GGAS experience

The experience of the NSW GGAS program is that the amount that liable parties have been paying for compliance certificates translates to an average of around $40 per tonne of emissions reductions that would not have occurred in the absence of the scheme (around $50 in 2020 dollars, assuming an inflation rate of 2.5 per cent a year).

- This figure represents an estimate of the total value of certificates surrendered in a year divided by an estimate of the number of genuinely additional tonnes of abatement delivered.

This figure has been estimated using the following information:

- The latest estimate of the annual abatement from GGAS was 4.7 Mt of real, additional abatement per annum over the Kyoto period (Department of Climate Change 2008, *Stationary Energy Sector Greenhouse Gas Emissions Projections 2007*).

- In 2008 21.5 million certificates under the scheme were surrendered by liable parties (IPART 2009, *Compliance and Operation of the NSW Greenhouse Gas Reduction Scheme during 2008: Report to Minister*)

- Precise information of the total market value of NGACs surrendered under GGAS is not available due to the lack of transparency regarding contract prices. A reasonable estimate of the value of certificates surrendered in 2008 would indicate the total with a value of these certificates of around $200 million. This estimate is based on actual spot prices in 2008 (see (IPART 2009, *Compliance and Operation of the NSW Greenhouse Gas Reduction Scheme during 2008: Report to Minister*) and a sample of contract prices that has been confidentially provided to the Department. (This estimate takes into account prevailing spot prices in 2008, but also the fact that a large proportion of NGACs are sold under long-term contracts for prices that are significantly higher than the spot price.)

- The reason why this average cost per tonne of abatement (calculated in terms of value of certificates surrendered compared with abatement achieved) is higher than the market price per NGAC is that the GGAS scheme rewards a good deal of activity that would have occurred in any event – ie it was non-additional. Experience from the GGAP program suggests that imposing a rigorous additionality test significantly reduces participation in the program.

Reasons why GGAS includes non-additional abatement

GGAS includes non-additional abatement because it applies simple rules (baselines) to assess abatement, and imposes no additional test to discern whether that abatement would have occurred in any event. Examples of the sorts of non-additional activity that could be rewarded under GGAS include:

- output from new gas-fired generators in the National Electricity Market, regardless of whether that new gas-fired generator would have been built and operated even without the support of GGAS; and

- improvements in efficiency of coal-fired generators, even if those efficiency improvements are economic in their own right.