



Asia-Pacific Emissions Trading Forum

Markets for Carbon

National MBI Conference (Brisbane)

*Brett Janissen
Executive Manager, AETF*

3 June 2008

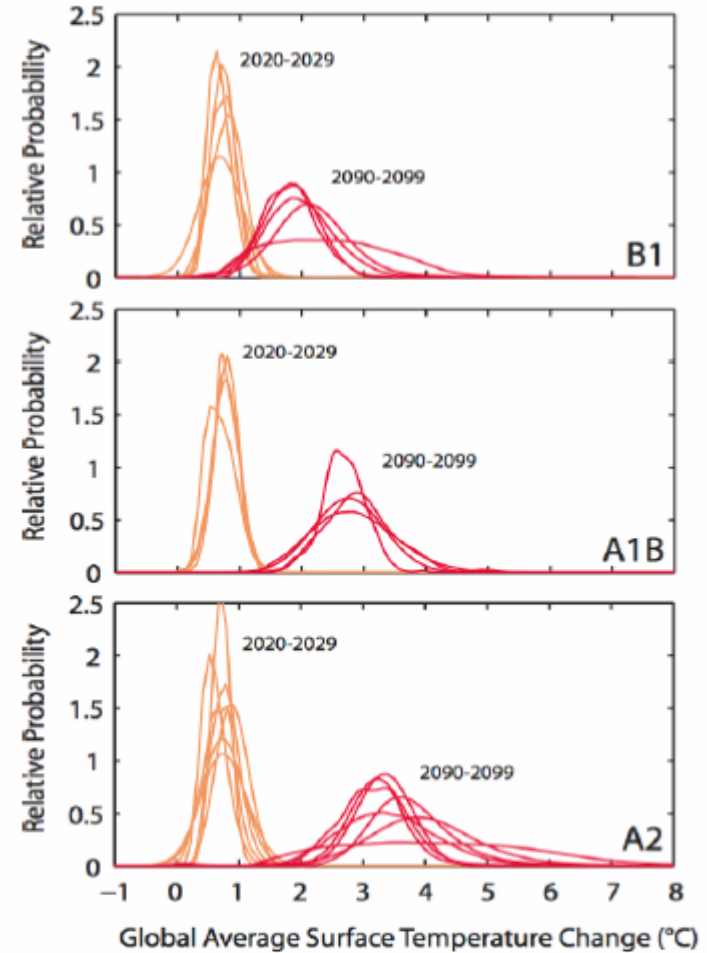
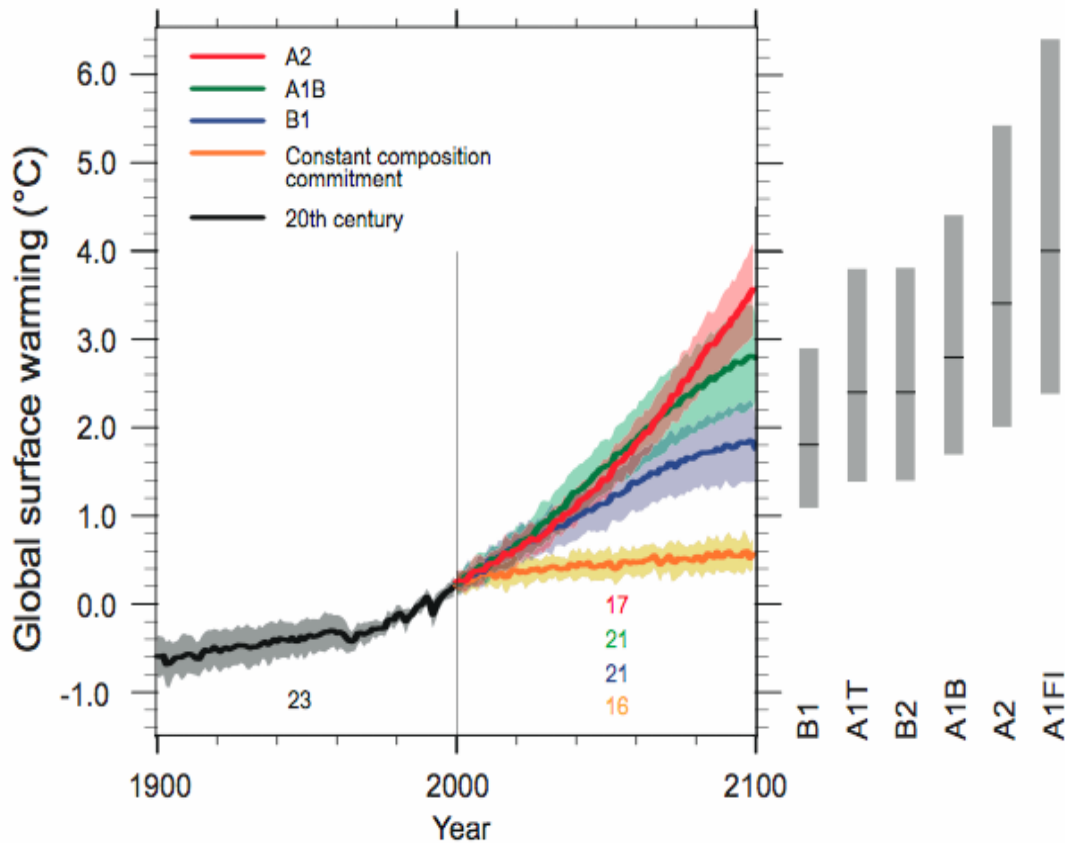


