
Carbon Market Expo 2009

Introduction to Emissions Trading

noon-2pm, 26 October 2009

Speakers and panelists

Brett Janissen, AETF — from ETS to CPRS ... the basics

Geoff Leeper, DCC — role of the regulator

Ilona Millar, Baker & McKenzie — importance of Copenhagen

Richard Doyle, Macquarie Bank — financial and business implications



Asia-Pacific Emissions Trading Forum

Emissions Trading 101: basic principles

***Carbon Market Expo 2009
Gold Coast Convention Centre***

***Brett Janissen
Executive Director, AETF***

26 October 2009



Overview

- **Elements of ET**
 - Policy development
 - CPRS
- **Issues for business**
 - Compliance/ operational
 - strategic



Attractions of ET

- **Links to agreed national emission targets**
 - **Kyoto Protocol (1997)**
 - developed country targets (2008-12)
 - links to developing country action (CDM)
 - **Future targets? - CoP15, Copenhagen**
- **Delivers economic benefits of price - based approach — plus**
 - builds constituency
 - links readily to forestry & other tradable credits
 - provides compensation 'war chest' - permit allocation

ET basics - cap & trade

- Define emission 'units'
 - ... permits, entitlements, credits, allowances, AAUs, ERUs, RMUs, CERs
 - 1 tonne of CO₂ (equivalent)
- Assign liability for emissions output
 - surrender 1 permit per tonne of CO₂e
- Allow ownership & transfer
 - legal rights and obligations
 - distribution = allocation (eg. free, auction, etc)
- Limit availability
 - CO₂ price = $f(\text{scarcity})$
 - 'assets' = $f(\text{allocation, price})$
 - 'liability' = $f(\text{emissions, price})$

= Measurement

= Coverage

= Allocation

= Emission 'cap' (or target)

DEVELOP INFRASTRUCTURE TO MONITOR & ENFORCE THIS

Rapid growth in C-markets

- Expansion in the global carbon mkt, 2007-08

Table 1: Carbon Market at a Glance, Volumes & Values in 2007-08

	2007		2008	
	Volume (MtCO ₂ e)	Value (MUS\$)	Volume (MtCO ₂ e)	Value (MUS\$)
Project-based Transactions				
Primary CDM	552	7,433	389	6,519
JI	41	499	20	294
Voluntary market	43	263	54	397
Sub total	636	8,195	463	7,210
Secondary CDM				
Sub total	240	5,451	1,072	26,277
Allowances Markets				
EU ETS	2,060	49,065	3,093	91,910
New South Wales	25	224	31	183
Chicago Climate Exchange	23	72	69	309
RGGI	na	na	65	246
AAUs	na	na	18	211
Sub total	2,108	49,361	3,276	92,859
TOTAL	2,984	63,007	4,811	126,345

Source: World Bank (2009)

US\$126b globally ... ETS
is a pretty big deal!!



CPRS - coming your way soon!!



Australia's ETS (CPRS)

- 10 years of contemplation
 - AGO discussion papers (1999)
 - State Task Force (2006)
 - PM's Task Group (2007) (Howard PM)
 - Dept of Climate Change (2008) (Rudd PM)
 - Garnaut draft (June 2008)
 - Green Paper (July 2008)
 - Garnaut final report (Oct 2008)
 - White Paper (Dec 2008)
 - exposure legislation (Mar 2009)
 - Rudd revisions (May 2009)
 - **Senate re-consideration (Nov 2009)**

New emission liabilities 1 July 2011 !!

Reporting requirements already in place ...

