



Australian Government



# Carbon Market Institute Business Roundtable

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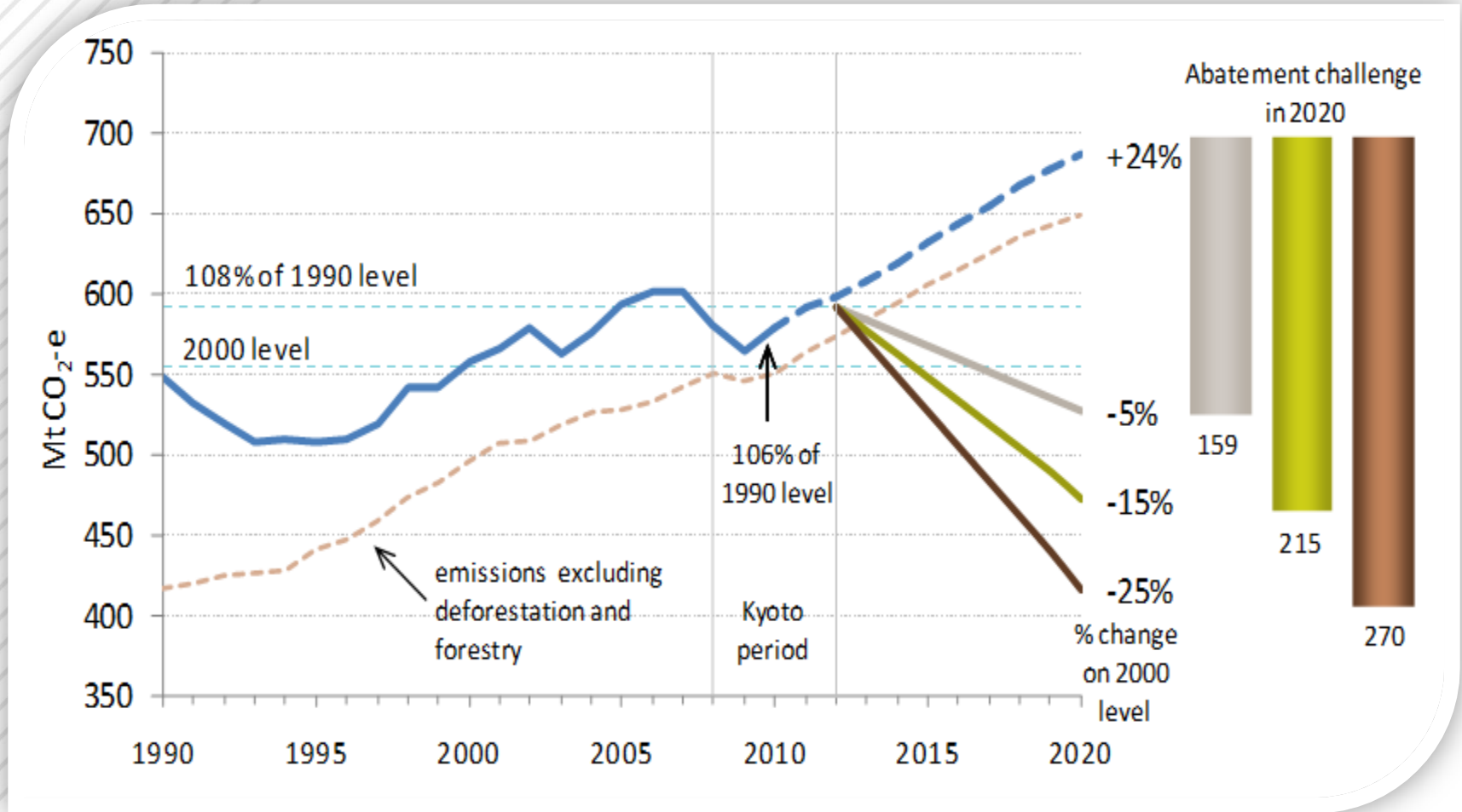
[www.cleanenergyfuture.gov.au](http://www.cleanenergyfuture.gov.au)

# Australia's Mitigation Commitments

- Unconditional -5% target by 2020
- Conditional target up to -25% by 2020
  - dependent on international action
- -80% target by 2050

Note: 2000 level baseline


# Australia's Targets



# Comparing Australia's Mitigation Challenge

<b>Commitment</b> (reduction from 2000 levels)	<u>Comparisons</u>	
	<b>Per capita</b>	<b>Emissions intensity</b>
<b>%</b>	<i>% per capita</i>	<i>% per \$GDP</i>
<b>-5</b>	-29	-48

# International Action

Country	Carbon Pricing	Clean Energy	Energy Efficiency		Transport	Per cent of Global Emissions <sup>†</sup>
		Renewables Target	Appliance and Building Standards*	Energy Efficiency Obligation <sup>#</sup>	Vehicle Performance Standards	
Australia 	●	●	●	●	●	1.5
Brazil		●	●	●		2.7
Canada	●	●	●		●	2.0
China	●	●	●		●	19.1
European Union	●	●	●	●	●	13.4
India	coal tax	●	●	●	●	4.9
Indonesia		●	●			1.5
Japan	pilot	●	●		●	3.6
Mexico		●	●		●	1.7
Russian Federation		●	●			5.2
South Africa		●	●	●		1.1
Republic of Korea	pilot	●	●		●	1.5
United States	●	●	●	●	●	18.3

Key: ● State-based action  
 ● National action  
 ● Planned nationally

**Total: 76.5%**

\* Includes residential and commercial buildings. # Includes energy efficiency trading markets + 2005, excluding land use, land use change and forestry.

