



Australian Government
Clean Energy Regulator

EMISSIONS
REDUCTION
ASSURANCE
COMMITTEE

Attachment A – energy efficiency method revocation draft discussion paper

Purpose

The Emissions Reduction Assurance Committee (the Committee) is consulting on the proposed revocation of five energy efficiency methods under the Emissions Reduction Fund (ERF). The methods have been in place for up to 7 years and have had no or limited uptake. With the exception of the Aggregated small energy users (ASEU) method, the methods each cover specific energy efficiency upgrade activities that will remain eligible activities under the Industrial and commercial emissions reduction (ICER) method. The ICER method and its predecessor Industrial energy and fuel efficiency (IEFE) method have seen significantly greater uptake than the five energy efficiency methods combined.

The energy efficiency methods proposed for revocation are:

- **Carbon Credits (Aggregated Small Energy Users) Methodology Determination 2015**—the ASEU method credits reductions in energy use in aggregated groups of households or small businesses following the implementation of energy saving technology or behavioural change initiated by the project proponent.
- **Carbon Credits (Commercial Buildings) Methodology Determination 2015** (the Commercial buildings method)—the Commercial buildings method credits emissions reductions from improving the energy performance of buildings that are rateable under the National Australian Built Environment Rating System (NABERS).
- **Carbon Credits (High Efficiency Commercial Appliances) Methodology Determination 2015** (the HECA method)—the HECA method credits reductions in energy use following the installation of higher efficiency air conditioners and other refrigerators in commercial or industrial buildings.
- **Carbon Credits (Industrial Equipment Upgrades) Methodology Determination 2018** (the IEU method)—the IEU method credits reductions in energy use following the installation of industrial equipment such as compressed air systems, boilers, or pumps.
- **Carbon Credits (Refrigeration and Ventilation Fans) Methodology Determination 2015** (the Fans method)—the Fans method credits reductions in electricity consumption from certain fan upgrades in commercial buildings.

The Committee is seeking feedback on:

- market conditions or other changes that may increase the potential uptake of the five energy efficiency methods, and
- the usability of the ICER method for energy efficiency projects.

This will inform the Committee's decision on whether to recommend to the Minister that the five energy efficiency methods be revoked on the basis that their revocation would have limited impact on the opportunities for abatement from energy efficiency activities under the ERF.

Low uptake of projects

There has been low uptake of the five energy efficiency methods since they were made between 2015 and 2018. Across the five methods, a total of 10 projects have been registered, of which nine have been revoked. No Australian carbon credit units (ACCUs) have been issued to any of the 10 projects.

The agency understands that the low uptake and high rate of project revocations may be because each of the energy efficiency methods is limited to specific activities that are often small in scope. The narrow scope of the methods means project proponents likely find it uneconomic to undertake the energy efficiency activity as an ERF project, as the revenue from ACCUs and resulting reduced energy costs may not offset the costs of running an ERF project including auditing and administration.

New industrial and commercial emissions reduction method

The activities covered under the commercial buildings, HECA, IEU and fans methods are eligible under the ICER method. The revocation would not impact project proponents seeking to undertake energy efficiency improvements currently eligible under the ICER method.

The ICER and IEFE methods provide an activity-neutral framework that allows project proponents to undertake a range of activities to improve the energy efficiency of an industrial or commercial site in a single ERF project rather than multiple ERF projects under separate methods. This reduces the administrative burden and associated project costs of ERF participation.

There has been significant uptake of the ICER and IEFE methods with 45 projects registered and 1.8 million ACCUs issued to date. This indicates that undertaking energy efficiency activities as an ERF project appears to be more economic under the ICER and IEFE methods compared with the energy efficiency methods.

Next steps

The Committee will consider the information provided during this consultation. If it is found that the revocation of the five energy efficiency methods would have limited impact on the opportunities for abatement from energy efficiency activities under the ERF, the Committee will likely recommend that the methods be revoked.

Method revocation will not impact current projects registered under the five energy efficiency methods. Registered projects would still be eligible to receive credits for the duration of their 7-year crediting period. However, no new projects would be able to register under the methods.

Method revocation will not impact project proponents seeking to undertake energy efficiency improvements currently eligible under the ICER method.