

Impact of AETS and complementary measures on commercial property

Existing Buildings Project – Commercial property workshop

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AETS – the basics

Australian emissions trading scheme

- National cap and trade scheme to help reduce Australia's greenhouse gas emissions
- Target: 60% reduction from 2000 emissions by 2050
- Covered entities to acquit 1 permit for each tonne of CO₂e emitted, each year
- To be implemented by Federal government
- Design features still being discussed – opportunity to give input now
- Underpinned by emission reporting scheme – NGERS

NGERS

National Greenhouse and Energy Reporting Scheme

- Requires “controlling corporations” to register and report if its corporate group or facilities under its operational control emit greenhouse gases, produce energy or consume energy above certain thresholds
- 2008-2009 thresholds:
 - **Corporate level:** Corporate group emits 125 kilotonnes CO₂-e or produces or consumes 500 terajoules of energy; or
 - **Facility level:** a member of the corporate group has operational control of a facility that emits 25 kilotonnes CO₂-e or produces or consumes 100 terajoules of energy
- First reporting period starts 1 July 2008
- First report due 31 October 2009

AETS – timeline

March-June 08	Phase 1 consultation with stakeholders on scheme design, scope
July 08	Release of green paper on scheme design
July-Sept 08	Phase 2 consultation
December 08	Govt gives firm indication of medium-term targets; release of draft legislation
Dec 08-Feb 09	Phase 3 consultation
Mid-2009	Legislation to be passed
2010	Start of emissions trading

AETS – relevant design features

- Very broad coverage – likely to cover entities, in almost all sectors, that emit more than threshold amounts (NGERS thresholds?)
- Fuel emissions to be covered by requiring fuel suppliers (retailers?) to acquit permits for fuel sold
- Most permits likely to be auctioned, not distributed for free → upfront cost to covered entities
- Some compensation mechanism for emissions-intensive trade exposed industries – unlikely to cover property
- Offsets may be created from emission reduction activities in non-covered sectors (eg forestry), and sold to covered entities

AETS – impact on property

- AETS only covers direct emissions (+ fuel)
 - commercial property unlikely to have direct obligation to acquit permits
- But – effect on electricity and fuel prices



- Legal obligation to acquit permits does not restrict contractual ability to pass costs of compliance up or down the chain

AETS – effect on electricity & fuel prices

- Extent of costs passed up or down the supply chain, or absorbed, will depend on a number of market factors
 - competitiveness of up or downstream markets
 - whether low-cost offsets can be secured
 - size of the emissions cap over time
- Cost increases likely

AETS – issues to consider

- Will AETS allow offsets to be created from demand-side projects, eg energy efficiency?
 - Not currently proposed
 - NSW GGAS allows this – will this scheme continue?
- Will large energy users be able to elect to acquit permits in respect of own energy use?
 - As alternative to paying increased energy prices charged by generators for permit costs
 - Again, not currently proposed, but GGAS allows it

You can now make submissions on such issues

Complementary measures

- NFEE Stage 2 & disclosure of ABGR
- \$90m Green Building Fund
- Energy efficiency credits
- Cth: Energy Efficiency Opportunities
- NSW ESAP & Vic EREP measures



National Framework
for Energy Efficiency

National Framework for Energy Efficiency

- On 13 December 2007, energy ministers agreed to following relevant NFEE Stage 2 measures:
 - Stronger minimum energy performance standards (MEPS)
 - Phase out incandescent light bulbs
 - 10-year strategy to improve HVAC systems
 - New/ refurbished Govt office buildings to adopt green leases
- Stage 2 to commence July 2008
- Stage 1 actions still continuing
 - Mandatory disclosure of energy performance of residential and commercial buildings to be introduced, subject to Regulatory Impact Statement

Green Building Fund

- Labor election promise – part of Clean Business Australia program
- \$90m Govt fund to subsidise 50% of cost of retrofitting existing commercial office buildings
 - Up to maximum of \$200,000 of funding per building
 - Funding applications assessed on competitive basis
 - Priority given to large buildings and projects with large projected emission reductions per dollar

Also: NSW \$30m Green Business Program – funds for projects improving energy efficiency of buildings

Victorian Energy Efficiency Target

- Obligation on energy retailers to meet specific energy conservation targets (similar to GGAS scheme design)
- Certificates can be created from prescribed activities that result in reduction of greenhouse gas emissions, eg:
 - purchase or installation of energy-efficient appliances
 - making structural changes to buildings
- Act passed in 2007; scheme to commence in 2009

Thank you

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