# Clean Energy Future Announcement

10 July 2011 – release of Climate Change Plan

Four key elements:

- Introducing a **carbon price** and using revenue raised to assist households and businesses
- Promoting innovation and investment in **renewable energy**
- Encouraging **energy efficiency**
- Creating opportunities in the **land sector** to cut pollution, improve productivity, sustainability and resilience

# Carbon Pricing Arrangements

- Carbon price established by:
  - an emissions trading scheme (ETS) starting on 1 July 2012
  - adjustments to fuel tax and synthetic gas arrangements
- Around two thirds of Australia's emissions will face a carbon price
- A carbon price will not apply to agricultural emissions, light on-road vehicles or on-site use of fuel by the agriculture, forestry and fisheries industries

# Fixed Price Arrangements

- Scheme commences with a three year fixed price period
  - \$23.00 in 2012-13
  - \$24.15 in 2013-14
  - \$25.40 in 2014-15
- Fixed price permits cannot be banked
- Land sector offsets (generated under the Carbon Farming Initiative) can be used for up to 5% of compliance liability

# Flexible Price Emissions Trading Arrangements

- From 1 July 2015 fully flexible ETS
- Caps under the ETS will be set five years in advance
- Permits will be auctioned or freely allocated
- Price ceiling and price floor will apply for first 3 years of the flexible price period
  - Price ceiling will be set \$20 above expected international price in 2015/16; will rise by 5% real p.a.
  - Price floor set at \$15 in 2015-16; will rise by 4% real p.a.
- Unlimited banking and limited borrowing
- International permits and domestic offsets will be allowed to be used for compliance

# Industry Support

- Free permit allocations to emissions-intensive trade-exposed industries such as steel, cement and aluminium
  - Assistance provided at two rates – 94.5% and 66%
  - Assistance declines by 1.3% per year
  - Provided in a way that retains full incentives for business to improve the emissions intensity of their products
- Targeted grant programs to assist less emissions intensive businesses become more energy efficient to offset costs

# Electricity sector

- \$5.5 billion assistance to the most emissions intensive generators
  - Cash in first year
  - Free permits in next four years
- Clean energy investment plans
- Contract for closure
- Government loans for future vintage purchases
- Energy Security Council

# Household Assistance

- Assistance targeted to low-income households
- Assistance delivered through reform of the tax system
  - Taxpayers under \$80,000 will get a tax cut, with most receiving a tax cut of at least \$300 a year
  - 1 million households will no longer need to file a tax return
- Increases in payments to pensioners and beneficiaries

# Support for Renewables and Innovation

- Establishment of Clean Energy Finance Corporation -- \$10b
  - Leverages private sector financing for renewable energy and clean technology projects
- Establishment of Australian Renewable Energy Agency
  - To manage \$3.2 billion in renewable energy research and development funding
- Renewable Energy Target
  - 20% renewable energy by 2020
  - Will drive \$20 billion of investment by 2020

