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NSW Energy Efficiency Trading Scheme
Department of Water and Energy
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Sydney NSW 2001
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Ref: NSW Energy Efficiency Trading Scheme

Energetics is Australia's leading integrated climate change, energy/water efficiency and sustainable solutions provider. We attended the NEET Scheme Forum on 4 July, and based on the material presented at that forum and in the Discussion Paper released on 9 July we offer the following comments.

First, Energetics fully supports the intention of the NSW Government to preserve the focus on energy efficiency in NSW by introducing the NSW Energy Efficiency Trading scheme. We also applaud the intention of the NSW Government to minimise the administrative impact of the NEET by basing it on the DSA component of GGAS. Our only reservation on a trading scheme as such is in the use of a market based scheme – the NEET, to address failures in another market based scheme – the national emissions trading scheme. An alternate approach is to mandate a series of actions, such as has been done with the BASIX.

Energetics believes that there are far more opportunities for energy efficiency in industry than the MMA analysis reported. Despite the relatively high consumption of energy by certain industry sectors, we still see a lack of a systematic approach to energy management in those sectors. As a result, cost effective opportunities to improve energy performance are missed. The outcomes of the ESAP program and the Federal Government's EEO Assessment program have reinforced this view. Many of these opportunities relate to end uses of energy sources other than electricity, and we believe that the NEET should cover all energy use, not just electricity. NSW hopes the NEET will evolve into a national energy efficiency trading scheme (AETS). We note that Victoria and South Australia have similar schemes to the NEET and that these schemes include natural gas. In our view, the earlier the NEET covers natural gas (and LPG) consumption the better, in terms of both its impact on energy use in NSW and also with respect to harmonisation with the other state based energy efficiency trading schemes.

NSW Energy Efficiency Certificates (NEEC) will not be created from mandatory actions. The NSW Government has also announced that energy efficiency initiatives identified in ESAPs that have a better than three year payback must now be implemented, and hence will not be available for the generation of NEECs. Because the gazetting of sites for ESAPs was not based on a systematic review of actual energy consumption, some large energy users may not have been required to prepare ESAPs. Also, the energy use profiles of many large energy users in NSW may have changed since the gazetting of the sites for ESAPs. As a result, there



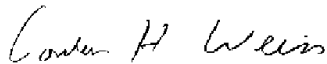
will be some large energy users in NSW that have not been required to prepare an ESAP despite exceeding the thresholds now. They will receive an unfair advantage under the proposed NEET, as energy efficient initiatives at those sites will generate NEECs. Energetics believes that if the mandating of actions identified in ESAPs is to proceed, then all large energy users in NSW should be required to develop an up to date ESAP, and this revised plan be used to identify the mandatory actions. However, mandating energy savings in one part of the NSW economy will always discriminate against that sector under the NEET.

Because industry in NSW has generally been more proactive in pursuing energy efficiency than other sectors of the economy, there will be fewer low cost opportunities to improve energy efficiency than in the commercial or residential sectors. We are concerned that industry may end up subsidising households and the commercial sector if the scheme pushes up power prices, and that the NEET will end up penalising industry for being more proactive.

In a number of places, the proposed design of the NEET refers to similar elements of the AETS. In particular, the NEET intends to exempt trade exposed emissions intensive industries (TEEIs) as defined in the AETS. We note that the NSW Government plans to use regulations as an interim measure while the AETS determines the TEEIs. The NSW Government will need to be cautious in the management of TEEIs to ensure that parties are not penalised if their status as a TEEI changes once the definition under the AETS is determined.

Finally, we note that the discussion paper touches on the determination of the energy efficiency target. Energetics hopes that the NSW Government will seek a broad range of inputs when setting this target, and that it truly remains an energy efficiency target and does not become an overall energy consumption target.

Regards

A handwritten signature in black ink that reads 'Gordon H. Weiss'.

Gordon Weiss

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