

Discussion Paper: Possible Design for a National Greenhouse Gas Emissions Trading Scheme

Information Sheet No. 4

Coverage

What does 'coverage' mean?

'Coverage' in the Discussion Paper refers to the entities that are *liable* for their emissions under the scheme. That means they must monitor and report on their emissions.

The entities must then surrender one *emissions permit* for every tonne of their net greenhouse gas emissions during any given year.

Which entities might be covered?

The possible scheme design proposes that the scheme mainly cover entities that emit greenhouse gases from *stationary energy* use.

What is 'stationary energy'?

'Stationary energy' is a reporting category used in the National Greenhouse Gas Inventory (NGGI).

Stationary energy sector emissions include emissions from the generation of electricity and the direct combustion of fuels for purposes other than road, rail, air and water transport.

Emissions from stationary energy made up half (50%) of Australia's greenhouse gas emissions in 2004. Over two-thirds of this, or 34% in total, came from power stations (see Figure 1).

The main sources of stationary energy emissions are coal-fired and gas-fired power stations, and industrial boilers and heaters.

Is all stationary energy covered?

No. The Discussion Paper proposes that petroleum refining be excluded at this stage. It also proposes leaving out 'mobile sources' that are counted in the stationary energy category. These are things like diesel fuel for on-farm, mining, forestry and fishing use, lubricants, and military fuel.

What about other emissions?

Other greenhouse gas emissions fall under the NGGI categories of transport, fugitive emissions, industrial processes, agriculture, waste, and 'land use, land use change and forestry' (see www.greenhouse.gov.au).

The possible scheme design suggests that coverage include a small group of *fugitive* emissions.

Apart from those, no activities in the other NGGI categories are proposed for coverage by the scheme at this stage.

However, emission reductions from activities within the non-covered categories may be eligible to create *offset credits*. See [Information Sheet 7](#) for more detail on offsets.

Why stationary energy?

Stationary fuel use is the largest source of emissions in the Australian economy. It is also one of the fastest growing sources of emissions. Stationary energy

emissions increased 43% (84 Mt) between 1990 and 2004.

Stationary energy emissions can be measured quite accurately. This is suited to market-based trade in valuable emission permits.

Finally, there are many low-cost abatement options for stationary energy emissions. Some of these are existing and cheap, like energy efficiency technologies. There are also promising new technologies being developed, like carbon capture and storage.

When could coverage begin?

The Discussion Paper proposes that coverage is phased in over time commencing as early as 2010.

Coverage would begin with power stations larger than 30 MW in size. Coverage would later expand (in 2015, assuming a 2010 start) to include:

- Facilities where fuel use created emissions of more than 25,000 tonnes per year of CO₂-e

- Gas retailers for the imputed emissions of their downstream customers
- Gas distribution and transmission companies for fugitive emissions from their transmission and distribution infrastructure.

The Discussion Paper also canvasses an alternative option, where all of these sectors are covered by the scheme from the outset.

Would coverage be expanded later on?

The Discussion Paper proposes that the phased introduction of coverage, set out above, be fixed in a legislated timetable.

Additional sectors would only be covered using a specified process. This process would include:

- A minimum period of notice
- Public consultation
- Minimisation of impacts on permit prices.

Figure 1: Australia's greenhouse gas emissions in 2004 (565 Mt)

