

NSW Greenhouse Gas Abatement Scheme

The Promise of Emissions Reductions

History and Philosophy
Postgraduate Conference

10 June 2009

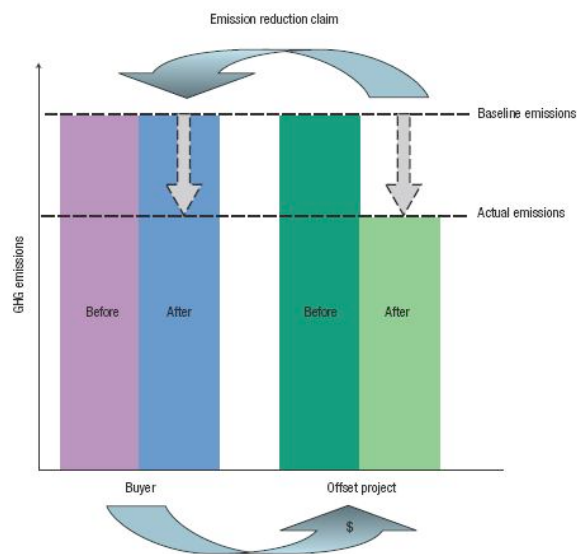
Declan Kuch

Regulation Matters

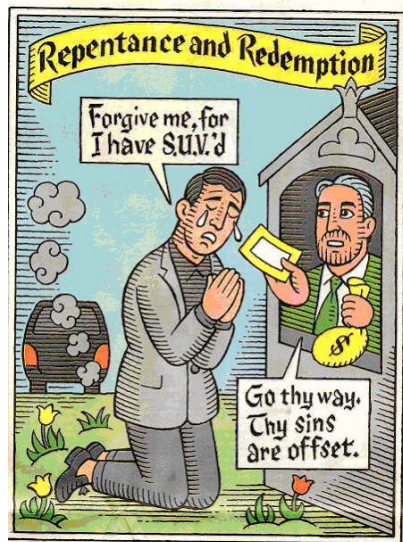
1. Measurement is always partial
 - Regulation always requires judgements
2. A socially 'disembedded' market is impossible (Polanyi)
 - Freer Markets, More Rules

Two interpretations of 'carbon offsetting'

(1) Offsets are facts

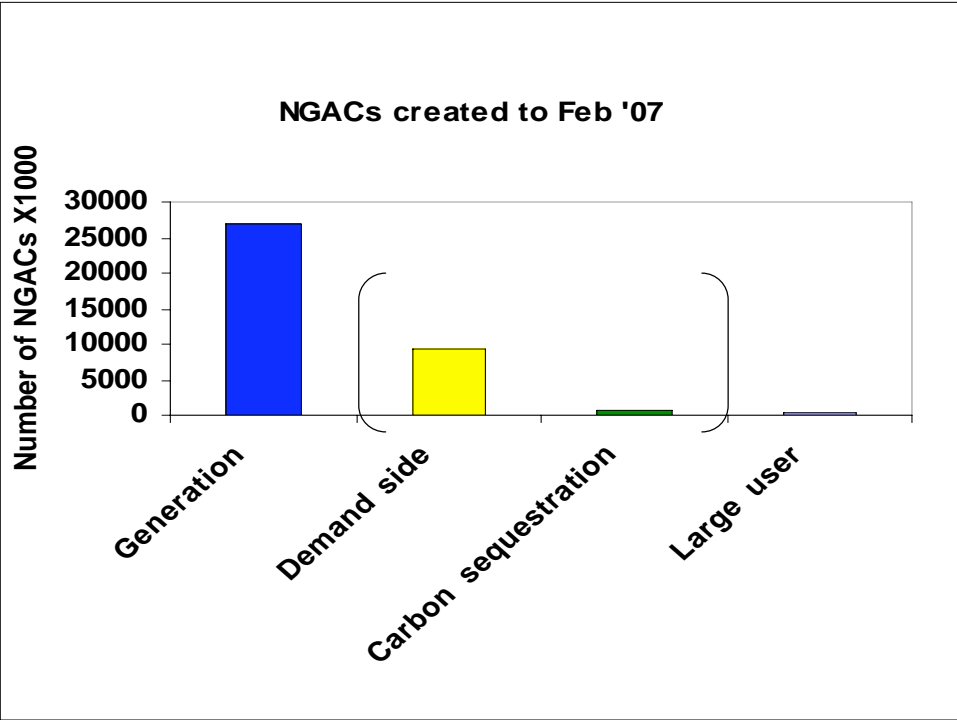


(2) Offsetting is moral



Background: NSW Greenhouse Gas Abatement Scheme 1995-2000

- 1991: 'National' (East Coast) Electricity Market decision
- 1995: Carr elected – implements competition agenda, but needs Greens/Conservative support → Voluntary Benchmarks on Retailers
- 2000: EPA Audit of Voluntary Benchmarks: Not working because:
 - Only had to formulate a plan with the minister – didn't matter if it missed the benchmark!
 - Non-binding
 - Confusion about eligible activities: what kind of efficiency measures?
 - Complexity of the accounting methodologies: eg. "Electricity Sales Forgone"
 - No Trading between those above and below targets
 - Extreme price pressure upon retailers to sell lots of power, so not many resources devoted to emissions reduction strategies
- 2003: Mandatory Scheme, added trading, reset 'baseline', still lots of problems (See MacGill, Passey, Outhred, 2008)
 - NGAC – 'making things the same': forests and lightbulbs



End-use Efficiency 1973/4

This Easter, you could save yourself £20 a year. Interested?

