

From: Thomson, James
Sent: Friday, 17 December 2010 11:42 AM
To: Brine, Matthew
Cc: Horvat, Natalie; Sharma, Anupam
Subject: ESAS dot points [SEC=UNCLASSIFIED]

Matt

As discussed with Anupam, here are some dot points on ESAS. I've also attached a previous EM for your reference.

Headline Statement

- The Electricity Sector Adjustment Scheme (ESAS) was designed to maintain investor confidence and support a smooth transition in the electricity sector.

Key points

- During negotiations over the CPRS, the electricity generation industry raised concerns that the introduction of the CPRS would impact upon the profitability of the sector and could lead to the insolvency and early closure of some generators – potentially compromising Australia's energy security through shortfalls in generating capacity and/or supply disruptions.
- Recognising these effects, the Government established the ESAS to manage a smooth transition to a lower carbon electricity generation sector while maintaining security of supply, promoting stable energy contracting markets and supporting investor confidence in energy markets.
- As part of this initiative, the Government was to provide limited direct assistance to coal-fired electricity generators through the ESAS to ameliorate the risk of adversely affecting the investment environment in the Australian electricity generation sector.
 - The extent of any impact on the electricity generation sector will depend on the relationship between demand and supply generating capacity, the carbon price, the ability for generators to pass on any increased costs arising from the CPRS, and the ability to retrofit existing generators with low carbon technologies.

Regards,
James

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