



GGAS

## FACT SHEET

### SUMMARY OF THE SCHEME

NSW electricity retailers and certain other parties (collectively referred to as benchmark participants) must now meet mandatory targets for reducing the emission of greenhouse gases from the production of the electricity they supply or use.

The NSW Greenhouse Gas Reduction Scheme imposes enforceable annual reduction targets on benchmark participants for calendar years 2003 to 2012, and the NSW Government has committed to extending the targets to 2020.

To reduce the costs of compliance, persons carrying out activities in NSW that abate greenhouse gases can seek accreditation under the scheme to create abatement certificates. (For more information refer to Participating in the Scheme at [www.greenhousegas.nsw.gov.au](http://www.greenhousegas.nsw.gov.au).)

Benchmark participants may purchase and surrender these off-setting certificates to reduce the average emissions attributable to them.

The scheme establishes a registry to evidence the creation, transfer and ultimate surrender of abatement certificates.

The scheme is enforced by amendments to the *Electricity Supply Act 1995* and the *Electricity Supply (General) Regulation 2002*, and five Greenhouse Gas Benchmark Rules approved by the Minister for Energy and Utilities (see page 4 for a full list).

#### Benchmark participants

Benchmark participants have to reduce their emissions of greenhouse gases to the pre-set

benchmark levels, or pay a penalty of \$12.00 per tonne of emissions above their targets.

Enforceable targets have been set for:

- electricity retail suppliers
- electricity customers taking supply directly from the National Electricity Market (Market Customers), and
- scheduled generators listed in the Regulations.

In addition, some large electricity customers and persons carrying out projects designated as being State significant development can elect to become benchmark participants.

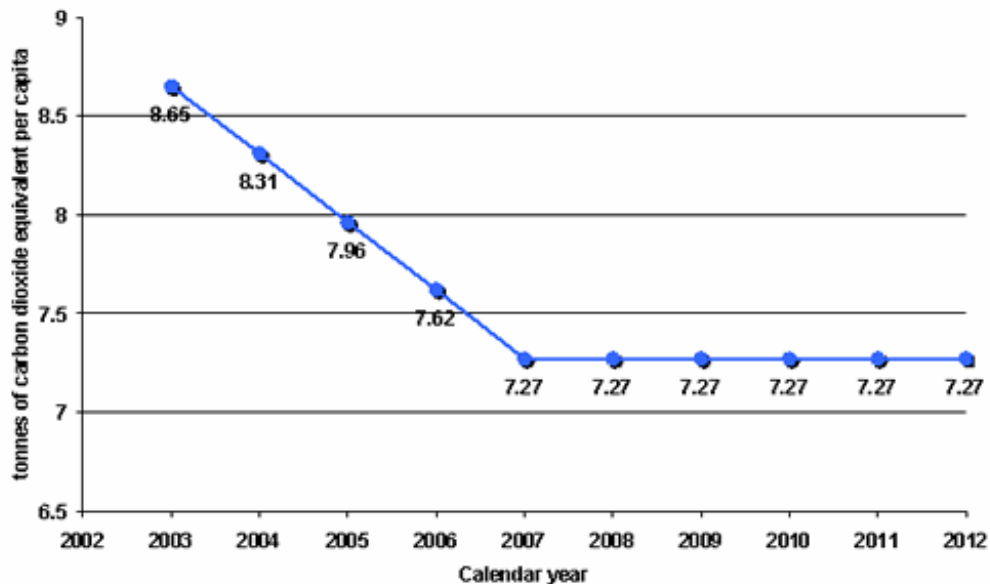
If they choose to do so, they will manage their own greenhouse gas benchmark and their electricity retailer's benchmark will be reduced by an equivalent amount.

#### Greenhouse Gas Benchmarks

The scheme establishes a per capita benchmark for greenhouse gas emissions by the NSW electricity sector as a whole (the electricity sector benchmark). It also establishes rules for converting this electricity sector benchmark into individual greenhouse gas benchmarks for each individual benchmark participant.

As shown in **Figure 1**, the Government has set a state-wide benchmark of reducing greenhouse gas emissions to 7.27 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>-e) per capita by 2007, which is 5 per cent below the Kyoto Protocol baseline year of 1989-90.

**Figure 1: Per capita emissions benchmark for NSW electricity sector**



To ensure continual progress towards this end target, progressively tighter targets have also been set year-on-year leading to the final 2007 level.

The 7.27 tCO<sub>2</sub>-e benchmark level will then be maintained until at least 2012.

Each benchmark participant is liable to meet their share of the NSW electricity sector benchmark in each year.

For example, if a benchmark participant sells 5 per cent of total electricity sales in NSW, they are responsible for meeting 5 per cent of the NSW electricity sector benchmark.

### Compliance reports

Benchmark participants must submit an annual greenhouse gas benchmark statement to IPART confirming their electricity sales, greenhouse gas benchmark, and the number and details of abatement certificates surrendered.

If benchmark participants do not reduce their average emissions to the benchmark level they will incur a financial penalty of \$12.00 per tCO<sub>2</sub>-e for the amount of the shortfall.

However, a benchmark participant may carry forward a shortfall of up to 10 per cent of their benchmark to the following year without incurring a penalty.

If the amount carried forward is not abated in the following year it will be subject to the penalty at the end of that year.

### Abatement certificate providers

Certain persons may be eligible to seek accreditation to create abatement certificates from eligible abatement projects if they:

- reduce the greenhouse gas intensity of the electricity they generate
- reduce the consumption of electricity (referred to as demand side abatement)

- manage forests so as to capture and permanently retain (for 100 years) carbon from the atmosphere (referred to as carbon sequestration), or
- reduce on-site emissions of greenhouse gases from (non-electricity related) industrial processes at sites which they own and control.

Detailed requirements for eligibility and abatement calculations are contained in the Greenhouse Gas Benchmark Rules.

### The Registry

Following a competitive tender, IPART appointed LogicaCMG in May 2003 to design, build and operate an on-line registry for the Scheme. The registry maintains a register of accredited abatement certificate providers and abatement certificates.

The registry was completed in September 2003 and LogicaCMG have been appointed to operate the registry.

### Role of IPART

The Independent Pricing and Regulatory Tribunal (IPART) administers the scheme. It is responsible for:

- monitoring benchmark participants' compliance
- imposing penalties if required
- performing the functions of the **Scheme Administrator**.

### Role of the Scheme Administrator

The Scheme Administrator is appointed by the Minister for Energy and Utilities to oversee the:

- accreditation of abatement certificate providers
- administration of the registry

- auditing of greenhouse gas abatement activities.

Further responsibilities of the Scheme Administrator include monitoring and reporting to the Minister on the compliance of accredited abatement certificate providers with:

- the Act
- Regulations
- Greenhouse Gas Benchmark Rules, and
- conditions of accreditation.

The Scheme Administrator may conduct, or require the conduct of, audits of abatement activity and abatement certificate providers.

### Other participants

To support the scheme, a range of other participants and organisations play a role.

These include specialist consultants or auditors verifying the effectiveness of abatement activities, and intermediaries to facilitate trading in abatement certificates.

**Figure 2** illustrates the structure of the scheme and the relationships between key participants.

### 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 Ministry of Energy and Utilities 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 documents.

**Figure 2: Structure and key participants in the Scheme**