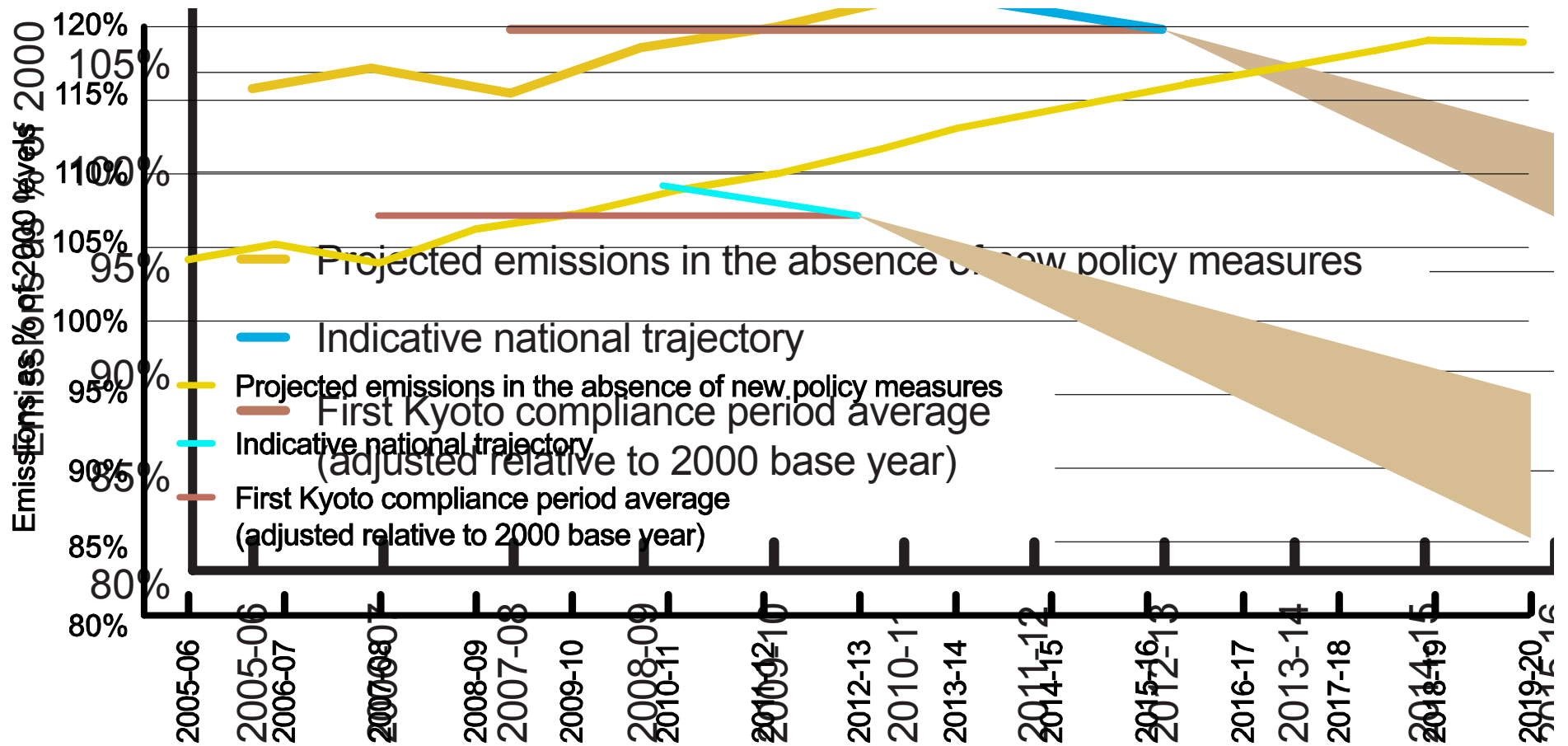
CPRS ... in a nut shell ...

- cap & trade system (permit = Australian Emission Unit)
- Obligations start 1 July 2011 (but reporting NOW)
- announced target/s to 2020 (5% - or 15% to 25% below 2000 emissions)
- 75% of emissions - all GHGs
 - Exclusions (for now): Ag, forestry (voluntary), < 25 kt CO₂e pa
- price capped (until 15 Dec 2016, about \$45 in 2012-13, plus 5% pa real)
- Fixed price (\$10 per tonne CO₂e) in YEAR 1
- one-way link to international markets (import not export, CDM/ JI/ RMU focus)
- EITE subsidies (94.5% & 66% cost offset) , phase down @ 1.3% pa
- compensation for electricity (based on asset value loss)
- Plus broader adjustment packages ... incl. Aust Carbon Trust (EE and voluntary action)

Permit obligations on about 1000 entities

Multi-billion dollar impetus to abatement activities and trading
impacting ALL Australian business

Emission trajectory = carbon squeeze



Compliance: CPRS obligations

- What are my obligations?
- What time line?
- How do I acquire permits?
- What record keeping requirements?
- What audit and certification processes?
- What penalties?
- What flexibility?
- What happens next?

Australian Climate Change Regulatory Authority

Strategic: prices and implications

- **Where are prices heading?**

- Critical role of agreed targets COP15
- What are implications for competitiveness ... who else is in the boat?
- What's the carbon market and economic outlook into the future?

- **What about my business?**

- Where are the costs and opportunities, and what are the risks?
- What does it mean for my business plan?
- What actions and investments do I need to make?

HOW DO I MINIMISE COSTS AND MAXIMISE ADANTAGE???

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