

AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION

FREQUENTLY ASKED QUESTIONS ON THE NATIONAL GREENHOUSE AND ENERGY REPORTING SYSTEM AND THE CARBON POLLUTION REDUCTION SCHEME

1. What is the National Greenhouse and Energy Reporting System?

The National Greenhouse and Energy Reporting System (**NGERS**) is a national approach to the collection of information on greenhouse gas emissions and energy use and production across Australia. It commenced on 1 July 2008 and applies to entities which trigger certain thresholds. The facility based threshold is 25 kilotonnes of CO₂e emissions or 100 terrajoules of energy use or production per year. [25 kilotonnes of CO₂e emissions is the equivalent of emissions from 6,200 cars; 100 terrajoules of energy use is the equivalent of energy used by 1900 households]. The corporation based threshold for the 2008/2009 year is 125 kilotonnes of CO₂e emissions or 500 terrajoules of energy use or production. The corporation threshold reduces every year, for the first three years of the scheme.

2. Will councils be covered by the NGERS?

The NGERS currently applies to “constitutional corporations”. Councils are not generally considered to be “constitutional corporations” and recent caselaw has confirmed this. However, the Federal Government proposes to amend the NGERS legislation so that it **will** apply to unincorporated entities, such as councils. This amendment is likely to take effect for the 2009/2010 financial year.

It is unlikely that councils will trigger the corporation based thresholds, unless they have extremely high energy use (e.g., for the 2009/2010 financial year energy use which is the equivalent of energy used by approximately 6650 households per annum or for the 2010/2011 financial year energy use which is the equivalent of energy used by approximately 3800 households per annum).

It is more likely that councils will trigger the facility based threshold. In particular, if councils operate landfills which have emissions greater than the threshold (currently proposed to be



25 kilotonnes of CO₂e emissions, but may end up being lower), they will be covered by the NGERS.

3. What is the Carbon Pollution Reduction Scheme?

The Carbon Pollution Reduction Scheme (CPRS) is a “cap and trade” emissions trading scheme. It is not a carbon tax. A “cap and trade” emissions trading scheme operates by placing a limit on the total emissions allowed from certain activities or sectors covered by the scheme. This limit is generally set below what it would be under “business as usual”. Emitters covered by the scheme will need to acquire permits (either in an auction or through a free allocation) with each permit representing the right to emit 1 tonne of CO₂-e. These permits can be bought and sold. Sufficient permits to cover an entity’s emissions will need to be surrendered each year to the Government. Penalties apply for non compliance.

The intention behind “cap and trade” emissions trading schemes is to allow emissions reductions to be achieved in the most cost effective way. For example, if it is cheaper for an emitter to implement emissions reduction technology within its operations, rather than buy carbon permits, it is expected that this is the route that will be pursued by that emitter.

4. Will councils be covered under the CPRS?

Councils are only likely to be directly covered by the CPRS if they operate a landfill, and the methane emissions from that landfill exceed the threshold set under the CPRS. (The threshold is currently proposed to be 25 kilotonnes of CO₂e emissions, but may end up being lower).

It is important to understand that an obligation to report under the NGERS does not automatically lead to a liability under the CPRS.

5. Will councils be able to create offsets under the CPRS?

Offsets can be created by projects which reduce or abate greenhouse gas emissions. The Government is proposing that there will be limited opportunity for creation of offsets under the CPRS, because of its broad coverage (e.g only agriculture is proposed to be excluded initially). If the waste sector is covered by the CPRS, offsets will not be able to be created by those facilities (i.e., landfills) captured by the scheme. However, there may be opportunities for offset credits to be created in the voluntary carbon market by facilities which are not captured by the scheme (i.e., because they do not exceed the threshold).



Further clarification on this option will be possible when the Government releases its Australian Carbon Offset Standard (due out by the end of the year).

The only possible income generating opportunity from the CPRS itself for councils arises in the forestry sector. If a council owns forested land or decides to plant new forests (which comply with the rules of the CPRS) it may be eligible to receive free permits, which could then be sold into the carbon market. The detailed rules for forestry are yet to be determined.

6. What other implications will the CPRS have for local government?

The rationale of emissions trading schemes is to place a cost on carbon in the economy, thereby influencing the behaviour of those sectors directly impacted by the scheme to pursue the least-cost abatement of emissions. For those sectors not directly impacted by the scheme the impacts are likely to be increased costs of energy and fuel. In particular, emissions intensive goods and services are likely to be more expensive.

Local government contracts associated with waste disposal and street lighting should be reviewed to ascertain whether existing provisions enable councils to pass on any direct costs which arise under the scheme (e.g if councils operate landfills which trigger a requirement to purchase permits), or to identify whether increased costs being borne by council contractors will be automatically passed onto the council.

7. Will councils be able to generate income from complementary measures?

Local council operated landfills which generate electricity from methane will continue to be eligible to generate Renewable Energy Certificates under the expanded Renewable Energy Target Scheme.

Councils may be able to achieve accreditation and create Energy Efficiency Credits from energy efficiency abatement actions under the forthcoming state based Energy Efficiency Target Schemes.