



## Policy Framework - Energy Savings Scheme (ESS) Exemptions - Ministerial Order

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1 January 2012 – until revoked

### Background

The Minister for Resources and Energy has the power to grant an exemption from the ESS in respect of any electricity load used by a specified person or used in connection with specified activities.

Exemptions are for electricity loads used in connection with an industry or activity that is emissions intensive and trade exposed (EITE).

ESS exemptions are aligned with the Commonwealth approach to EITE industries and activities.

### Policy Framework for Exemptions

The Commonwealth Government's Clean Energy Future legislative package passed the Senate on 8 November 2011. The legislation provides for assistance to EITE industries through the Jobs and Competitiveness Program (JCP).

In light of these recent developments, the Division has based the activities at **Appendix A** on the JCP list of approved EITE activity definitions for the purpose of data collection ('JCP list') as well as continuing to rely on Schedule 6 of the *Renewable Energy (Electricity) Regulation 2001* ('the RET Regulation').

The 2011 Ministerial Order and Policy Framework have been updated for calendar year 2012 to reflect and better align with these recent changes in Commonwealth policy, as well as to clarify and correct last year's Order where necessary.

The NSW Government has used the most up-to-date publicly available information from the Commonwealth to inform the development of the Order, which will apply from 1 January 2012 until revoked.

The Order specifies the treatment of losses occurring between the purchase of the electricity by the Scheme Participant and the relevant end user.

As the Commonwealth Government has not yet finalised Regulations specifying the details of activities eligible under the Jobs and Competitiveness Program, where possible the Division of Resources and Energy has relied on the RET Regulation in classifying eligible emissions intensive trade exposed activities as having either moderate or high emissions intensity and determining the corresponding proportion of the load deemed exempt. Those activities which appear on both lists align in their

classification as either moderately or highly emissions intensive. The Order sets out activities as having either moderate or high emissions intensity and the corresponding exempt proportion of load equivalent to 60% or 90%, respectively.

For activities where the Commonwealth Government has not (yet) defined the rate of assistance, a flat rate of 60% will be applied in the Order.

The Order also authorises the Scheme Regulator, the Independent Pricing and Regulatory Tribunal, to make rules with respect to exemptions and the deduction of exempt electricity loads from Scheme Participants' total liable acquisitions.

## **Amendments for the 2012 Order**

There are several amendments for the 2012 Order:

### New activities and companies conducting them

The JCP list includes four new activities. These activities are new to both last year's Order as well Schedule 6 of the *Renewable Energy (Electricity) Regulation 2001*.

These activities are:

- Nickel production;
- Polymer grade propene production;
- Reconstituted wood-based panels; and
- Rolled aluminium production.

As a result, two new companies are included in the 2012 Order:

- Carter Holt Harvey Woodproducts Australia Pty Ltd (reconstituted wood-based panels); and
- LyondellBasell Australia Pty Ltd (polymer grade propene production).

### Facilities removed from the order

Two facilities are no longer in operation and have thus been removed from the new Order. These are:

- CSR Viridian Limited (Alexandria facility - bulk flat glass production); and
- Cement Australia Holdings Pty Ltd (Kandos facility - lime and clinker production).

The Commonwealth Government first identified these facilities as having closed down, which the Division checked by contacting these companies (where possible) to confirm these closures or by conducting research.

A letter will be sent to these companies informing them that due to the closure of these facilities, they have been removed from the Ministerial Order for 2012.

### Changes to EITE activities conducted at some NSW facilities

The list of activities conducted at the facilities has been revised. Where there were discrepancies between last year's Order and the Commonwealth's list of known facilities in NSW conducting EITE activities, it has been clarified either through research or with the company itself which activities are being performed at those facilities. This has been reflected in the updated Order for next year.

