

FACT SHEET

Review of Climate Change Mitigation Measures

June 2009

IPART has undertaken a review to assess whether NSW Government greenhouse gas reduction programs will continue to be required in the context of the Federal Government's impending Carbon Pollution Reduction Scheme (CPRS). In undertaking its review, IPART developed an assessment framework to assess the complementarity of NSW mitigation programs with the CPRS.

Major findings and recommendations on the assessment framework

IPART's recommended framework assumes that the CPRS will become the principal means for reducing greenhouse gas emissions in Australia. IPART assessed a NSW mitigation program as complementary to the CPRS if it first met one or more of four 'in-principle' criteria and then was designed in a manner that was consistent with principles for best regulatory practice. Under the framework, a cost-effective program is defined as one that delivers GHG reductions and, if applicable, energy (power or fuel) savings, or new low-emissions energy at a lower cost than achieving the same outcomes under the CPRS.

The **four in-principle criteria** are that the program:

1. addresses a market failure or barrier that is either not adequately addressed by the CPRS or reduces the effectiveness of the CPRS, and is significant and amenable to government intervention
2. addresses a market failure or barrier that is in a sector not covered by the CPRS, and is significant and amenable to government intervention
3. addresses a sector of the economy where price signals do not play a major role in decision-making, or
4. has one or more non-abatement objectives that do not adversely affect the operation of the CPRS.

The **eight best-regulatory-practice principles** require that a program be effective, efficient, transparent, administratively simple, equitable, subject to regular review, best done at the state level and be the best option available. Of these best practice regulatory principles, the measurement of the efficiency, or cost-effectiveness, of a program relative to the CPRS required development by IPART.

Major findings and recommendations on NSW mitigation programs

To apply the assessment framework, IPART grouped the 26 programs nominated for review into three broad categories according to their primary mitigation purpose: energy efficiency, low-emissions energy generation, and direct emissions reduction. IPART found that there was scope to better target and rationalise the programs to take into account the introduction of the CPRS and other national climate change mitigation policies, as well as to reduce overlap between the NSW programs.

Recommendations on NSW energy efficiency programs

- ▼ **Retain six programs in full in their current form:** the Energy Saving Scheme; BASIX; the BASIX co-generation demonstration project, the overarching NSW Government Sustainability Policy; Energy Performance Contracts and the Energy and Water Efficiency Investment Program.
- ▼ **Retain two programs in part:** the Green Business Program's Market Transformation stream and the Schools Energy Efficiency Program's Climate Clever Energy Savers stream.
- ▼ **Retain six programs in their current form during the transition to the CPRS only:** the Energy Efficiency Community Awareness Program; Energy Efficiency Skills Development Program; Low Income Household Refit Program; Energy Efficiency for Small Business Program; Energy Saver Program (within the Sustainability Advantage Program), and the FleetWise Partnership Program.
- ▼ **Redesign two programs and retain them during transition only:** the Residential Rebate Program and Cleaner Government Fleet Program.
- ▼ **Retain in part during transition only:** Public Facilities Program's Community Savers stream.
- ▼ **Terminate three programs in part:** the Green Business Program's Direct Measures stream; Public Facilities Program's Demonstration stream, and the Schools Energy Efficiency Program's Lighting Retrofit stream.
- ▼ **Terminate three programs in full:** NSW Energy Efficiency Target; Clause 4 of the Suppliers Authorisation under the *Gas Supply Act 1996*, and a proposal to mandate the implementation of activities identified under Energy Savings Plans.

Recommendations on NSW low-emissions generation programs

- ▼ **Retain and redesign** Clause 45B, the *Electricity Supply (General) Regulation 2001* **during transition only.**
- ▼ **Retain and redesign** the Renewable Energy Development Fund.
- ▼ **Re-appraise** the *Biofuel (Ethanol Content) Act 2007* and recent amendments to the Act.
- ▼ **Terminate** the Greenhouse Gas Reduction Scheme **once the CPRS is established.**

Recommendations on direct emissions reduction programs

- ▼ **Retain** the Clean Coal Fund.
- ▼ **Terminate** the offsets component of the Carbon Neutral Government policy.

Associated recommendations

IPART found that information on some of the NSW programs to which it was referred was incomplete or speculative, in part because the programs are in their infancy. IPART therefore recommended that all future programs include a means of data collection and monitoring that enables effective regular reviews of the program, and that NSW mitigation programs be regularly reviewed, preferably by an independent body, to assess whether they are still needed.

IPART recommended the overarching policies that set the rules for many current NSW climate change programs be reviewed to ensure that they are consistent with IPART's assessment framework.

IPART's program assessments took into account what is known about the national mitigation policy framework. It made several recommendations on future policy development in the light of the changing environment and the national approach to tackling climate change.