



Australian Government

Department of Climate Change

AUSTRALIA'S CARBON POLLUTION REDUCTION SCHEME

IETA-IEA-EPRI 9th Annual Workshop on Greenhouse Gas Emission Trading

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Australia's Carbon Pollution Reduction Scheme – Presentation overview

- Policy context
- Scheme design
 - Coverage
 - Allocation
 - Price control and flexibility
 - International links
- Comparison with the American Clean Energy and Security Act
- Next steps



Australia's Commitment to Global Action

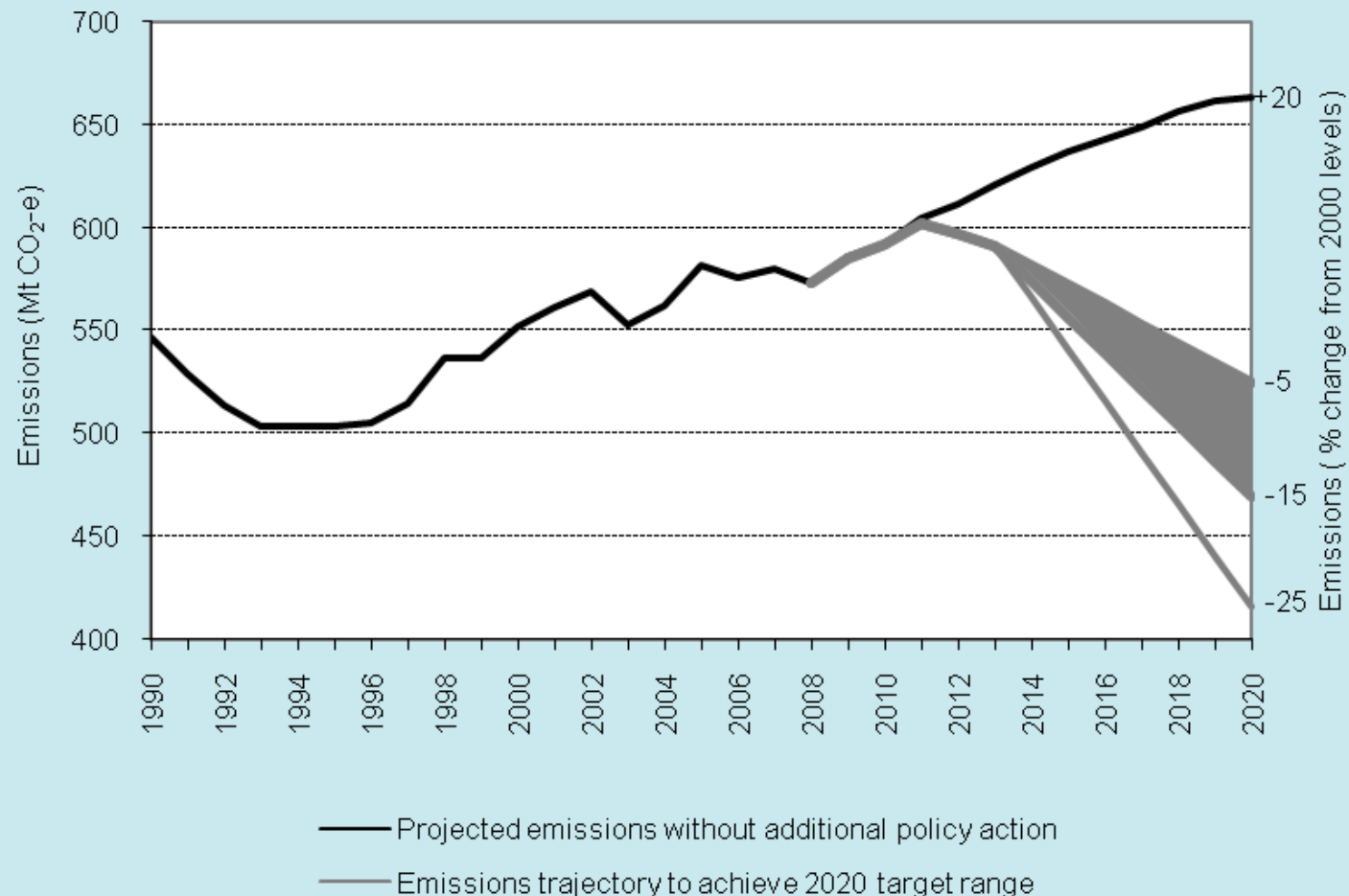
- Australia's ETS - the Carbon Pollution Reduction Scheme - is the primary policy instrument to achieve Australia's national targets
- CPRS Bill will be considered in the Australian Parliament before the end of 2009
- Australia seeks global action to stabilise greenhouse gases at 450ppm or lower
 - And will reduce emissions by 25% on 2000 levels by 2020 in this context
- If global action falls short of 450ppm, Australia will reduce emissions by 5 - 15 % by 2020, and at least 60% by 2050



