

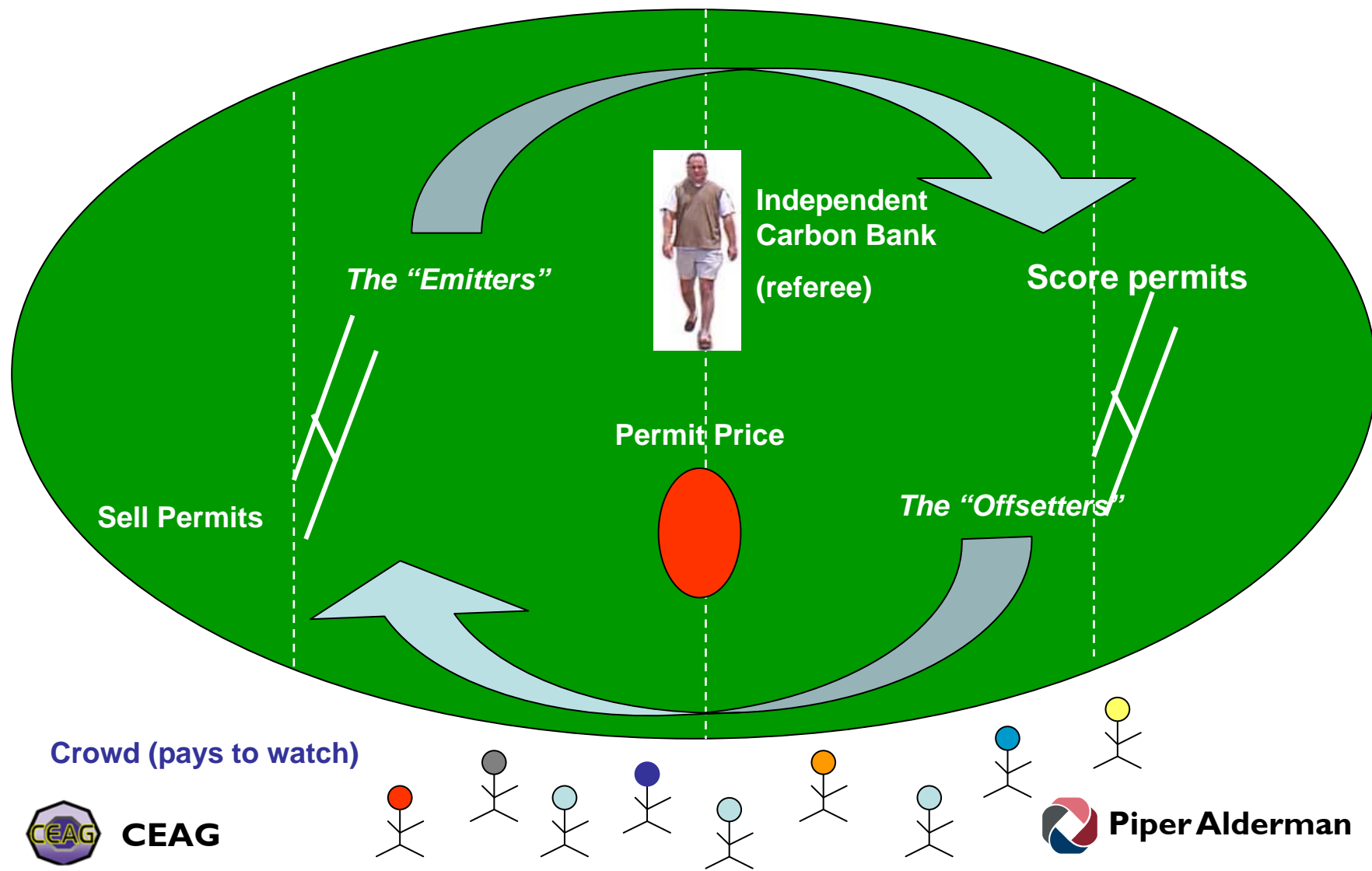
Emissions Trading Workshop: The Australian Scheme

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ResourcesLaw International**

