

# NSW Government Response to IPART review of the State's climate change mitigation measures

During mid 2009 IPART undertook a review of NSW's climate change mitigation measures to assess the complementarity of existing NSW policies and programs with the Australian Government's then proposed Carbon Pollution Reduction Scheme (CPRS). The Review's reports and submissions are available on the [IPART website](#). Further information about NSW climate change policy is available on the [DECCW website](#).

Name of program	Recommendation from IPART Review	Government response
Energy Efficiency Skills Development Program	Retain as a transitional measure. The program is likely to be effective in assisting the transition to a low-carbon economy.	The Government agrees with IPART's recommendation.
Energy Savings Scheme (ESS)	Retain. The program seeks to correct market failures not adequately addressed by the CPRS. The qualifying criteria for projects against which ESS certificates may be created should be reviewed regularly to ensure that those projects are additional to that which would be undertaken anyway post-CPRS.	The Government notes that the Scheme commenced on 1 July 2009. The Scheme will be subject to regular review to ensure the eligible activities do not duplicate other programs, fits within the CPRS and enhances approaches of other States. It should be noted that the NSW Government supports the development of a national energy savings scheme.
Gas Supply Act - Clause 4 of Supplier's Authorisation	Terminate. The program does not address market failures. The condition not complied with or enforced since 2002/03.	The Government agrees with IPART's recommendation.
BASIX	Retain. The program addresses market failures and is currently cost-effective. BASIX should, in time, be integrated with any national scheme that establishes standards that are at least equivalent to those under BASIX. The NSW Government should reassess the target for energy savings and the basket for savings options making up the target to ensure that the savings option are additional to that which would be undertaken anyway post-CPRS.	The Government agrees with IPART's recommendation.
BASIX co-generation demonstration project	Retain. The program is cost-effective.	The Government agrees with IPART's recommendation.
Residential Rebate Program (hot water systems)	Retain, but redesign, as a transitional assistance measure. Hot water rebates are likely to assist the transition to the CPRS. In light of the Federal Government subsidies for energy-efficient hot water systems (RECs and rebate), the NSW Government should reduce the amount of funding provided under the Residential Rebate Program to ensure that households are not over-compensated for costs.	The Government agrees with IPART's recommendation. Given the Federal Government's increase in its hot water rebate in February 2009, the Department of Environment and Climate Change is putting appropriate systems in place to make sure households do not receive rebates exceeding the cost of installing their new hot water system
Low Income Household Refit Program	Retain as a transitional assistance measure. The program is likely to help low income households to transition to the CPRS. Supported subject to there being no duplication with Federal Government programs.	The Government agrees with IPART's recommendation. The Department of Environment and Climate Change will continue to liaise with the Federal Government to minimise any duplication with any national programs.
Energy Efficiency for Small Business Program	Retain as a transitional assistance measure. The program is likely to address information and capital constraints. Supported, subject to there being no duplication with Federal Government programs.	The Department of Environment and Climate Change will continue to liaise with the Federal Government to minimise any duplication with any national programs.