The changes to activities conducted at the facilities in the new Order include:

- Amcor Packaging (Australia) Pty Ltd (Matrville site) – cartonboard manufacturing has been **removed** as this activity is not performed at this facility;
- Bluescope Steel Limited (Port Kembla facility) - pig iron production and carbon steel from cold ferrous feed manufacture were **removed** as these activities are not performed at this facility;
- Boral Cement Limited (New Berrima facility) – lime production was **removed** as this activity is not performed at this facility;
- Onesteel Manufacturing Pty Limited (Rooty Hill facility) – integrated iron and steel manufacturing was **removed** as this activity is not performed at this facility;
- Onesteel Manufacturing Pty Limited (Mayfield facility) – integrated iron and steel manufacturing has been **removed** as this activity is not performed at this facility;
- Visy Industries Holdings Pty Ltd (Tumut facility) – cartonboard manufacturing has been **removed** as this activity is not performed at this facility;
- Visy Industries Holdings Pty Ltd (Smithfield facility) – packaging and industrial paper manufacturing has been **removed** as this activity is not performed at this facility; and
- Qenos Pty Ltd (Matrville facility) - polymer grade propene production has been **added** to the list of activities performed at this facility as this activity has newly been included under the JCP list.

#### Other minor clarifications and edits

- The specified person name has been changed to the entity name of the company performing the activity under the Australian Business Register (ABR), where applicable;
- Trading names of entities have been listed as they appear in the ABR, where applicable; and
- Addresses of facilities have been edited.

## **Future Orders for 2013 and beyond**

A new Order may be issued for 2013 and later years if applicable to take into account further developments in the Commonwealth Government's approach to its expanded RET and national carbon pricing mechanism. Future Orders will closely align, where possible, with the Commonwealth Government's approach to EITE activities, allocative baselines and the partial exemption of loads.

Exemption under this Order does not necessarily mean that the same (or any) exemption will be granted under a future Order.

## **Applying for exemption if eligible load not listed in Order**

For loads which are not listed in the Order and which conduct one of the activities in **Appendix A**, a request may be made during 2012 to the Minister for Resources and Energy to consider an exemption of the load from 2013 onwards.

## Appendix A

<b>1. Alumina refining</b>
<b>2. Aluminium smelting</b>
<b>3. Ammonia production</b>
<b>4. Ammonium nitrate/nitric acid production</b>
<b>5. Bulk flat glass production</b>
<b>6. Carbamide (Urea) production</b>
<b>7. Carbon black production</b>
<b>8. Carbon steel from cold ferrous feed manufacture</b>
<b>9. Cartonboard manufacturing</b>
<b>10. Ceramic floor and wall tile production</b>
<b>11. Chlorine gas and sodium hydroxide (caustic soda) production</b>
<b>12. Clinker production</b>
<b>13. Copper production</b>
<b>14. Dry pulp manufacturing</b>
<b>15. Ethene (ethylene) production</b>
<b>16. Fused alumina production</b>
<b>17. Fused zirconia production</b>
<b>18. Glass containers production</b>
<b>19. High purity ethanol production</b>
<b>20. Hydrogen Peroxide production</b>
<b>21. Integrated iron and steel manufacturing</b>
<b>22. Integrated lead and zinc production</b>
<b>23. Iron ore pellets</b>
<b>24. Lime production</b>
<b>25. Liquefied natural gas production</b>
<b>26. Magnesite production</b>
<b>27. Magnetite concentrate production</b>
<b>28. Manganese production</b>
<b>29. Methanol production</b>
<b>30. Newsprint manufacture</b>
<b>31. Nickel production</b>
<b>32. Packaging and industrial paper manufacturing</b>
<b>33. Petroleum refining</b>
<b>34. Pig iron production</b>
<b>35. Polyethylene production</b>
<b>36. Polymer grade propene production</b>
<b>37. Printing and writing paper manufacturing</b>
<b>38. Reconstituted wood-based panels</b>
<b>39. Rolled aluminium production</b>
<b>40. Silicon production</b>
<b>41. Soda ash production</b>
<b>42. Synthetic rutile production</b>
<b>43. Tissue paper manufacturing</b>
<b>44. White titanium dioxide (TiO<sub>2</sub>) pigment production</b>
<b>45. Zinc smelting</b>