



Asia-Pacific Emissions Trading Forum

Domestic Emissions Trading: Key Issues

Carbon Market Expo

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Carbon Pollution Reduction Scheme

.... Green Paper **proposal**

(what to look out for at the Expo...)

Overview

- **CPRS – key elements**
 - **Targets and trajectories**
 - **Coverage**
 - **Permit allocations & international links**
 - **Assistance to industries**
 - **Pricing**



Recent ETS contributions

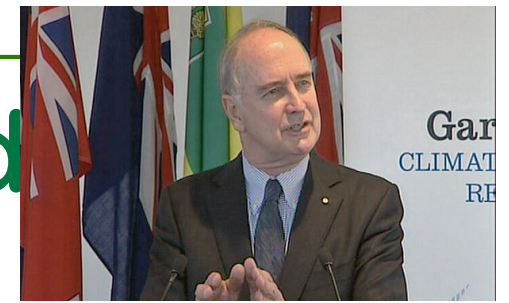
- **Garnaut reports**
 - Final report: 30 Sept 08

- **Commonwealth Green Paper (July 08)**
 - national ETS = Carbon Pollution Reduction Scheme (CPRS)
 - built on State work (ET Task Force) and Howard govt discussions (PM's ET Task Group)

Targets and trajectories

- **Govt. long-term target**
 - 60% below 2000 by 2050
- **Decision on shorter and medium term targets and ranges late this year**
- **Caps set 5 years in advance, and extended each year**
- **In 2010, 5 year cap and 10 year gateway.**
 - Gateways extended by 5 years, every 5 years.

Trajectories — Garnaut ad



Garnaut's recommended options:

- **Opening stake: 5% below 2000, by 2020**
 - Unconditional – 25% per capita reduction

- **Coordinated (550 ppm): 10% below 2000, by 2020**
 - Effective global agreement – 30% per capita reduction

- **If UN breakthrough(450 ppm): 25% below, by 2020**
 - Unlikely – 40% per capita reduction

Coverage

- Aim is for ‘broad coverage’ : > 25000 t CO₂e
- Approx 75% emissions coverage
 - but some exemptions
 - Forestry on an opt-in basis
 - Agriculture possibly from 2015 with a decision in 2013
- ‘Upstream’ focus
 - obligations mainly on large emitters (approx 1000 firm)
 - big direct emitters (eg. electricity generation, industrials, etc)
 - fuel suppliers (coal, petroleum, gas supply)

Permit allocation & international access

- **Auctioning the primary permit allocation mechanism**
 - Permit revenue used to assist households and businesses adjust
 - Fuel taxes reduced on cent-for-cent basis
- **Eventual access to international units**
 - Short term limits as shield from international permit prices
 - Review for post-Kyoto period in the light of international developments