Name of program	Recommendation from IPART Review	Government response
Expansion of the Sustainability Advantage Program (Energy Saver Program)	Retain as a transitional measure. The program is likely to be effective in addressing information problems. It is strongly supported by stakeholders. Subsidies for energy audits should be provided as transitional assistance and cease at the end of five years.	The Government agrees with IPART's recommendation.
Green Business program	(a) Terminate the Direct Measures stream. It does not effectively address market failures / barriers to the take-up of energy efficiency. DECC has advised IPART that it will propose the discontinuation of this stream.  (b) Retain the Market Transformation stream and incorporate in the Sustainability Advantage Program. It is likely to be effective in addressing market failures / barriers. IPART's recommendations are only in relation to the energy savings component of the program.	(a) The Government agrees with IPART's recommendation. The Government was already planning to redirect funding for energy direct measures, particularly as the NSW Energy Savings Scheme will facilitate these measures being implemented. An announcement will be made shortly on a revised program. (b) The Government agrees with IPART's recommendation to retain the stream, however, market transformation projects should be via contestable funding. The key selection criteria for such projects already require applicants to demonstrate how the market will transformed.
Mandated actions under Energy Savings Action Plans	Terminate. No case found for mandating the implementation of energy savings actions that have been identified by businesses.	The Government agrees with IPART's recommendation. More than 50 per cent of cost effective actions have already been implemented by high users since completion of their Plans. Further voluntary implementation of cost-effective energy savings actions will be pursued.
FleetWise Partnership	Retain as a transitional assistance measure and incorporate in the Sustainability Advantage Program. The program provides tailored information and tools to businesses to help them reduce fleet emissions. It should be retained as a transitional measure only, as the CPRS is expected to drive changes in the transport sector in the long term. IPART agrees with DECC's intention to incorporate it into the Sustainability Advantage Program.	The Government agrees with IPART's recommendation. The program is scheduled for integration into the Sustainable Advantage Program from mid 2009. It will be reviewed following the commencement of the CPRS. NSW supports FleetWise as a potential national scheme to reduce fleet emissions, with national roll out to be considered for inclusion in the National Strategy on Energy Efficiency.
NSW Government Sustainability Policy - "umbrella" policy	Retain. It is crucial that only projects with a 12 per cent internal rate of return be undertaken. An explicit review process should be introduced into the Policy, with reviews preferably undertaken by an independent party.	The Government agrees in-principle With IPART's recommendation. The Sustainability Policy already includes requirements for energy savings measures to be cost-effective and for a detailed report every three years.
NSW Government Sustainability Policy - Energy Performance Contracts	Retain. Effective in encouraging implementation of cost-effective energy savings projects by government agencies.	The Government agrees with IPART's recommendation.
NSW Government Sustainability Policy - Energy and Water Efficiency Investment Program	Retain. Effective in encouraging implementation of cost-effective energy savings projects by government agencies.	The Government agrees with IPART's recommendation.
NSW Government Sustainability Policy - Cleaner Government Fleet Program	Retain, but redesign, as a transitional measure. The program is effective to date. It should be retained as a transitional measure but redesigned to provide agencies with the flexibility to depart from the program's environmental objectives where compliance is not cost-effective or inappropriate in light of operational requirements.	The Government agrees with IPART's recommendation. However, it should be noted that there is already some scope for agencies to depart from the program due to operational requirements and the new targets provide some further flexibility.

