

Qld Energy & Resources Alert

Closure of the Queensland Gas Scheme

WHAT YOU NEED TO KNOW

- The Queensland Government has announced that the Queensland Gas Scheme will close on 31 December 2013. Whilst no further Gas Electricity Certificates will be created after 31 December 2013, administration of the scheme and registry will continue until 30 June 2014.

WHAT YOU NEED TO DO

- Electricity retailers, large retail customers and parties trading in Gas Electricity Certificates will need to review and possibly renegotiate any relevant contracts in place to determine the impact the closure of the scheme will have on their agreements.

As part of the Queensland Government's objective to cut red tape from the State's energy sector, the Queensland Government is discontinuing the Queensland Gas Scheme effective 31 December 2013, the end of the 2013 liable year.

The scheme was introduced in 2005 to promote the State's gas industry by encouraging investment in gas-fired electricity generation, boost gas production and reduce greenhouse gas emissions.

Operation of the scheme

Under the scheme, accredited gas-fired generators can create Gas Electricity Certificates ("GECs") for each megawatt hour of eligible gas-fired generation. The accredited generators may then sell GECs to liable persons or other scheme participants who wish to trade in GECs.

Liable persons, most of whom are Queensland electricity retailers, have a liability under the scheme and must surrender a prescribed percentage (15% in 2012) of the electricity sold or used by them.

Reasons for the closure of the scheme

Following the introduction of the Australian Carbon Pricing Mechanism (the "CPM") in July 2012, the Queensland Government conducted a review of the Queensland Gas Scheme. The review identified that the scheme provides an advantage to gas-fired generators, thereby duplicating the expected impacts of the CPM. Accordingly, the Queensland Government takes the view that the scheme is no longer required.

Additionally, with nearly 20% of electricity now being sourced from gas-fired generators, the Queensland Government has formed the view that the scheme has served its purpose which was to establish a mature gas industry in the State.

Final administration of the scheme

There will be no GEC creation or liability after closure of the scheme on 31 December 2013. However, the scheme will continue to be administered and the GEC registry will continue to operate until 30 June 2014 so that liable persons can meet their obligations under the scheme for the 2013 liable year.

All existing GECs will expire on 1 July 2014.

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