheme Administrator advises that this determination does not necessarily set a precedent for cases where gases of a different physical nature are commingled in a pipeline.

PITR review

The Scheme Administrator has invited all persons involved (authors/applicants/reviewers/auditors) to provide feedback and comment on their experience with the PITR process. The Scheme Administrator has reviewed and accepted a number of Performance Improvement Testing Regime (PITR) submissions from Generators intending to create NGACs under Method 2 of the Generation Rule.

The number of responses was high, and generally favourable, with useful comment and constructive suggestions being made on how to further improve PITR processes and outcomes. The Scheme Administrator is closely looking at the suggested improvements and will keep all PITR participants informed of its findings in the near future.

Registry statistics

Abatement certificates created since the Scheme commenced:

DSA	15,620,209
Generation	32,596,497
Carbon Sequestration	1,292,329
Large User	952,412

Current accreditations as at 31 August 2007[^]:

DSA	70
Generation	117
Carbon Sequestration	5
Large User	7

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

DSA	4
Generation	9
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 2007