Name of program	Recommendation from IPART Review	Government response
Energy Efficiency Community Awareness Program	<p>Retain as a transitional measure.</p> <p>The program is likely to assist in better informing the community about ways to improve the efficiency of energy use.</p> <p>The cost of the 'black balloons' campaign is high compared to some other campaigns and warrants re-consideration.</p>	<p>The Government agrees in-principle with IPART's recommendation.</p> <p>However, the costs of the Community Awareness program are low compared to other awareness programs, and there is a low level of community understanding of the connection between climate change and energy conservation.</p> <p>The Government will seek to minimise the cost of such programs wherever possible.</p>
NSW Government Sustainability Policy - Schools Energy Efficiency Program	<p>(a) Terminate Lighting Retrofit stream. This stream is not a cost-effective way of saving energy and reducing greenhouse gas emissions.</p> <p>(b) Retain Climate Clever Energy Savers stream. This stream effectively provides information about energy efficiency to school students and links with NSW's key environmental education policy.</p>	<p>(a) The Government will continue to assist schools to save energy through lighting retrofits under this Program, which meet the purposes of the Climate Change Fund.</p> <p>Lighting retrofits are the most cost effective measure to implement in schools. The Schools Energy Efficiency Program has strong educational value, given the thousands of students who attend school daily. Schools funded under the Schools Energy Efficiency Program are required to participate in the Sustainable Schools Program which provides the framework for environmental educational within schools.</p> <p>(b) The Government agrees with IPART's recommendation.</p>
GGAS Greenhouse Gas Reduction Scheme	<p>Terminate as planned.</p> <p>GGAS should be terminated when the CPRS starts, as planned.</p>	<p>The Government agrees with IPART's recommendation. NSW has already made a commitment to cease GGAS when the CPRS commences.</p>
Clause 45B of the Electricity Supply (General) Regulation ("the licence condition").	<p>Pre-CPRS retain, but redesign.</p> <p>Terminate when CPRS starts.</p> <p>The promotion of voluntary renewable energy purchases does not correct a significant market failure. It is not likely to reduce abatement costs.</p> <p>Pre-CPRS, the part of the licence condition that requires suppliers to offer 10 per cent renewable energy should be removed as it appears to be no longer necessary.</p>	<p>The Government will retain Clause 45B in its current form until 2012 when it will be reviewed as part of the automatic staged repeal. At this time the CPRS is planned to be in operation with the initial permit price cap removed.</p> <p>Clause 45B imposes a negligible compliance cost on Government and retailers and provides an additional marketing avenue for the promotion of voluntary renewable energy purchases.</p> <p>All retailers in New South Wales currently offer GreenPower products and generally price these products at commercially sustainable rates recovering any compliance costs.</p>
Renewable Energy Development Program	<p>Retain, but redesign.</p> <p>Given mitigation policies at the national level, the program should be redesigned to target projects that aim to lower abatement costs and that are better aligned with NSW's strengths and interests.</p> <p>DECC has indicated that the focus of the program may change to industry attraction in light of the Federal initiatives. If the program's focus changes to become primarily an industry attraction program, it should no longer be funded from the Climate Change Fund.</p>	<p>The Government agrees with IPART's recommendation.</p> <p>The program will continue to have the primary purpose of reducing greenhouse gas emissions through renewable energy, but it will better target the specific needs of NSW.</p> <p>The legislated purposes of the Climate Change Fund include 'to provide funding to stimulate investment in innovative water and energy savings measures'.</p>
<i>Biofuel (Ethanol Content) Act 2007</i>	<p>Commission an independent economic appraisal of the Act, as amended.</p> <p>The mandating of minimum levels of biofuel content in regular petrol and diesel fuel is not likely to be justified on abatement grounds.</p>	<p>The program will already be reviewed every three years in accordance with s.28 of the <i>Biofuel (Ethanol Content) Act 2007</i>. These three-yearly reviews are sufficient to ensure that policy settings remain valid.</p> <p>It is too early to undertake an economic review as the program has only been running for 18 months and the amendment Act has not yet commenced. An economic assessment at this time is unlikely to accurately reflect the future economic benefit of biofuels.</p>
Clean Coal Fund	Retain.	The Government agrees with IPART's

Name of program	Recommendation from IPART Review	Government response
	<p>If clean coal technologies can be proven commercially viable, they have significant mitigation potential as well as potential to reduce the costs of adjusting to a carbon-constrained environment.</p>	<p>recommendation.</p>
<p>Carbon Neutral Government (offsets policy only)</p>	<p>Terminate. Offsetting emissions is not necessary under the CPRS and unlikely to reduce the costs of reaching emissions targets.</p>	<p>The Government strongly believes it should take a leadership role in tacking action on climate change. The Government believes it should show leadership in reducing emissions from its own operations. The primary focus is on improving energy efficiency. Focus will be on reducing emissions. Offsetting of emission credits will be considered in 2014 after other means of reducing emissions have been put in place, and, if recommended and agreed, will commence from 2020.</p>
<p>NSW Energy Efficiency Target (not yet set)</p>	<p>Terminate. The proposed energy efficiency target does not address any specific market failures or barriers. There is a risk that an 'aspirational' target will result in limiting the ability of those subject to the CPRS to choose the most cost-effective forms of abatement. The economy-wide benchmark for assessing the merit of additional abatement programs should be the CPRS, not an energy efficiency target.</p>	<p>The Government agrees with IPART's recommendation.</p>
<p>Public Facilities Program</p>	<p>(a) Terminate the Demonstration stream. This stream does not appear, on the whole, to effectively address market failures (in particular, information failures). (b) Re-design the Community Savers stream and retain as a transitional assistance measure. This stream will assist transition to a carbon-constrained environment but should be more clearly framed as an assistance measure. IPART's recommendations are only in relation to the energy savings component of the program.</p>	<p>(a) More than 550 applications were received under Round 2 of the Program, clearly showing that NSW community organisations and facilities want to take action now to save energy (and water). The Commonwealth Government's proposed Climate Change Action Fund is not yet providing assistance. The demonstration stream will not continue after round 2. (b) The Government agrees with IPART's recommendation.</p>