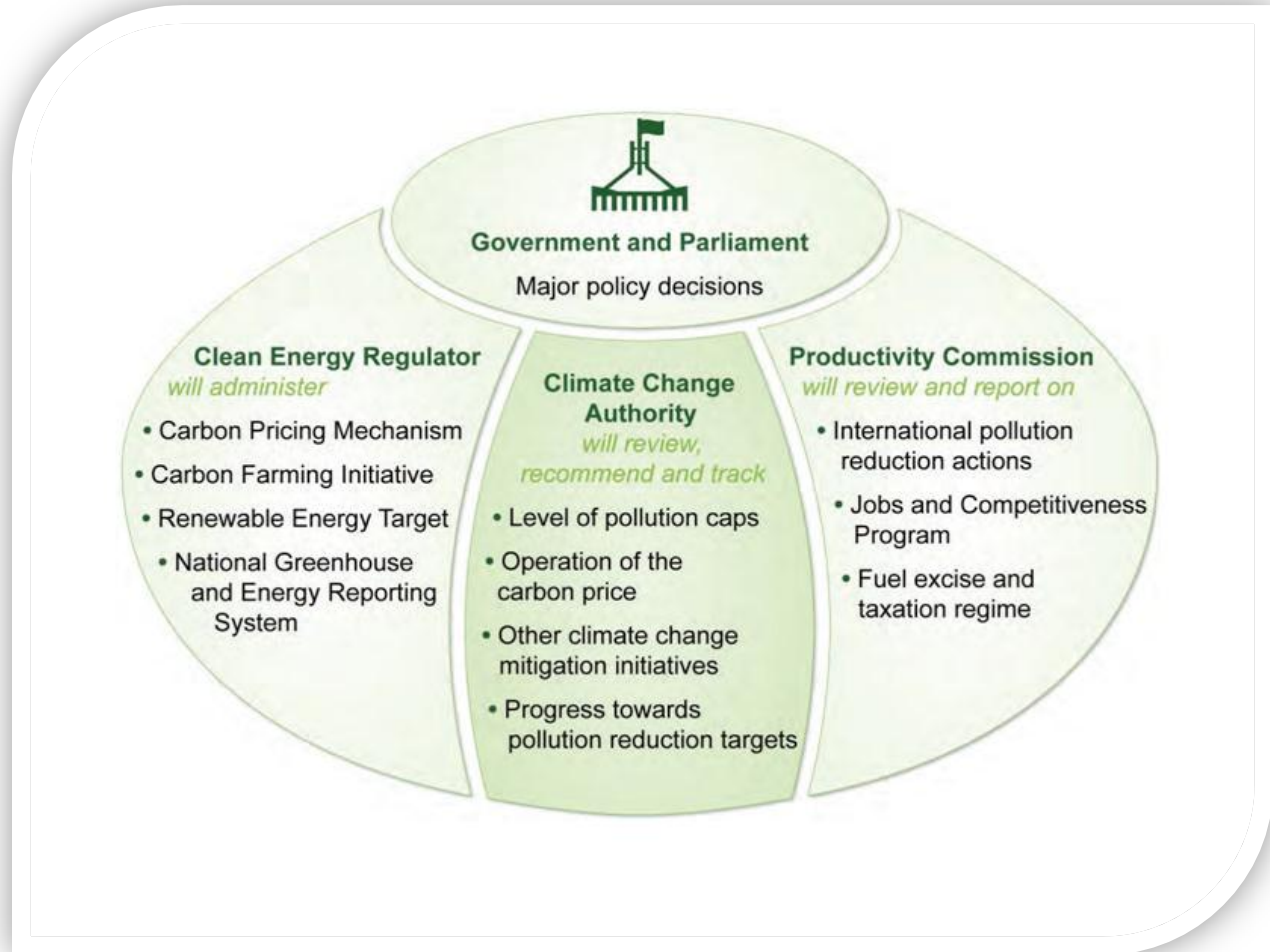
# Energy Efficiency

- Further work on a National Energy Savings Initiative
- Continuation and expansion of Energy Efficiency Opportunities
- Grants to provide energy efficiency information to small and medium businesses and community organisations

# Land Sector

- Kyoto compliant carbon credits under the Carbon Farming Initiative are eligible for compliance under the scheme
- Limited to maximum of 5 per cent of a liable entity's obligation in the fixed price period

# Governance



# Legislation Package

Exposure draft legislation - 13 bills:

- Clean Energy Bill (main bill)
- Clean Energy (Consequential Amendments) Bill
  - NGER, tax, synthetic greenhouse gases
- Clean Energy Regulator Bill
- Climate Change Authority Bill
- 3 fuel tax amendment bills
- 6 charges/levy bills

Full package will include household assistance bills.

# Implementation

Engagement on drafting/detail of legislation

- Legal expert workshops
- Technical working groups
- Meetings with individual businesses & organisations
- Submissions closed 22 August

Introduction into Parliament

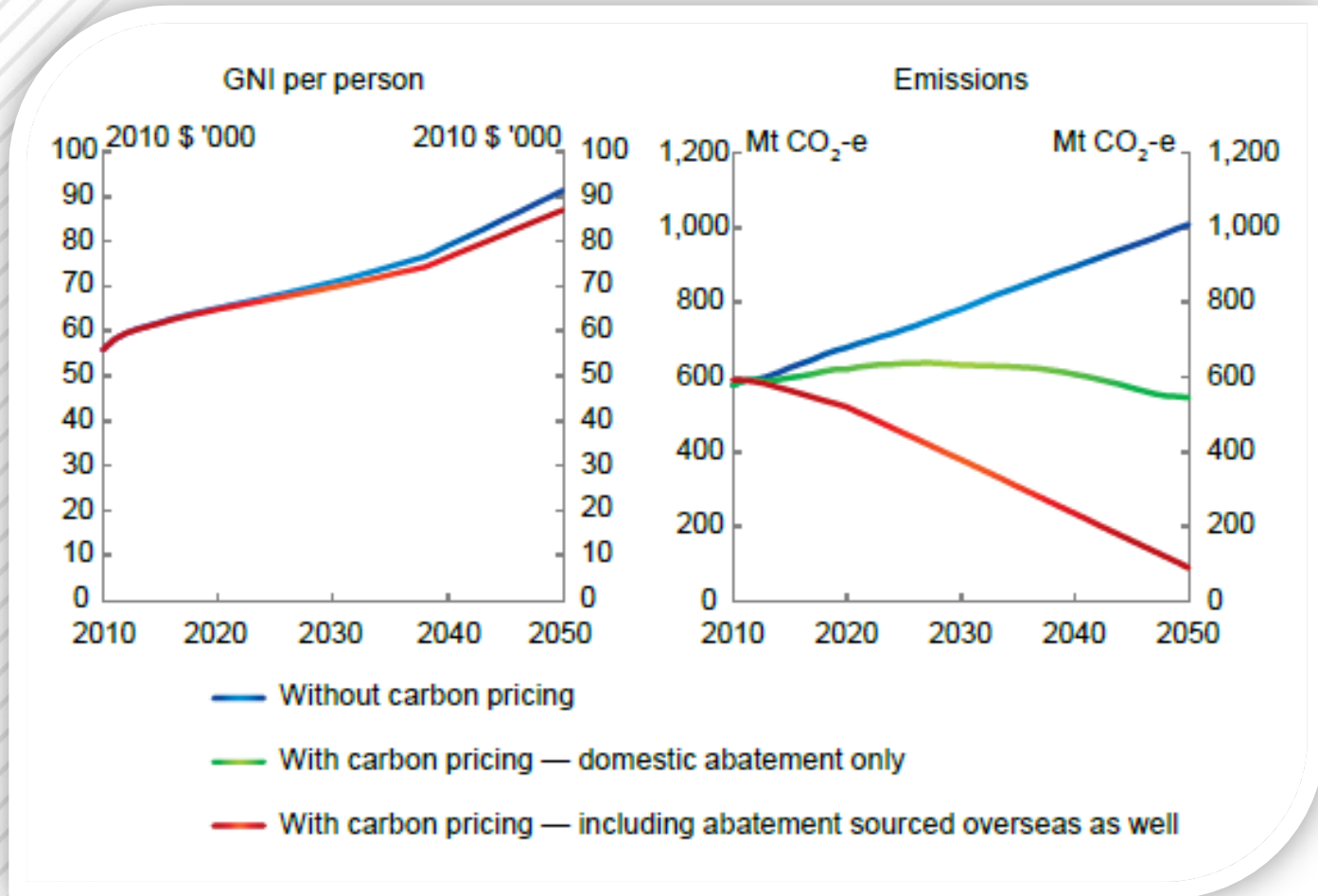
- Spring sittings – for passage by end of year

