

Policy framework – Energy Savings Scheme Interim Exemptions Order

August 2009 - To be revoked 31 December 2009

Background

The Minister for Energy has the power to grant an exemption from the Energy Savings Scheme (ESS) in respect of any electricity load used by a specified person or used in connection with specified activities.

Exemptions are for electricity load used in connection with an industry or activity that is emissions intensive and trade exposed.

In the Agreement in Principle speeches on the Bill to create the ESS, the Government stated its intention that exemptions under the ESS should align with the approach the Commonwealth is taking to emissions intensive trade exposed industries and activities in implementing its expanded Renewable Energy Target and the proposed Carbon Pollution Reduction Scheme.

Policy framework for interim exemptions

In the absence of a finalised approach from the Commonwealth, coupled with the need to provide timely guidance to inform ESS participants of the exemptions, the NSW Government has developed an interim exemptions order ('the Order'). The NSW Government has used the most up-to-date publicly available information from the Commonwealth to inform the development of the Order, which will be revoked on 31 December 2009.

The framework is based on the 34 activities at **Appendix A** that were listed by the Commonwealth for formal assessment and are listed in one or other of the following Commonwealth documents:

- Assessment of activities for the purposes of the emissions-intensive trade-exposed assistance program, Guidance Paper, February 2009
- Establishing the eligibility of activities under the emissions-intensive trade-exposed assistance program, June 2009
- The Carbon Pollution Reduction Scheme White Paper, December 2008
- The draft Carbon Pollution Reduction Scheme Regulations, June 2009
- Activity Definitions from the Department of Climate Change website, as at 30 July 2009.

The Order is based on publicly available information about which sites conduct these activities.

The basis of exemptions will be the partial exemption of loads at sites conducting the above activities. Where the Commonwealth Government has published the likely rate of assistance (eg 60% or 90%), the NSW Government has applied a corresponding level of partial

exemption for the ESS. Where the Commonwealth Government has not defined the likely rate of assistance a flat rate of 60% will be used in the first Order.

Futhermore, given that the Commonwealth Government has yet to publish definitions of 15 of the activities and continues to undertake work on the allocative baselines for most activities, the interim exemption applies to the entire site listed in the Order.

The Order specifies the treatment of losses occurring between the purchase of the electricity by the Scheme Participant and the relevant end user.

The Order also authorises the Scheme Regulator to make rules with respect to exemptions and the deduction of exempt electricity loads from Scheme Participants' total liable acquisitions.

Future Orders for 2010 and beyond

A new Order will be issued for 2010 and later years if applicable to take into account further developments in the Commonwealth Government's approach to exemptions. Future Orders will closely align, where possible, with the Commonwealth Government's approach to activities, allocative baselines and the partial exemption of loads.

Exemption under this Order does not necessarily mean that the same (or any) exemption will be granted under a future Order.

Applying for exemption if eligible load not listed in the Order

For loads which are not listed in the Interim Order and which conduct one of the activities in Appendix A, a request for review may be made to the Minister for Energy.

Appendix A

1.	Alumina refining
2.	Aluminium smelting
3.	Ammonia production
4.	Carbon black production
5.	Cardboard manufacturing
6.	Cartonboard manufacturing
7.	Caustic soda and chlorine gas production
8.	Clinker production
9.	Coke production
10.	Copper refining/smelting
11.	Ethanol production
12.	Float glass production
13.	Fused alumina production
14.	Fused zirconia production
15.	Glass container production
16.	Iron and steel manufacturing
17.	Lead and zinc refining/smelting
18.	Lime production
19.	Liquefied natural gas production
20.	Magnesia production
21.	Methanol production
22.	Newsprint manufacturing
23.	Nitric acid/ammonium nitrate production
24.	Petroleum refining
25.	Pig iron production
26.	Ethylene/polyethylene production
27.	Printing paper manufacturing
28.	Silicon production
29.	Soda ash production
30.	Synthetic rutile production
31.	Tissue paper manufacturing
32.	Titanium dioxide production
33.	Urea production
34.	Zinc smelting

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