



GGAS

FACT SHEET

THE FINANCIAL PENALTY FOR NOT REDUCING EMISSIONS

Understanding emissions reductions

Greenhouse Gas Benchmark Rule (Compliance) Rule No. 1 of 2003 sets out how benchmark participants calculate individual greenhouse gas benchmarks and account for the emissions they are responsible for (attributable emissions).

Attributable emissions are a benchmark participant's gross emissions, less credit for:

- abatement certificates (NGACs or LUACs) surrendered to IPART
- renewable energy certificates (RECs) surrendered to ORER in respect of NSW electricity sales.

Gross emissions is a notional figure, calculated as if all electricity purchases are made at transmission nodes and sourced from generators emitting greenhouse gases at an average rate published by IPART (the NSW pool coefficient).

For further information, see the related fact sheets – *Calculating the NSW Pool Coefficient* and *How Do I Calculate My Target?*

Incurring a greenhouse penalty

The Scheme imposes a financial penalty if benchmark participants do not reduce their greenhouse gas emissions or buy enough abatement certificates to lower their attributable emissions towards their greenhouse benchmark.

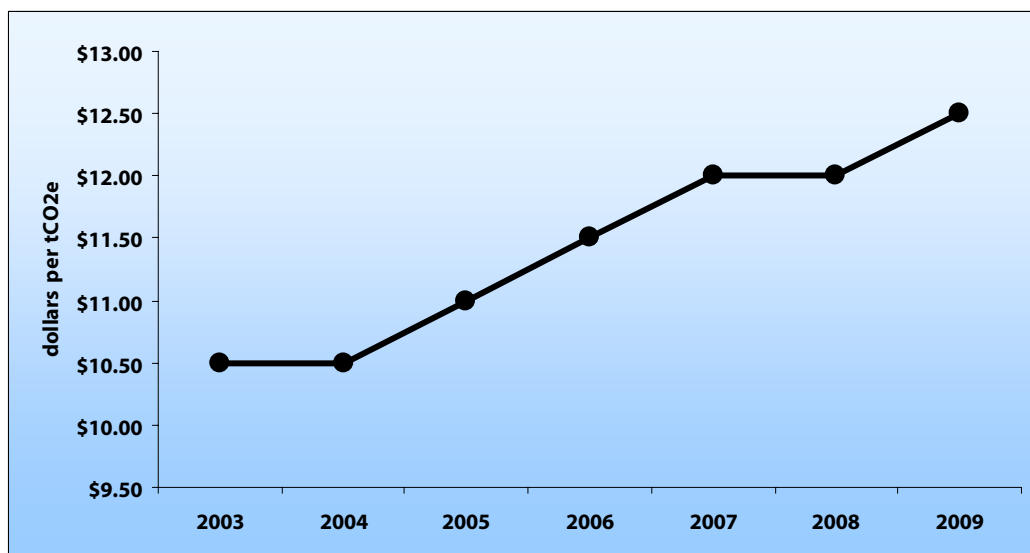
The greenhouse penalty is currently set at \$12.50 for each tonne of CO₂-e by which a benchmark participant's attributable emissions exceeds its benchmark and any allowable shortfall.

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

However, in periods of low inflation the penalty may not change due to a rounding mechanism in the formula.

From 2010, the greenhouse penalty will also be subject to one dollar increases on an annual basis until 2013.

Figure 1 Greenhouse penalty since the Scheme began



Calculation of the greenhouse penalty

The following formula is used for determining the greenhouse penalty in accordance with Section 73C of the Regulation:

$P = M \times \frac{A}{B}$	Where:
M =	Is the penalty specified in 97CA(2) of the Act
A =	Is the sum CPI 1 yr prior
B =	Is the sum CPI for each quarter of the year commencing 1 July 2005
P =	Is the amount of the adjusted penalty (rounded to nearest 50 cents)

Carrying forward a shortfall

To introduce some flexibility, the Scheme allows benchmark participants to carry forward a greenhouse shortfall of up to 10% of their greenhouse benchmark from one year to the next until 2011.

For example, (in tonnes of CO₂-e):

• benchmark	200,000
• emissions	235,000
• shortfall	35,000
• certificates surrendered	15,000
• maximum carry forward	20,000
• penalty	0

Benchmark participants must clear the shortfall carried-forward in the following year.

Payment of greenhouse penalty

Any penalty in respect of a greenhouse shortfall is payable on the same day the benchmark statement is due:

- 18 March in the year following the benchmark year, or
- 18 March two years after the benchmark year for any greenhouse shortfall carried forward.

Legal context for this fact sheet

The Compliance Regulator has prepared this fact sheet as a general summary of relevant parts of:

The Act: *Electricity Supply Act 1995*

The Regulation: *Electricity Supply (General) Regulation 2001*

The Rules: Greenhouse Gas Benchmark Rules issued through the Department of Industry & Investment (formerly DWE). There are currently five Rules. *The Greenhouse Gas Benchmark Rules (Compliance) No 1 of 2003* is the most relevant to this Fact Sheet.

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 documents.