**Perth
10th April 2008**



The Carbon Game



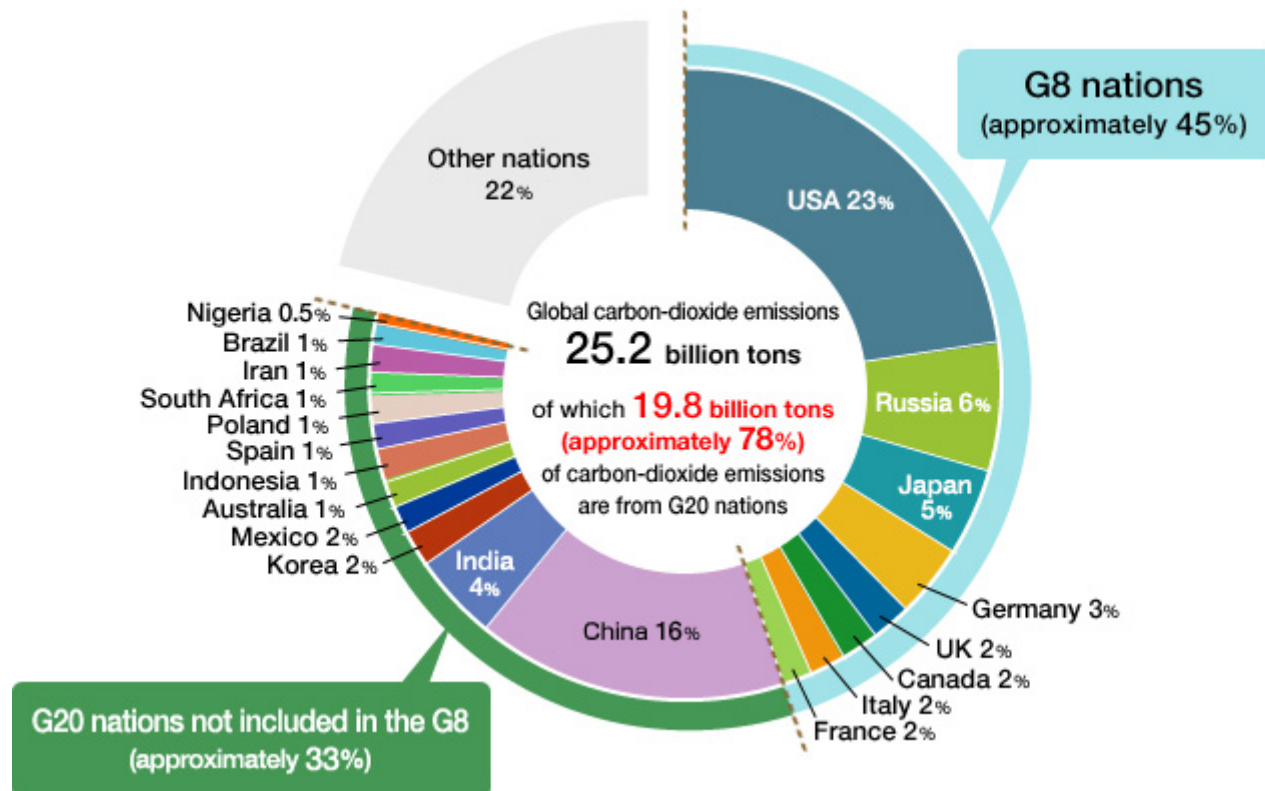
The Carbon Game: Emitters vs Offsetters

- The ball: permits
- Eligibility :
 - emitters must pay to play
 - offsetters must be accredited
- Rules of game: yet to be enacted
- Referee: independent regulator

The Carbon Game: Scoring

- Emitters: must score permits
 - pre-game auctions
 - free kicks, especially against overseas sides
 - intercepts on field
- Offsetters: must sell permits
- Referee: risk of interference
- The crowd: costs passed through

Global CO₂ Emissions 2003



Major Impact of Emissions Trading

February 2008, Minister Wong:

“the most significant economic and structural reform undertaken in Australia since the trade liberalisation of the 1980s”

Major Flow-on Effects

March 2008, Professor Garnaut:

“will force structural adjustment through the Australian economy. Some communities may face decline”

“a large reform, involving large changes in the distribution of income”

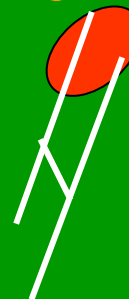
“will affect the profitability of individual firms in many different ways”

Presentation Overview

- Part 1. The Current State of Play
- Part 2. The ETS - What to Expect
- Part 3. Reporting Obligations
- Part 4. Keeping to the 'Cap'

Part 1.