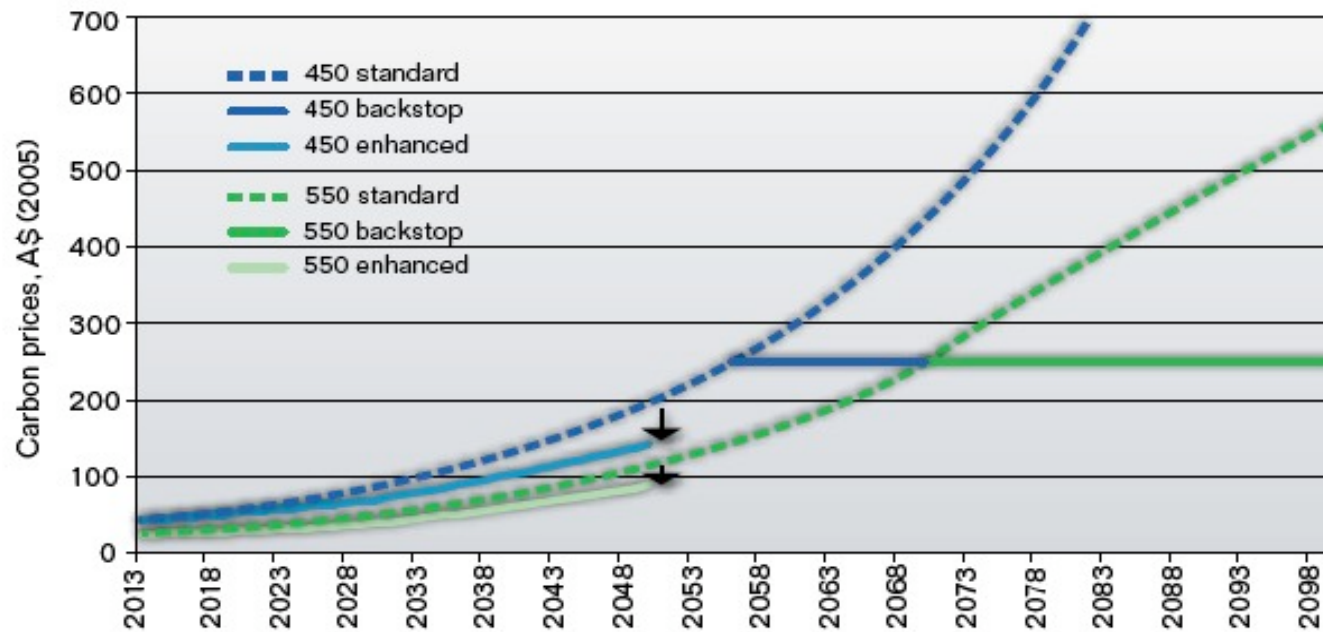
Assistance to industries

- **Assistance for Emissions Intensive Trade Exposed (EITE) industries**
 - 60% or 90% free allocation depending on emissions intensity (industry average) (t emissions / \$m)
 - Withdrawn in the event of acceptable international action

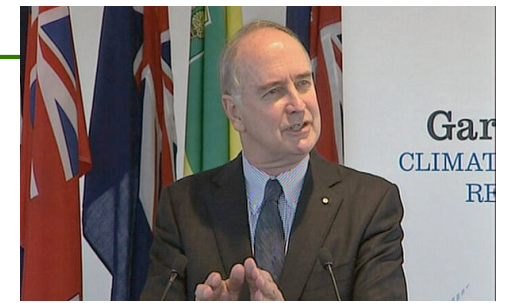
- **Assistance to strongly affected industries**
 - Possibly some limited direct assistance to coal fired electricity generators
 - Adjustment assistance to workers and regions, R&D

Garnaut – price scenarios

Garnaut modeling, prices per tCO₂e (Fig. 11.1, p.251)



CPRS — Garnaut advice



C-price outlook: Garnaut

- **Opening stake: 5% below 2000, by 2020**
 - A\$30/tCO₂e in 2020 (waiting game)
 - A\$52.6/tCO₂e in 2020 (Copenhagen compromise)
- **Coordinated (550 ppm): 10% below 2000, by 2020**
 - A\$20/tCO₂e (2010-12), A\$23 in 2013, A\$34.50 by 2020
- **If UN breakthrough(450 ppm): 25% below, by 2020**
 - A\$60/tCO₂e by 2020

Detailed implications

- **Industry impacts**
 - ... await Treasury modeling – imminent
 - assumptions released ... 4 October
 - results later this month

- **Rule of thumb, @ \$20/tCO₂e + investment chg**
 - petrol up - **5 cents per litre** (...after 2013)
 - NEM electricity up - **maybe double (40% increase to retail)**

Business implications

- **Obligations**

- **NGERS**
- permit acquittal - energy supply, big industrial users/emitters (coal, gas)
- Higher energy and input prices

- **High impact sectors**

- electricity supply
- non-EITE (eg. gas?)

- **Opportunities**

- energy efficiency/ advisory
- bio-fuel/ renewables (longer term)
- new forests (bio-sequestration)
- financial services
- offshore abatement??

Proposed ETS timetable

ETS Timetable	
March to June 2008	Phase 1 consultation with stakeholders to inform the development of the Green Paper, including: <ul style="list-style-type: none">• ongoing consultation with states and territories through the Council of Australian Governments;• roundtable discussions with peak industry and non-government organisations, with inaugural meetings held on 3 March;• consultation with the agriculture and forestry sectors on the question of their inclusion in the emissions trading scheme and on the timeframe for that inclusion; and• targeted consultations on technical design issues.
July 2008	Public release of the Green Paper on scheme design
July to September 2008	Phase 2 consultation on the Green Paper
December 2008	Public release of exposure draft of legislative package
December 2008 to February 2009	Phase 3 consultation on exposure draft legislation package
End 2008	Firm indication by Government of planned medium-term trajectory for the scheme
March 2009	Bill introduced into Parliament
Mid-2009	Government aims to achieve passage of bill by Parliament at this time
During 2009	Phase 4 consultation on emissions trading regulations
3rd quarter 2009	Act enters into force; scheme regulator established
2010	Emissions trading scheme will commence

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