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2020 target range: 5-15 and 25 per cent reductions on 2000 levels



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Australia's Carbon Pollution Reduction Scheme - Coverage

- Broad coverage
 - Around 75% national emissions and all 6 Kyoto gases
 - Includes transport, waste landfill, fugitive emissions and synthetic greenhouse gases
 - Reforestation opt-in from 2010
 - Decision in 2013 on coverage of agriculture from 2015
- Mix of direct and upstream point of obligation
 - Large direct emitters (>25kt)
 - Upstream for fuel emissions
 - 'Obligation Transfer Number' mechanism for netting out upstream and direct emissions



Australia's Carbon Pollution Reduction Scheme - Allocation

- Majority of permits auctioned from Scheme commencement
 - Full recycling of revenues for assistance to business and households
- Household assistance through tax and income support (\$6.6b#)
- One off allocation to some coal-fired generators (\$1.0b#)
- Allocation to emissions-intensive trade-exposed industries
 - Around 27% of permits in 2011-13 (\$4.8b#)
 - Two rates of assistance, reduces over time
 - Allocated relative to historical sector-wide baseline
 - Maintains incentives to improve emissions intensity
 - Only modest incentives to adjust production levels

expected value of allocations over first two years



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Australia's Carbon Pollution Reduction Scheme - Price control and flexibility

- 5 years of certainty over caps
- Up to 10 years of gateways
- Unlimited banking
- Limited borrowing
- Transitional arrangements
 - 1 year fixed price (AU\$10)
 - Price cap for further 4 years
 - Initially set at around A\$46
 - Rising at 5% in real terms each year



Australia's Carbon Pollution Reduction Scheme - International links

- International linkages reduce costs and builds global market
- CPRS - open trade within an effective global emissions constraint
 - No quantitative limits
 - Kyoto Protocol consistent
 - Consistent with strong domestic abatement
- Exploring harmonisation and direct link with New Zealand
- Active in post-2012 discussions
 - REDD, LULUCF, flexible mechanisms, commitments



