

## Second Reading

**The Hon. JOHN ROBERTSON** (Minister for Climate Change and the Environment, Minister for Energy, Minister for Corrective Services, Minister for Public Sector Reform, and Special Minister of State) [7.00 p.m.]: I move:

That this bill be now read a second time.

On 1 January 2003 New South Wales commenced one of the first mandatory greenhouse gas emissions trading schemes in the world. The Greenhouse Gas Reduction Scheme, or GGAS, was designed to reduce emissions from the use of electricity and to encourage activities that offset the production of emissions. The success of GGAS has been impressive. By the end of 2007 there were 40 benchmark participants who surrendered approximately 17 million GGAS abatement certificates that year. Benchmark participants are required to meet the targets under GGAS and include electricity retailers and generators and some large electricity users that have voluntarily taken part in the scheme. The 2007 figures were a 38 per cent increase in the number of certificates surrendered from 2006.

The bottom line is that by the end of 2007 New South Wales met its ambitious target to reduce electricity sector emissions to 7.27 tonnes of carbon dioxide per capita. To date, over 91 million abatement certificates have been created under GGAS. That means over 90 million tonnes of greenhouse gases have been offset under the scheme. In 2008 the Commonwealth announced a national emissions trading scheme now known as the Carbon Pollution Reduction Scheme, or CPRS. The New South Wales Government strongly supports the introduction of a national emissions trading scheme to deliver least-cost emissions reduction. The New South Wales Government has committed to end GGAS once a national scheme commences. An orderly transition from GGAS to CPRS is required.

The bill before the House provides for a smooth transition in two key ways. It proposes legislative amendments to the Electricity Supply Act to allow for a reduction in the number of surplus GGAS certificates remaining at the end of GGAS, and it provides for half-year compliance and other technical changes to facilitate the move to CPRS. The bill will reduce surplus certificates by stopping new applications for accreditation under GGAS from 1 January 2010, or another prescribed date. This will communicate to proponents of new projects that they cannot expect to be entitled to any transitional arrangements, including the Commonwealth's \$130 million cash assistance package, and that they need to be developing projects that suit the proposed national arrangements under the CPRS.

In addition, the bill removes opportunities to create GGAS certificates from generation projects that were commissioned prior to the commencement of GGAS known as category A projects from 1 July 2010 or another prescribed date. New South Wales is preparing to transition to the national CPRS. Currently, the Electricity Supply Act specifies targets for GGAS compliance based on a full calendar year. If the CPRS commences on 1 July 2011, GGAS will end on 30 June 2011. Therefore provisions need to be made to allow the final compliance period for GGAS to be prescribed as a fraction of a full calendar year. Regardless of the exact start date of the national CPRS, this bill allows for the final GGAS compliance year to be any part of a calendar year.

The bill also makes some technical changes to existing provisions to clarify their operation in the transition to the CPRS. The bill amends section 97KB, which permits the termination of GGAS upon the commencement of a national emissions trading scheme. Consistent with the national design of the CPRS, the bill makes it clear that the scheme must apply in New South Wales rather than be established in New South Wales. GGAS abatement certificates will not be permitted to be created in respect of activities occurring on or after the termination of GGAS. As members would be aware, the New South Wales Government, along with GGAS participants, successfully lobbied the Australian Government for a \$130 million assistance package for those GGAS participants who will be adversely affected by the transition.

The bill makes it clear that compensation is not payable by the State in relation to changes to the legislative framework for GGAS or its termination. These changes are designed to facilitate the transition from GGAS to the national Carbon Pollution Reduction Scheme. GGAS participants and other stakeholders have been consulted on the proposed changes and have requested that the changes be passed as soon as possible to bring policy certainty to the GGAS market. I commend the bill to the House.