Start of carbon pricing mechanism

- 1 July 2012

# Treasury Modelling

Breaking the link between emissions and economic growth



# Thank you for your time

Further information about climate change and renewable energy is available online at:

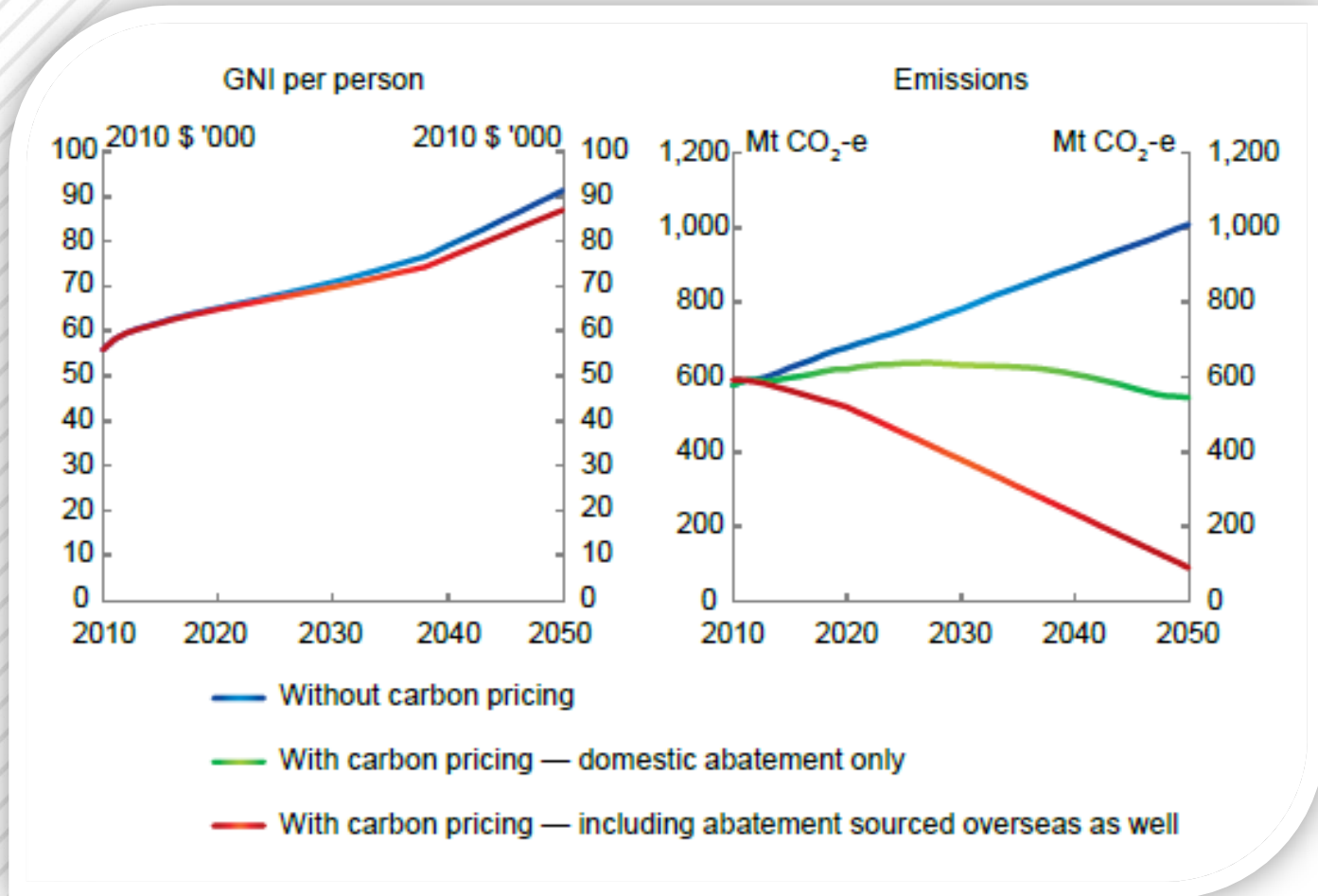
- [www.climatechange.gov.au](http://www.climatechange.gov.au)
- [www.cleanenergyfuture.gov.au](http://www.cleanenergyfuture.gov.au)
- [www.livinggreener.gov.au](http://www.livinggreener.gov.au).