The Current State of Play



Environmental Obligations

- Mainly affect development approvals
 - wide application
 - power generation
 - industrial processing
 - waste disposal
 - transport
- Creating demand for carbon offsets

Carbon Credits

- Tradable units
- Measured in CO₂-e
- Important: need to be verified

Existing Carbon Markets

- Formal, mandatory markets e.g. GGAS
- Informal, voluntary markets e.g. WALFA
- Variety of conditions for trading

Carbon Products and Services

- Credit verification providers
- Abatement (reductions, offsets)
- Management services
- IP and business products

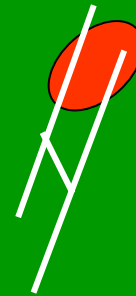
Green Marketing

Trade Practices Act 1974

- s 52 – don't unwittingly mislead consumers
- ACCC monitoring, investigating
- Test case – ACCC vs GM Holden

Part 2.

The ETS: What to Expect



Cap-and-Trade Scheme

To commence 2010

- Legislative scheme: exposure draft end of 2008
- Limits on GHG emissions in the economy
 - a decision extrinsic to the scheme itself
 - end of 2008: announce trajectory
- Regulated by Independent Carbon Bank (ICB)

Permit Allocation Controversy

- Permit allocation – date stamped or not?
- Auction of permits for all emitters – Garnaut
- “Compensatory approach” – Government?
 - Free permits to compensate some. But who?
 - those disproportionately burdened
 - trade exposed industries
 - When, how many and for how long?

