



**TOMAGO ALUMINIUM** Company Pty. Limited  
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Greenhouse Gas Reduction Scheme  
Department of Water and Energy  
GPO Box 3889  
Sydney NSW 2001

[ggastransition@dwe.nsw.gov.au](mailto:ggastransition@dwe.nsw.gov.au)

Dear Sirs,

**Transitional Arrangements for the NSW Greenhouse Gas Reduction Scheme  
Consultation Paper - April 2008**

Tomago Aluminium (Tomago) welcomes the opportunity to provide comment on the proposed transitional arrangements for the NSW Greenhouse Gas Reduction scheme (GGAS).

Tomago is a mandatory benchmark participant under the GGAS Regulations and as such is a liable party. As a Market Customer and large user Tomago participates in the scheme through purchase and surrender of NGACs to satisfy the greenhouse gas benchmark associated with our purchased electricity. Tomago also contributes to abatement of greenhouse gas emissions under the scheme through Demand Side Abatement measures, being an accredited abatement certificate provider of NGACs, as well as being a creator of LUACs for non-electricity based greenhouse gas savings.

In the transition to a National Emissions Trading scheme (NETS), Tomago recognises the commitment of the NSW government to bring GGAS to an end, and to ensure there is no duplication of state and federal measures.

Tomago's support for a NETS is conditional on final implementation of proposed administrative permit allocations for Trade Exposed, Emissions Intensive industries (TEEIs). Recognition of the international competitiveness issues of TEEIs has been an important recommendation of the State and Territory based National Emissions Trading Taskforce (NETT) proposal, the Prime Minister's Task Group on Emissions Trading (PMTG) report and most recently, the Garnaut Review. The aluminium industry is one of the more obvious sectors of the TEEI group. Whilst not canvassed directly in this Discussion Paper, we would urge the NSW government to ensure transition of GGAS to NETS requires the federal government to follow through with the widely accepted recommendations for administrative allocation of permits to TEEIs.

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**TOMAGO ALUMINIUM COMPANY PTY. LIMITED**

(Agents for the participants in the Tomago Aluminium Project, an unincorporated joint venture of Alcan Primary Metal Australia Pty Limited, Gove Aluminium Finance Limited, Cathjoh Holdings Pty Limited, Hydro Aluminium Australia Pty Limited and Hydro Aluminium Tomago, Inc.)

Specific comments in relation to sections of the Consultation Paper relevant to Tomago are provided below.

#### **Section 4.1 Transition Timeframe**

Our Demand Side Abatement projects (NGACs) and LUAC investments have been established on the expectation that GGAS would end in 2012.

Tomago therefore accepts that transitional arrangements may be limited to the period from the commencement of the NETS to the end of 2012.

#### **Section 4.2 Treatment of accredited abatement certificate holders**

This section relates to compensation mechanisms for disproportionate loss arising from moving from GGAS to a NETS.

Tomago (and the Aluminium Industry as a whole) has supported a NETS based on the fundamental proposal from both NETT and TGET that recognition for TEEIs international competitiveness issues be made by way of administrative permit allocation. On the understanding that this will be ultimately confirmed, Tomago considers that either compensation mechanism (free permit allocation or cash payments) would be feasible.

However, in principle, Tomago does not support compensation mechanisms based on distribution of auctioning revenue (cash payments). It is considered that such a mechanism is unsustainable and highly exposed to potential political intervention after design elements are established.

#### **Section 4.2.5 Large User Abatement Certificates**

Tomago is a creator of LUACs through offset greenhouse gas savings from reduction in industrial process emissions and gas fuel usage.

The “no net cost” proposition contained in the Consultation Paper is clearly dependant on full implementation of the TEEI compensation mechanism under the design of the NETS.

In Tomago’s situation, it is agreed the non-transferable nature of LUACs will result in them ceasing to have value at the time liability ends under GGAS. It will be necessary in due course for design of the NETS to account for recognition of ongoing greenhouse gas savings attributed to the LUAC initiatives.

#### **4.2.6 DSA Abatement Certificates (NGACs)**

Tomago has established ongoing greenhouse gas savings through Demand Side Abatement measures, leading to creation of NGACs as an element of investment payback. Investment returns for these projects have been made with the expectation that GGAS would continue through to 2012. Collapse of the NGAC market post 2010 will potentially reduce the recoverable payback attributed to these investments.

Tomago will therefore be potentially disadvantaged from this aspect of transition of GGAS to the NETS and wishes to participate in ongoing consultation for development of compensatory mechanisms.

Within this section of the Consultation Paper, mention is made of the NSW Government’s announcement of an Energy Efficiency Strategy and support for a national energy efficiency trading scheme (in addition to the National Emissions Trading Scheme). In the context of double counting highlighted in the Consultation Paper, Tomago would like to draw attention to the fact that support for this initiative is an inappropriate duplication of measures, cutting across the underlying fundamental market based approach of a NETS for greenhouse gas emissions abatement.

#### **4.3 Unused Abatement Certificates**

This is unlikely to apply to Tomago

#### **4.4 New Accreditations**

This is unlikely to apply to Tomago.

#### **4.5 Ending of liability under GGAS**

A key issue for Tomago is to ensure there is no overlap between the termination of GGAS and introduction of the NETS. Close co-ordination of the transition between the NSW and Federal governments is a clear prerequisite for business certainty.

In order to assist with business planning, the earliest confirmation from the NSW Government that GGAS (and the associated liabilities) will in fact end on a nominated date is highly desirable.

We would be pleased to discuss these above comments in more detail with DWE prior to finalisation of the transition arrangements.

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