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Chief Adviser

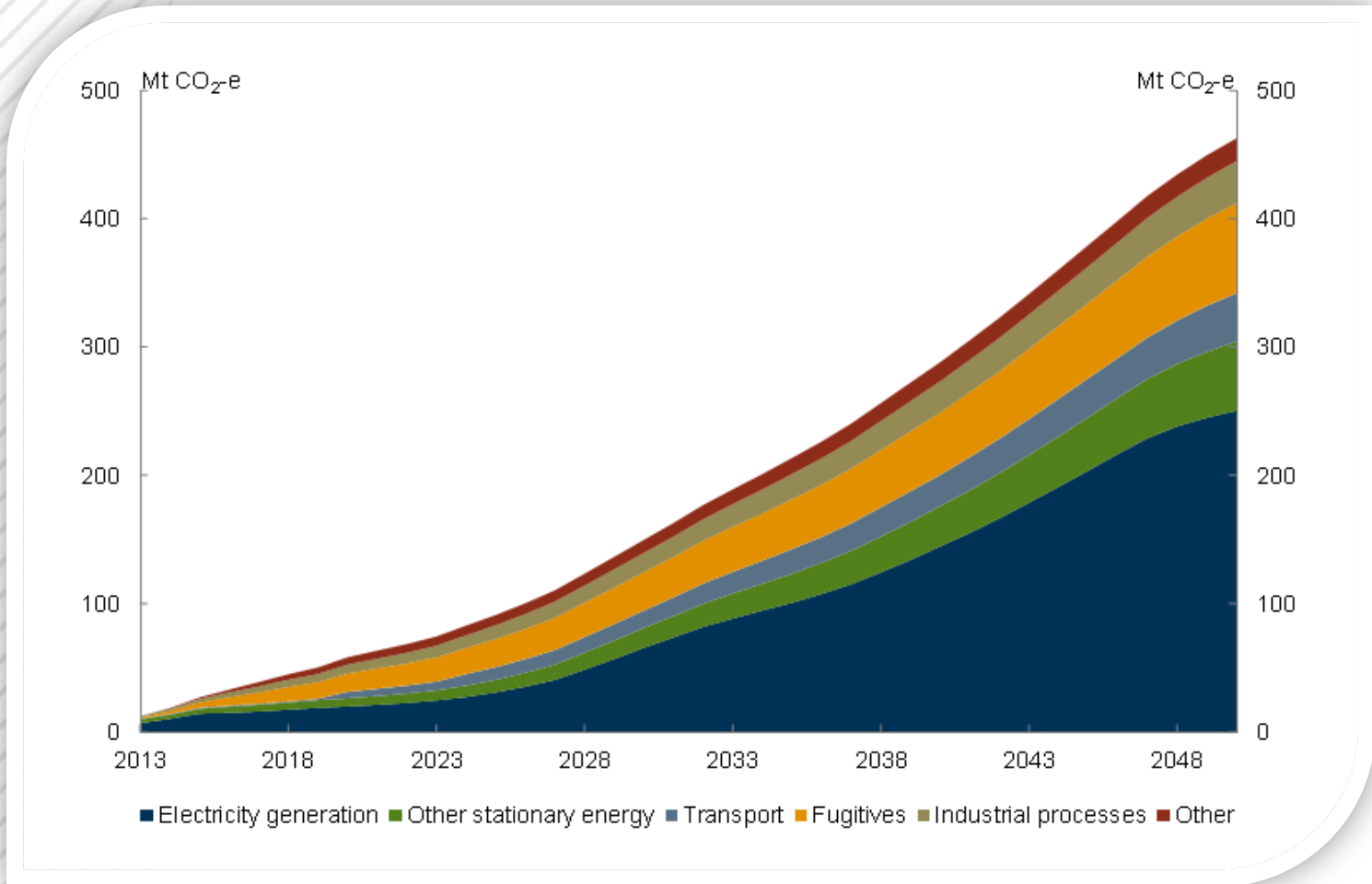
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# Treasury Modelling

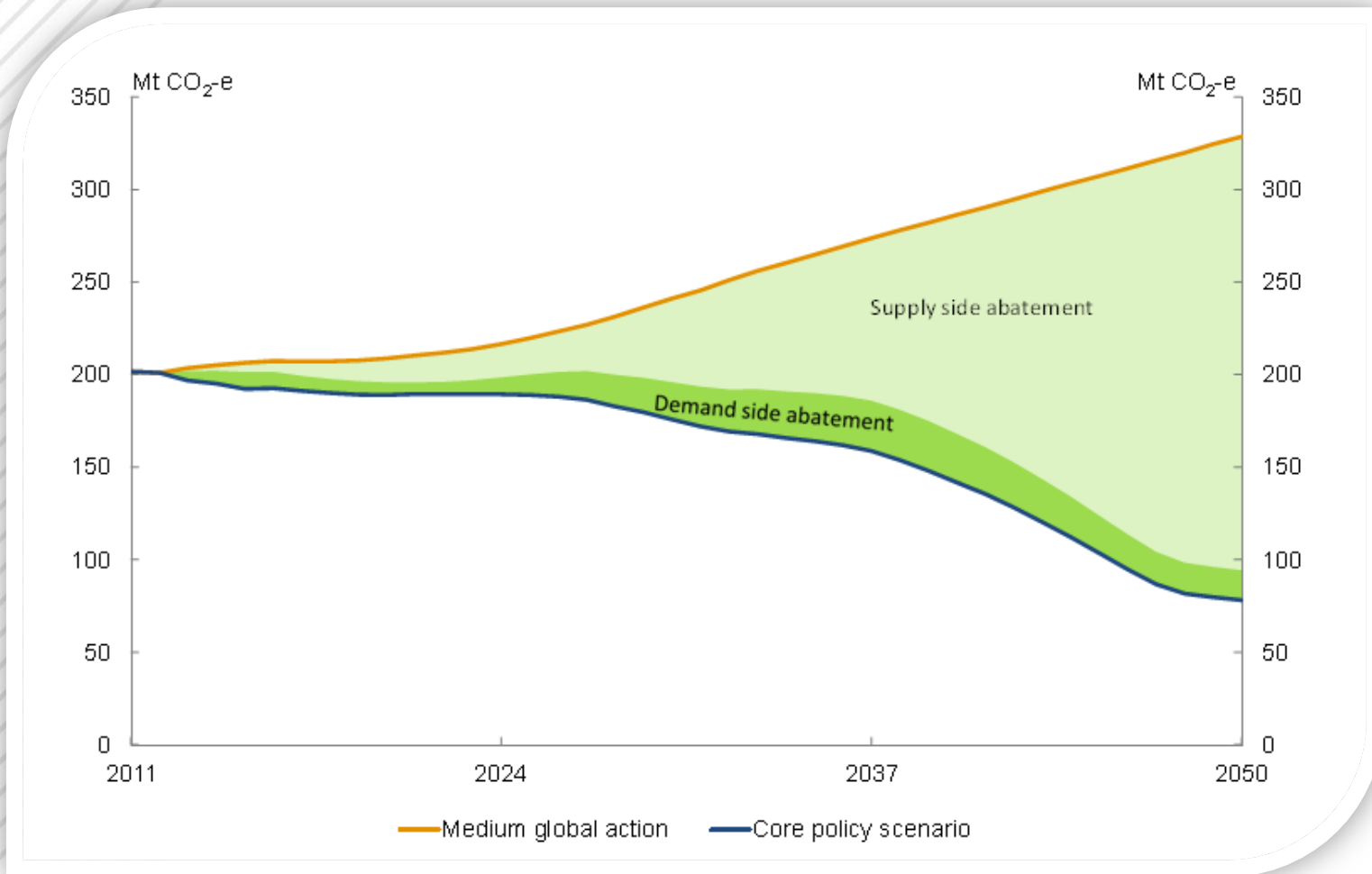
Breaking the link between emissions and economic growth



