



**Australian Government**  
**Department of Climate Change  
and Energy Efficiency**

# **12<sup>th</sup> IEA-IETA-EPRI Annual Workshop on Greenhouse Gas Emission Trading 15-16 October 2012**



## **Linking emissions trading schemes – an Australian perspective**

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**thinkchange**

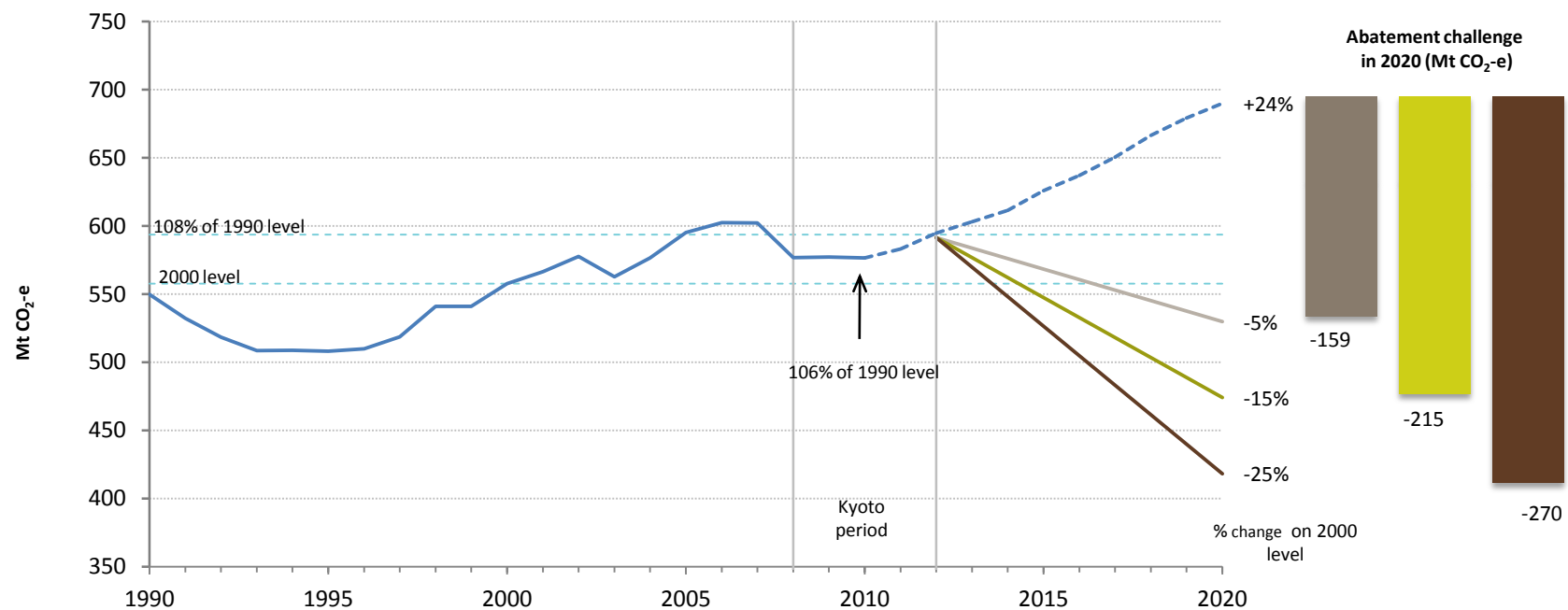


# Linking under the Australian scheme

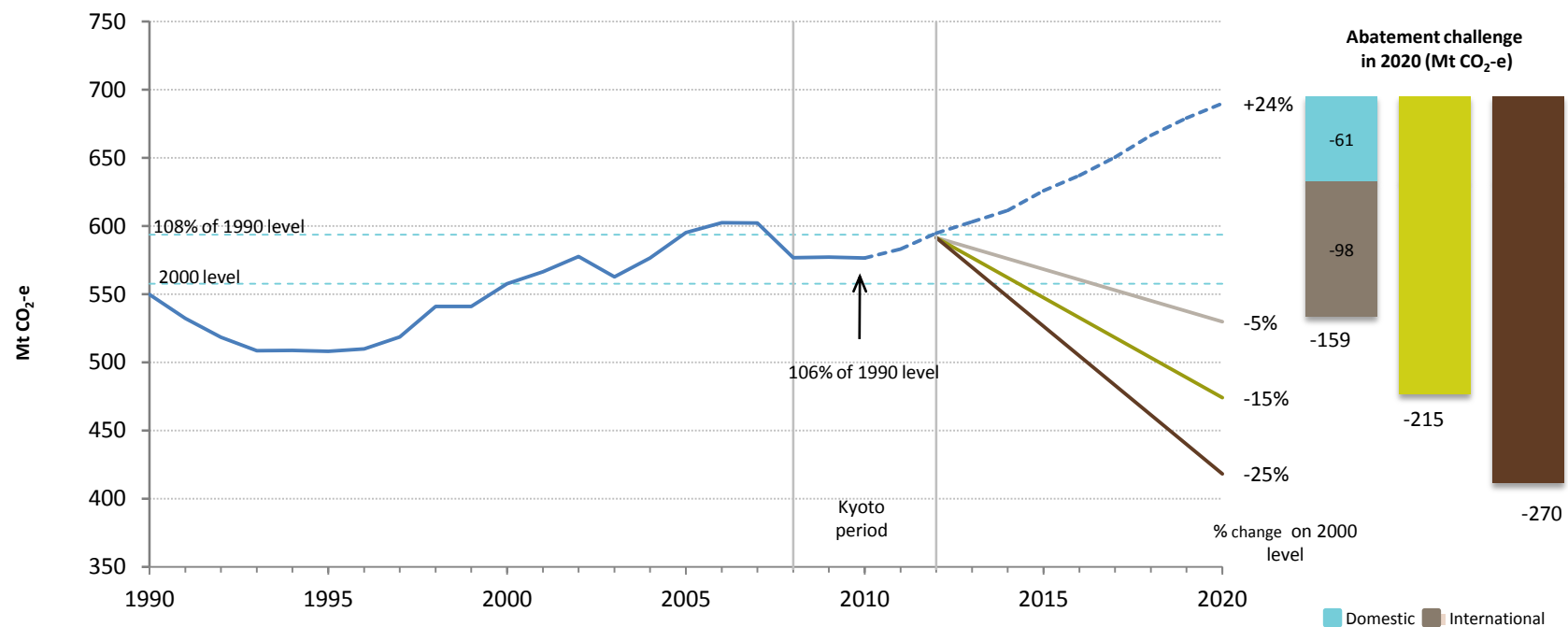
## – short history

- Long term recognition at the national government level that international linking lowers costs of abatement
- Two primary forms of linking:
  - Indirect linking through Kyoto-type units
  - Direct linking between emissions trading schemes
- Clean Energy Future Plan (July 2011) committed the Government to pursuing international linking due to the national interest benefits flowing from linking
  - Committed that Kyoto units would be able to be used to meet domestic liabilities and to commence discussions to facilitate bilateral linking

# The Australian abatement challenge



# The Australian abatement challenge



# Benefits of linking from Australian perspective

- Costs of meeting our targets would be around double if all abatement were to occur domestically
- Provides Australian liable entities with access to greater range of international units
- Provides access to deep and liquid derivative markets to help manage exposures
- Lowers transaction costs for businesses that have liabilities in the linked schemes
- Further supports the development of global carbon markets and global action on climate change

# Considerations for linking under the Australian scheme

- Market and environmental integrity concerns are paramount and imply consideration of:
  - adequate and comparable MRV, compliance and enforcement mechanisms
  - internationally acceptable (or mutually acceptable) level of mitigation commitment
  - compatible design and market rules
  - analysis of the expected impact on the domestic unit price and advance notice to the market

# Linking in practice – phased approach to EU link



# Next steps in relation to link between EU and Australia

- Amendments to the *Clean Energy Act 2011* have been tabled in the Australian Parliament and are expected to pass by the end of this year
- Registry arrangements to give effect to the interim link to be agreed between the EU and Australia by mid 2013
- Full linking will be achieved through a treaty between Australia and the EU
  - Negotiation of the treaty to commence 2013, with signature by mid-2015 and ratification and entry into force no later than 1 July 2018