



Climate Change Group
Department of the Prime Minister and Cabinet
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Submission: Australian Pipeline Industry Association – Abatement Incentives prior to the Commencement of the Australian Emissions Trading Scheme

The Australian Pipeline Industry Association (APIA) welcomes the opportunity to provide comment on the *Abatement Incentives prior to the Commencement of the Australian Emissions Trading Scheme* discussion paper.

APIA is the peak national body representing the interests of Australia's high-pressure transmission pipeline sector. APIA's current membership is predominantly involved in the high-pressure transmission of oil and gas, however, the Association also includes members of companies and individuals involved in the transmission via pipelines of other products, including water.

Natural gas transmission pipelines provide the safest, most efficient and most economic means of transporting natural gas and the pipeline industry is keen to contribute to the discussion on clean energy and emissions reduction. The development of an effective system to reduce emissions is of key interest given the ability of natural gas to provide a relatively clean, efficient and water-friendly transition fuel in the move towards clean electricity generation.

APIA's full response to the discussion paper is attached and APIA would appreciate the opportunity to provide further input through consultation on the future emissions trading scheme.

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4 December 2007

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4 December 2007

ABATEMENT INCENTIVES PRIOR TO THE COMMENCEMENT OF THE AUSTRALIAN EMISSIONS TRADING SCHEME

The Australia Pipeline Industry Association (APIA) welcomes the opportunity to comment on the Early Abatement Incentives discussion paper.

APIA is the peak national body representing the interests of Australia's high-pressure transmission pipeline sector. APIA's current membership is predominantly involved in the high-pressure transmission of oil and gas, however, the Association's members also include companies and individuals involved in the transmission via pipelines of other products, including water.

APIA seeks to be involved in the consultation process for the implementation of an emissions trading scheme. It is essential that the government provide timely and clear proposals on the design and operation of the scheme, in order to allow industry to adequately prepare and plan the required large infrastructure projects.

APIA believes that, to avoid unnecessary administrative impositions on companies, it is essential that the reporting structure for an emissions trading scheme mirror that of the proposed National Greenhouse and Energy Reporting System.

As many pipelines operate under contractual and regulatory arrangements, it is important that emissions trading permits are within the definition of "taxes, charges, levies, duties and imposts" in order to allow recovery of these costs by participating companies. For example, contracts generally include a "Change in Relevant Taxes" clause allowing appropriate pass-through of increased costs. If participating transmission companies are unable to pass through such costs, the efficiency of the scheme could be compromised, as the price signal which is intended to be generated by the scheme would not be borne by the user. Also, absence of such an allowance could cause major financial hardship for many pipeline companies.

APIA is concerned at the comment that "indirect emissions from fuel and energy use will be covered 'upstream' as fuel distributors and power stations will have to hold permits" (discussion paper, page 3).

It is APIA's understanding that fugitive emissions from gas production and processing are most likely to be accounted for at the outlet of the gas processing plant and that unaccounted for gas from pipeline operations (emissions from transmission and distribution pipelines) will be accounted for at the retailer, major gas contract consumer or power station.

APIA therefore requests more information regarding the definition of distribution and upstream as there may be significant potential for double counting of emissions, as well as the shifting of emissions liability should there not be clarity regarding indirect emissions. This may be a particular issue for gas, where gas is a fuel used for power generation.



The discussion paper has sought specific feedback on the definition of an asset “in existence”, to determine eligibility criteria under proposed compensation arrangements. The discussion paper has proposed a definition in line with that used by the National Electricity Market (NEM) definition.

While the NEM definition is broadly useful, it has elements that are overly specific and would therefore not be appropriate for gas transmission industries. Therefore, APIA suggests the following definition of an asset in existence would provide a more consistent outcome:

The project has signed contracts to sell the output or service of the project.

OR

*The project proponent has acquired, or has commenced legal proceedings to acquire land **and/ or an easement and/ or other rights of usage** for the construction of the project.*

OR

Contracts for the supply and construction of the project’s major plant or equipment, have been executed

OR

The project proponent has obtained any required planning and construction approvals and licences, including completed and approved environmental impact statements (these include planning and environmental approvals from duly authorised planning bodies at both State and Federal Government levels).

OR

Financing arrangements for the proposal, including debt plans, have been finalised and contracts executed.

OR

Construction has either commenced or a firm date has been set for it to commence.”

APIA will continue to closely monitor and provide input to government proposals for the emissions trading scheme.