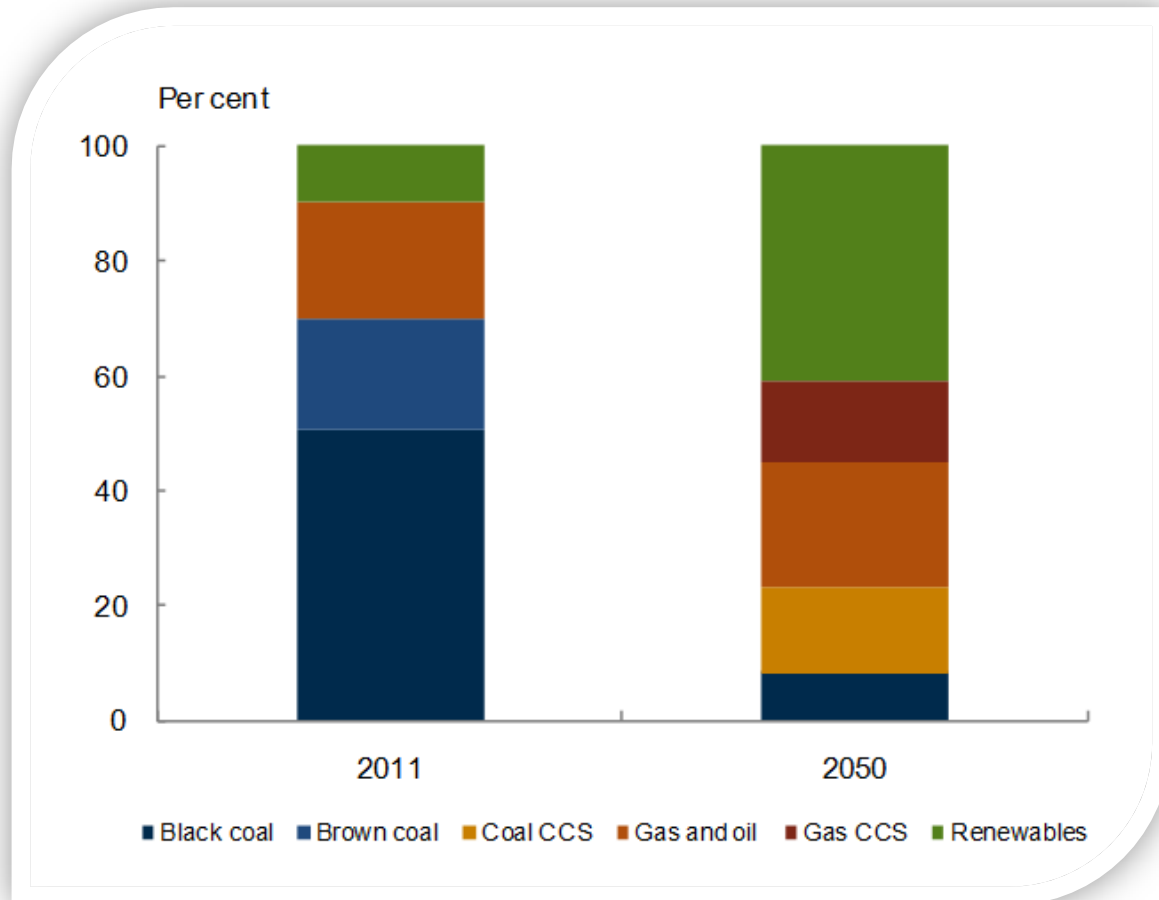
# Emissions Reductions by Sector



# Electricity Sector Emissions



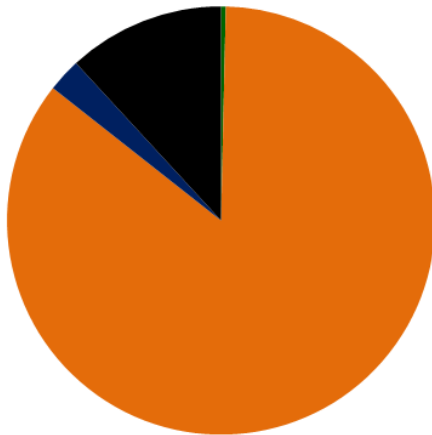
# Change in Electricity Generation



# RET Technology Mix - 2010

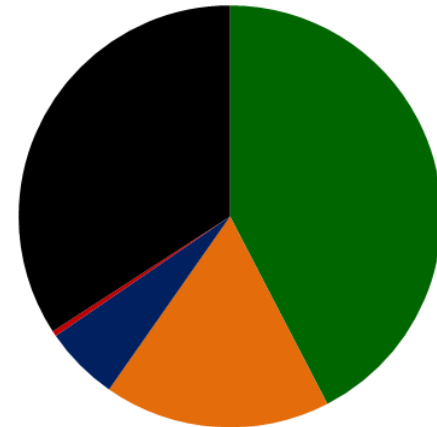
Projected vs. Actual additional renewable energy in 2010

