

Emissions Trading

**Australian State and Territory
developments**

**Sixth Annual Workshop on
Greenhouse Gas Emissions Trading**

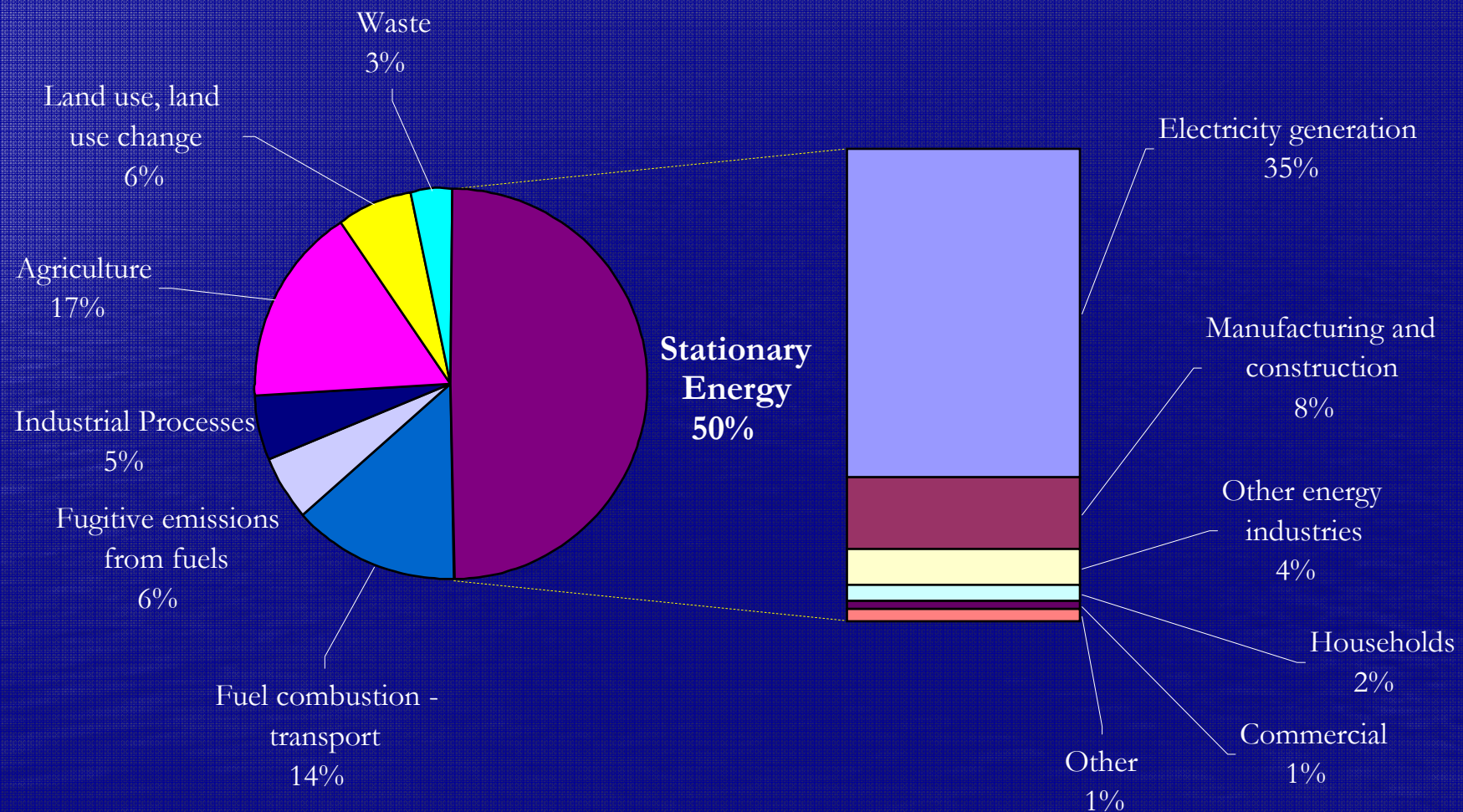
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www.emissionstrading.net.au

National Emissions Trading Taskforce (NETT)

- Established in January 2004
- Comprises officials from all Australian States and Territories
- Released Discussion Paper August 2006
- Commonwealth invited to consider the design with State and Territory Governments

Australia's emissions in 2004



Possible initial coverage option

- All power generation facilities at least 30 MWe
- After 5 years, expand to include:
 - all stationary energy > 25 kt CO₂-e per year
 - fugitive emissions from gas transport/distribution
 - gas retailers (imputed emissions)