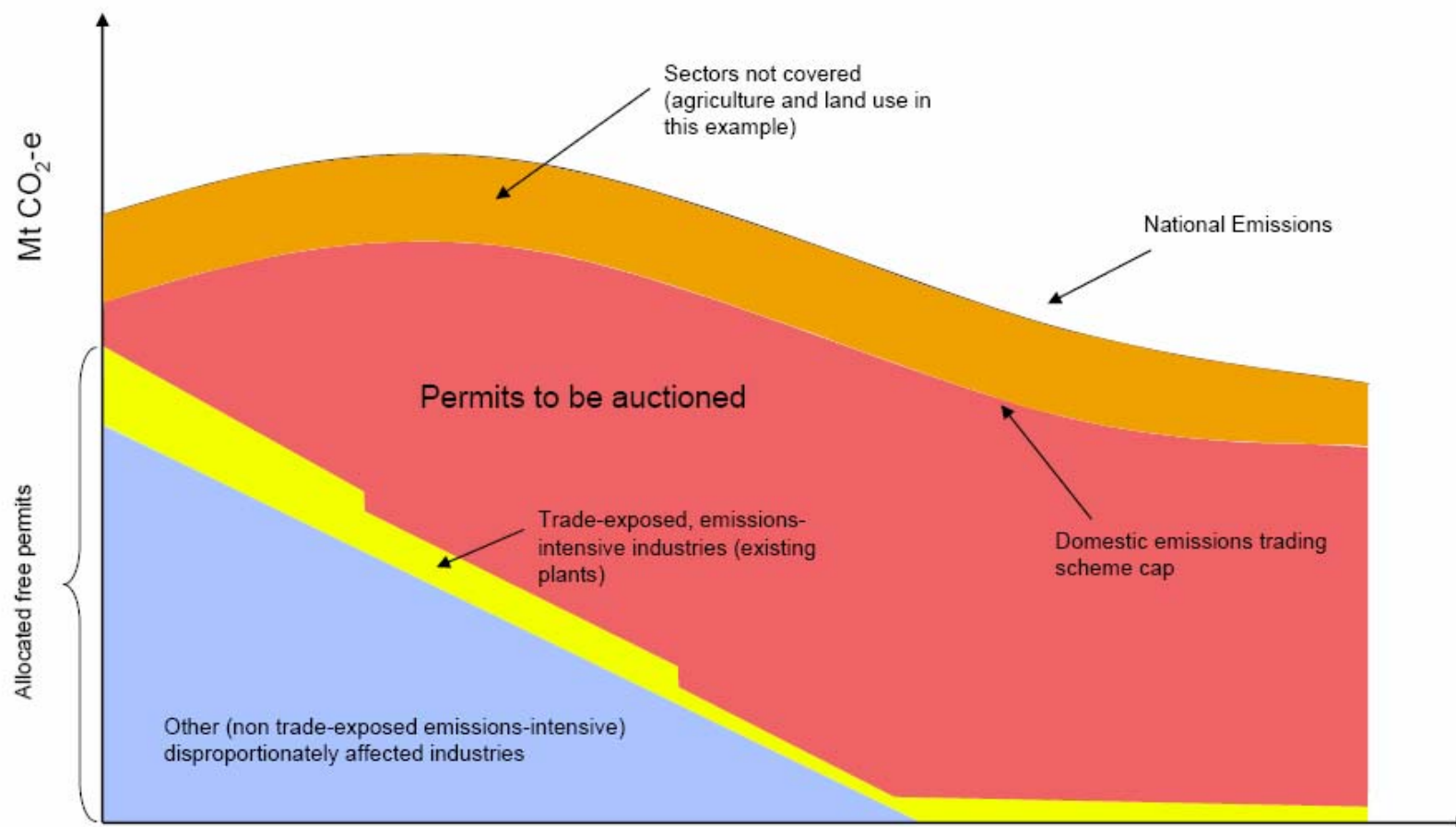
Impact: Industry

- Coverage: 70% of all emitters
 - Oil and gas producers
 - Power generators
 - Smelters
 - Airlines
 - Transport

Impact: Trade and Investment

- Trade-exposed, energy-intensive industries
 - producing globally traded goods
 - emissions beyond control of any one government
 - security, price concerns of customers
- Inward FDI
 - footloose investors

Coverage and Timing

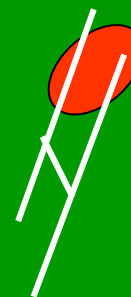


International Linkages

- EU
- CDM (Kyoto)
 - China
 - Indonesia, PNG
- International sectoral agreements?

Part 3.