Pre-MRET projection for additional renewable energy in 2010 under MRET



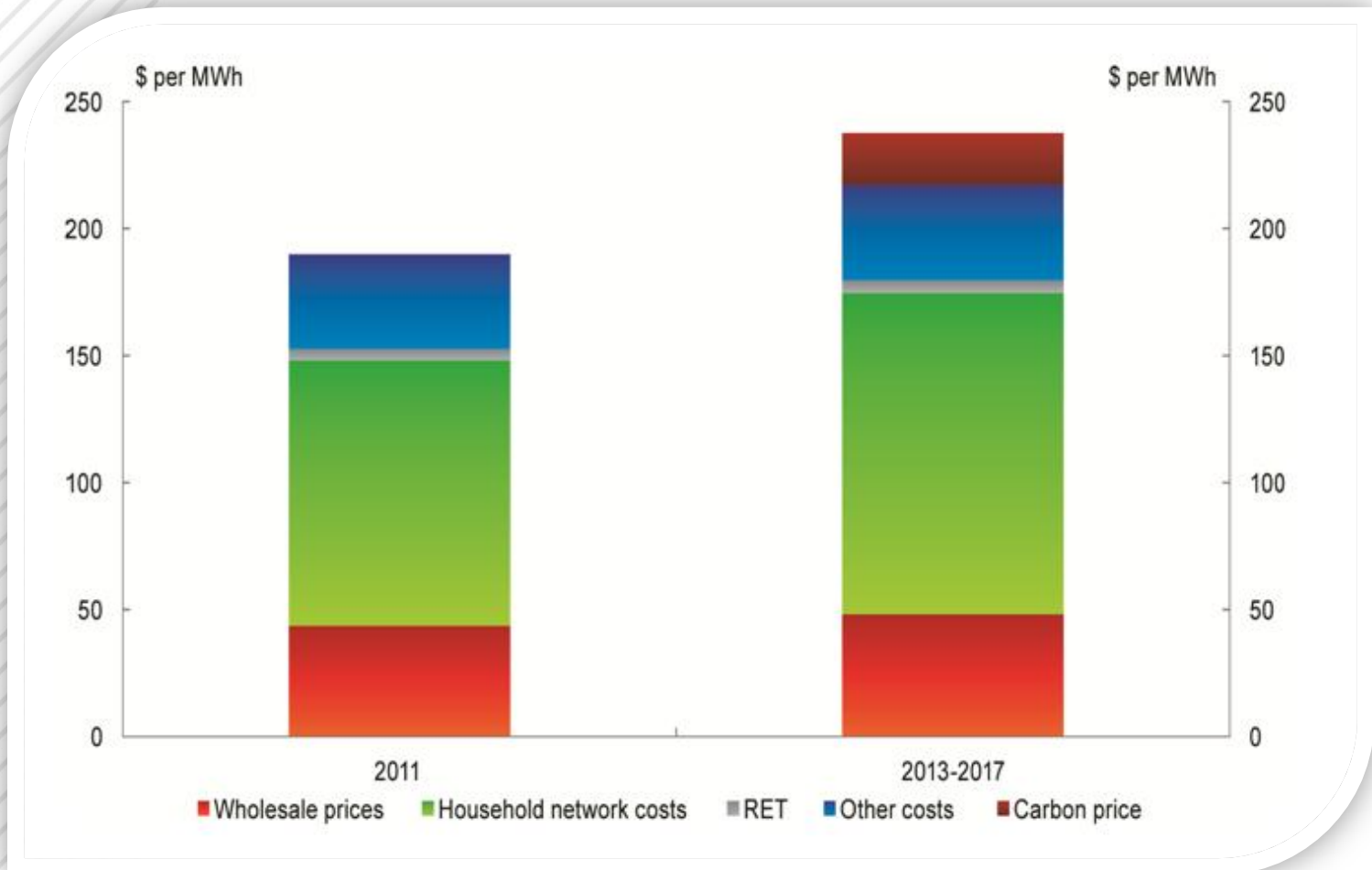
■ Wind      ■ Biomass      ■ Hydro  
■ Geothermal      ■ Large scale solar      ■ Small-scale