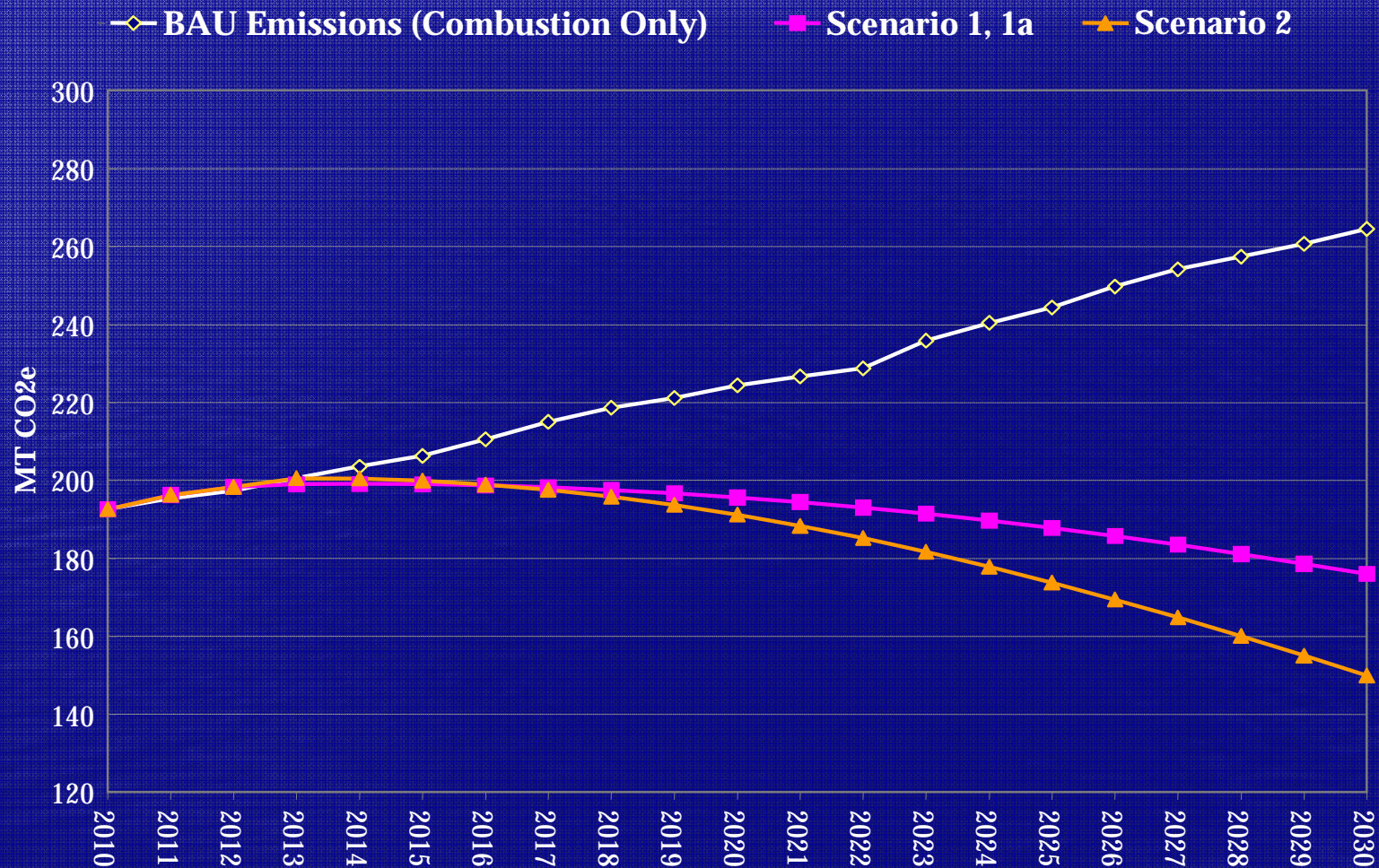
Further expansion of coverage

- Phase-in of additional sectors according to legislative process
 - minimum period of notice (eg 5 years)
 - consultation process
- Could include in the future
 - industrial processes, waste sector
 - other fugitive emissions (coal, oil & gas production),
 - refineries, transport

Designing the scheme caps

- 10 years of known, firm caps
- Gateways for 10 further years beyond firm caps
- Firm caps extended annually
- Gateways updated every five years, extending them for a further five years

Indicative caps for modelling



Design issues for permits

- Annual permits
- Secure property right
- Allocate for future years by 'date stamping'
- Unlimited banking
- No borrowing

Permit allocation principles

- Distributional issue
- Assistance for those most adversely affected
- Avoid perverse incentives or market power

Permit allocation proposals

- Free allocation to some generators
- Free allocation to trade exposed, energy intensive industry
- Remaining permits auctioned

Estimated economic impacts based on indicative caps

- Overall, Australia's economy would continue to grow strongly with a carefully designed scheme
- Vulnerable industries and regions could be successfully sheltered from the impacts of implementation of the scheme
- Modelling work undertaken to date is important first step in understanding the impacts
- More modelling is required and will be informed by stakeholder consultations

Design proposals for offsets

- Priority areas for inclusion:
 - Forestry
 - Industrial process emissions
 - Geosequestration
 - Landfill/sewage gas/manufactured methane
- Expansion of allowable offsets as measurement and baseline methodologies become available
 - Consistency with Kyoto's JI mechanism is key

Penalty for non-compliance

- Penalty is proposed for non-compliance by liable entities
 - If permits do not match emissions for a given year
- Penalty level
 - civil penalty set at a level to ensure compliance
 - ceiling on scheme costs
 - subject of further modelling
- No make-good provision

GGAS and VRET

- GGAS – to be extended
- VRET – support for renewables in Victoria (like MRET)

Further information

- www.emissionstrading.org.au