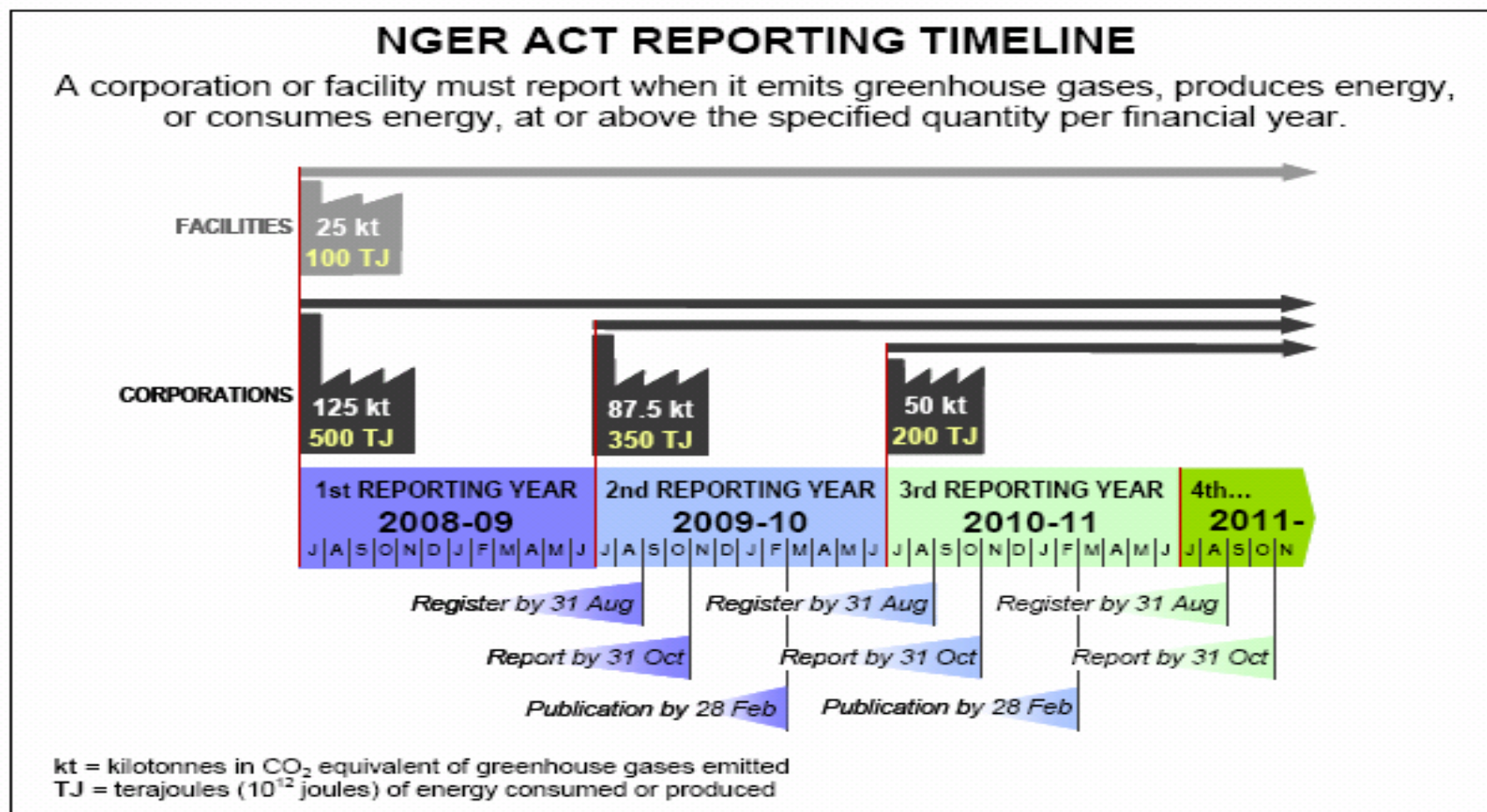
Reporting Obligations



National Greenhouse and Energy Reporting Act 2007– NGER Act

- Firms must register, report and publish energy used online
- GEDO (regulator) calculates and publishes CO₂-e values
- Streamlining, standardisation

Reporting obligations: Who? When?



Reporting Obligations: Example

Transport

Heavy Trucks x 52



Taxis x 235



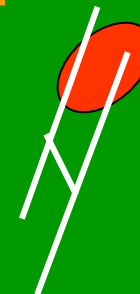
Who Will Not Have to Report?

Examples:

- Small transport fleets
- Small-medium sized factories
- Local shopping centres
- Small commercial buildings

Part 4.

Keeping to the 'Cap'



Emissions Reductions

- Efficiency
 - Building energy usage
- Energy source
 - Renewables
- Culture shifts
 - Fridge magnets, staff training

Carbon Abatement

Some offsetters provide an alternative way of acquiring permits

- Projects need to be verified
- AGO process: Greenhouse Friendly
- Example: carbon sinks (forestry, agriculture)

The Voluntary Emissions Reduction (VER) Market

Plenty wanting to jump on bandwagon

- What is a real offset?
- What standards apply?
- Need for code of practice?
- Garnaut recommends unlimited use of domestic offsets

More information

Commonwealth: www.greenhouse.gov.au

Garnaut review: www.garnautreview.gov.au

CEAG: www.ceag.org

Piper Alderman: www.piper-alderman.com.au

ResourcesLaw International: www.resourceslaw.net

Australian Climate Exchange: www.climateexchange.com.au