Indicative estimate of additional renewable energy in 2010 under the RET



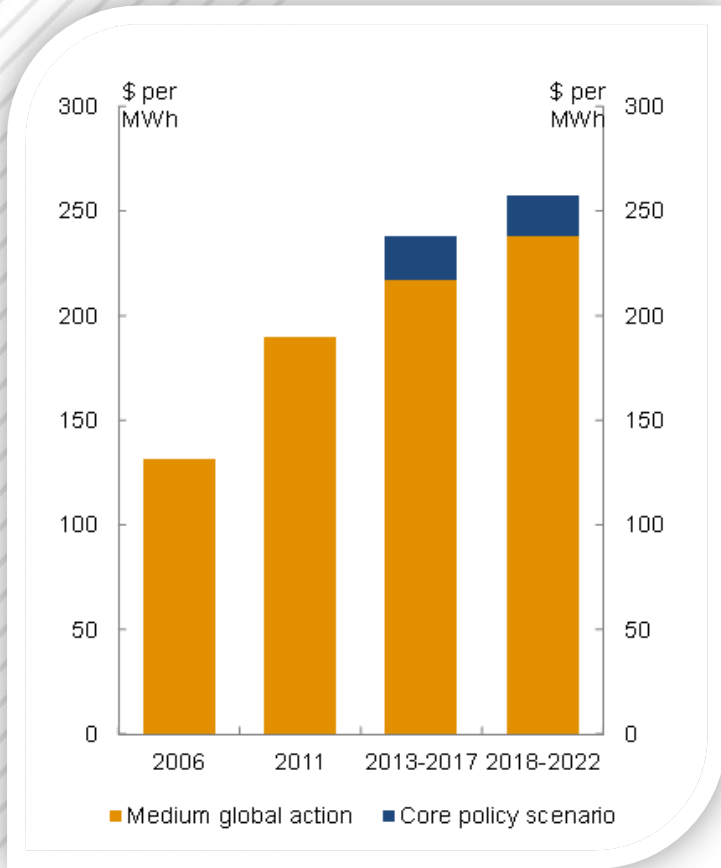
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# The Causes of Electricity Price Increases



# Price Effects

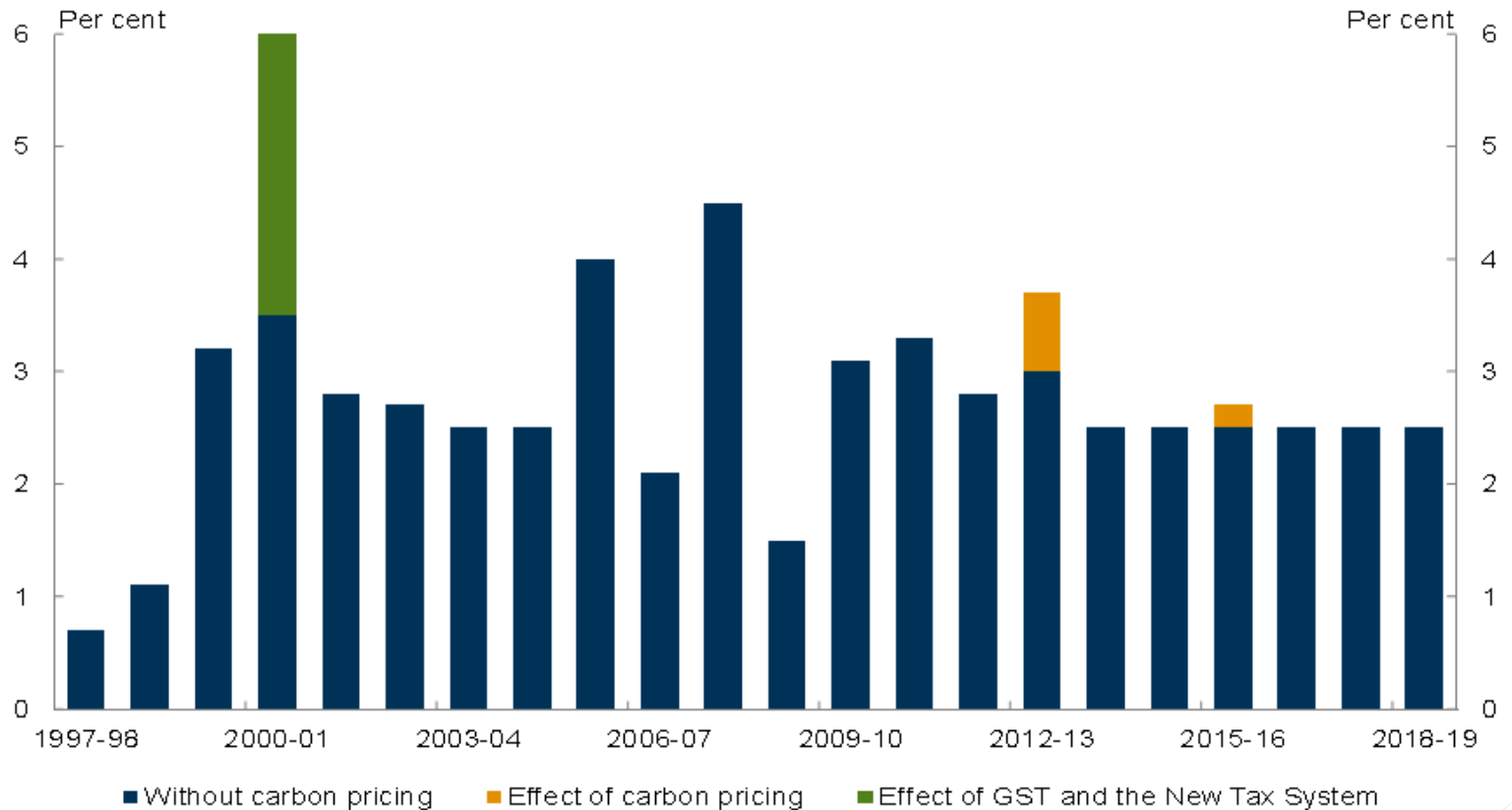
## Household electricity prices



## Effect of \$23/t CO<sub>2</sub>-e carbon price

	Weekly expenditure	Consumer prices
	<i>\$ per week</i>	<i>Per cent</i>
Electricity	3.30	10
Gas	1.50	9
Food	0.80	<0.5
<b>Overall effect</b>	<b>9.90</b>	<b>0.7</b>

# Impact on CPI



# The Clean Energy Plan & Electricity

- Transformation and Security of Supply
  - Carbon price
  - Cash support and free permits for emission intensive
  - Sector reform – Energy Security Council
    - Finance support
  - Contract for Closure
  - RET