Comparison of the CPRS and the American Clean Energy and Security Act

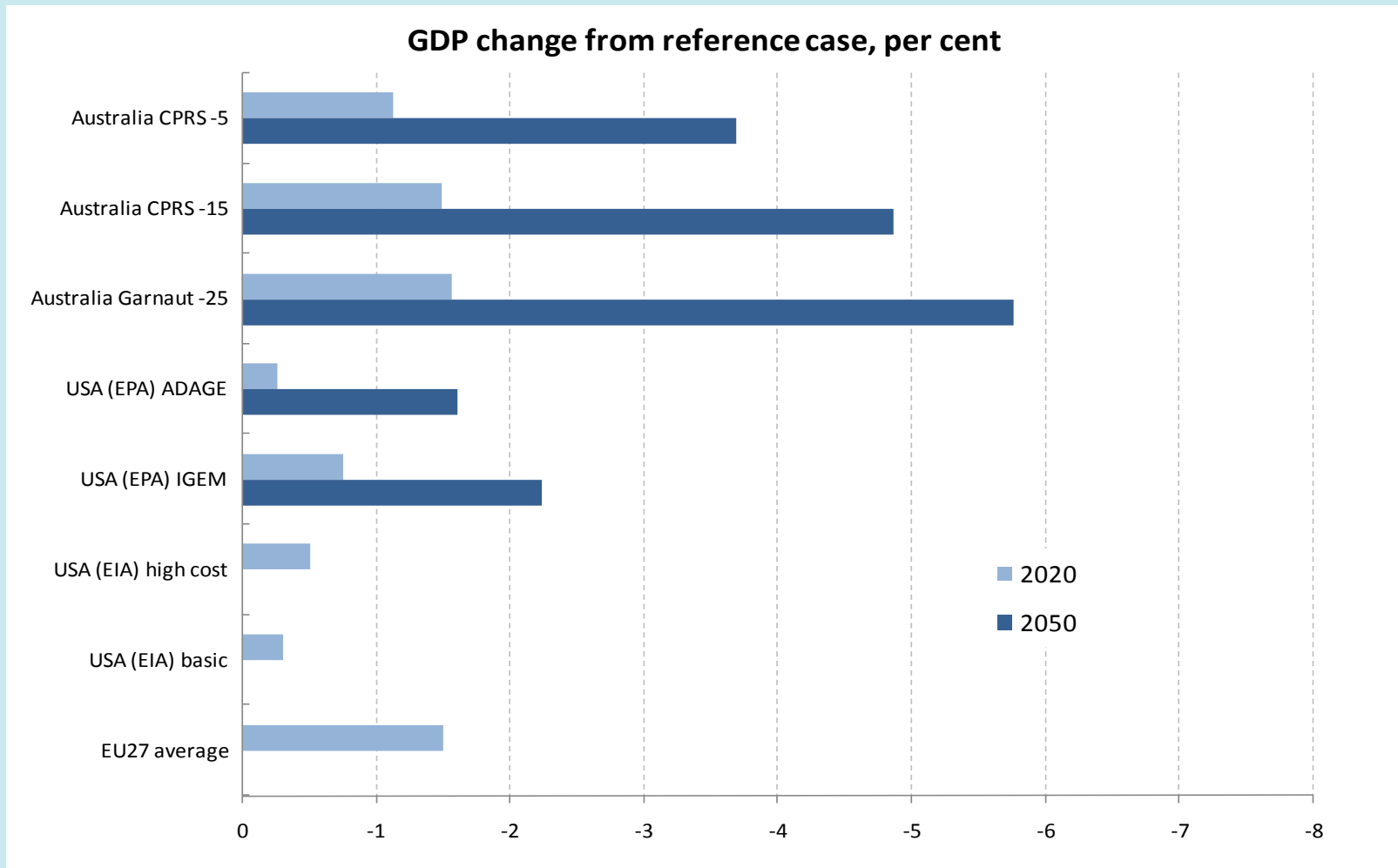
Design feature	CPRS	Waxman-Markey
Targets	5-25% below 2000 levels by 2020 and 60% below 2000 levels by 2050	20% below 2005 levels by 2020, 42% below by 2030, and 83% below by 2050
Coverage	All 6 Kyoto Protocol gases	All 6 Kyoto Protocol gases and nitrogen trifluoride
Offsets	Acceptance of certain Kyoto units with domestic offsets not included at commencement	Domestic and international offsets allowed with restrictions
Permit allocation	Allocations should progressively move towards 100% auctioning as the scheme matures	Around 15% of permits to be auctioned
Banking and borrowing	Unlimited banking, limited borrowing	Unlimited banking, unlimited borrowing 1 year into the future.
Price cap	Transitional fixed price period (2011-12) and rising price cap to 2015-16.	Strategic reserve designed to moderate allowance prices.



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Australia's Carbon Pollution Reduction Scheme - Economic impacts



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Australia's Carbon Pollution Reduction Scheme – Next steps

- Passage of CPRS bills – subject to Parliament
- 2010-11
 - Scheme caps set
 - First auction
 - Reforestation projects
- 2011-12: Fixed price phase
- 2012-13: Full trading





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Australia's Commitment to Global Action

- Australia committed to reducing emissions by 25 % by 2020 in the context of global action consistent with stabilisation at 450ppm or lower. Government has outlined that this would involve:
 - Comprehensive coverage of gases, sources and sectors, with inclusion of forests (REDD) and the land sector if scientifically demonstrated
 - Clear global trajectory, where the sum of all economies' commitments is consistent with 450ppm CO₂-e or lower, and with a nominated early deadline year for peak global emissions not later than 2020
 - Advanced economy reductions, in aggregate, of at least 25% below 1990 levels by 2020
 - Major developing economy commitments to slow growth and to then reduce their absolute level of emissions over time, with a collective reduction of at least 20% below business-as-usual by 2020
 - Global action which mobilises greater financial resources, including from major developing economies, and results in fully functional global carbon markets.

<http://www.environment.gov.au/minister/wong/2009/mr20090504c.html>



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