If your loft is uninsulated, it's costing you a lot in heat loss. And even with 1" insulation you're still wasting money. So it's well worth investing a few hours and a few pounds to get things right. Insulate your loft now and you could be saving up to £20 a year for life. Follow these simple steps and you'll find it a lot easier than you think.

1. Remove the top board on a plank and across the joists with a power saw. Then make sure that the 1" of insulation will be between the joists by first installing the board again in a level position and then remove it and lay the insulation on top.

2. Using a power sander or hand sander, sand the top of the joists to a smooth finish. Then cut the insulation to fit between the joists. Use a power sander and sander.

3. Push small sections of the insulation into the gaps between the joists.

4. Use a power sander to sand the top of the joists to a smooth finish. Then cut the insulation to fit between the joists. Use a power sander and sander.

UK Dept of Energy Insulation Campaign

End-use Efficiency 2006



Get a REFIT Kit and save up to \$150 a year!

Each REFIT Kit includes:

- 1 AIA-rated, water-saving showerhead
- 2 tap aerators
- 1 garden hose spray gun
- 2 energy-saving CFLs
- 5 compact fluorescent light bulbs
- 1 energy and water audit of your home from a qualified energy professional (valued at \$100) that could be added to your bill.

A REFIT Kit saves you water, saves you power, and helps stop your money going down the drain.

Yours fully installed for only \$39! Just call 1800 815 727.

A joint initiative from EnergyAustralia, Wyong Shire and Central City Council.

EnergyAustralia

‘Light bulb’ Rule

Number of Credits = No. Installations or Activities x Default Emissions Abatement Factor x **Installation Discount Factor**

- If given away, assumed that 4 of 5 Compact Fluorescent Light Bulbs would be installed (no empirical basis?)
→ Pack of lightbulb + showerhead per household = ~\$100 in NGACs at 2006 prices

'Light bulb' Newspoll Audit

New "Installation Discount Factor" = 0.4
ie. Oops! only 2 in 5 bulbs actually installed.

=0.46 –Error rate +/-0.07

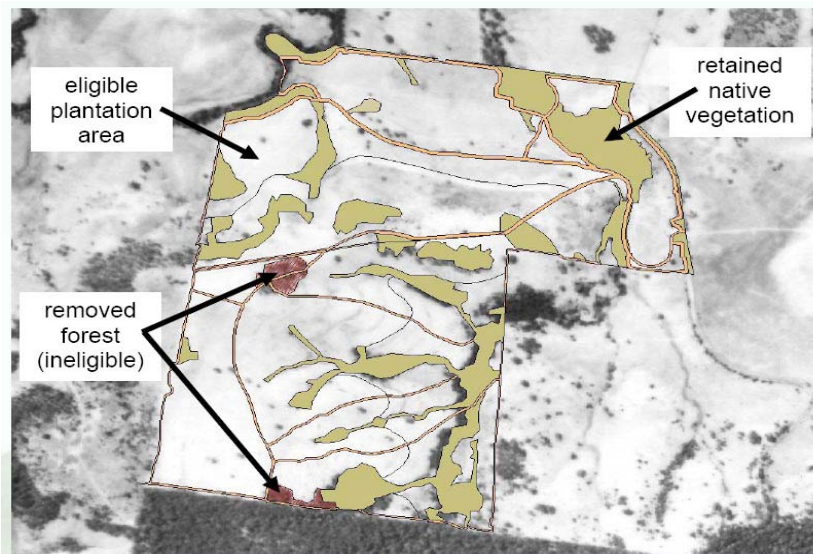
–95% confidence

Taking the lower bound and rounding to one
decimal place:

–0.46 –0.07 = 0.39

(source: IPART, 2006)

Aerial Photograph used to determine forestry credits



Regulatory Institutions

(Mechanism to Standardize Errors)

Physical/Biological Science → Metrology

Normal science (testing, peer review)

+

Market Economies → Central Banking

Arbitrage

+

National Electricity Market → NEMMCO

Spot Price // Derivatives Markets

=

Carbon Markets!

The Promise of Carbon Markets

“More than its rivals, liberalism is grounded upon man’s capacity to promise ... any moment of disbelief, any lack of faith in another’s promise is a moment that liberalism can contain – indeed, that it invites – but it is also the most fearful moment of the liberal machinery...” (Bell, 1996)