Overview

- International drivers
- Domestic developments
 - Garnaut
 - Green paper
- Issues & outlook

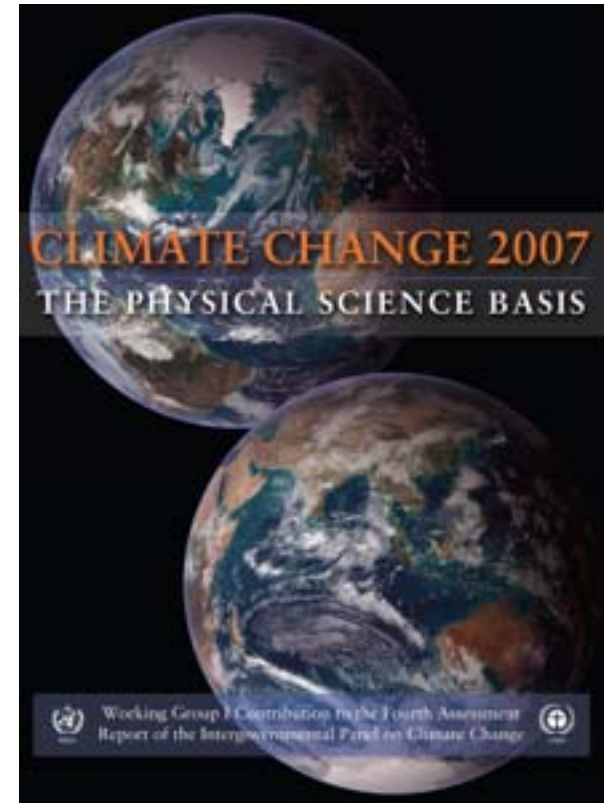


International drivers: science



International drivers: policy

- **UNFCCC (1992)**
 - avoid 'dangerous' climate change
- **Kyoto Protocol (1997)**
 - developed country targets (2008-12)
 - links to developing country action (CDM)
- **EU ETS**
 - Phase 1 (trial): 2005-07
 - Phase 2 (KP): 2008-12
 - Phase 3 (post-KP): 2013-20
- **UK Stern Report**
 - climate chg cost impacts
- **Nth America**
 - WCI, RGGI, etc



Stern: costs of climate change

QuickTime™ and a
TIFF (LZW) decompressor
are needed to see this picture.

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IPCC World GDP ests: 2050 ≈ US\$100 trillion, 2100 ≈ US\$250 trillion

Costs: 2050 (0.5%) ≈ US\$500 billion, 2100 (2.9%) ≈ US\$7.25 trillion

Rapid growth in C-markets

- Expansion in the global carbon mkt, 2005-07
 - doubling & trebling in recent years

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decompressor
are needed to see this picture.

Domestic ETS developments

- **Garnaut reports**
 - emissions trading (prelim): Feb 08
 - draft report: July 08
 - draft report supplement: Sept 08
 - final report (*... any day now*)

- **Commonwealth Green Paper (July 08)**
 - national ETS = Carbon Pollution Reduction Scheme
 - built on State work (ET Task Force) and Howard govt discussions (PM's ET Task Group)

Green paper proposals

- **Cap & trade scheme**
 - fixed national emissions quota
 - supports our Kyoto Protocol target
 - surrender permits to govt for emissions
 - ie. 5 x 598 MtCO₂e for 2008-12
- **Commences 1 July 2010**
 - rolling 5 year quota, 10 year outlook
- **'Upstream' focus**
 - obligations mainly on large emitters (approx 1000 firm)
 - big direct emitters (eg. electricity generation, industrials, etc)
 - coal, petroleum, gas supply
- **Approx 75% emissions coverage**
 - but some exemptions

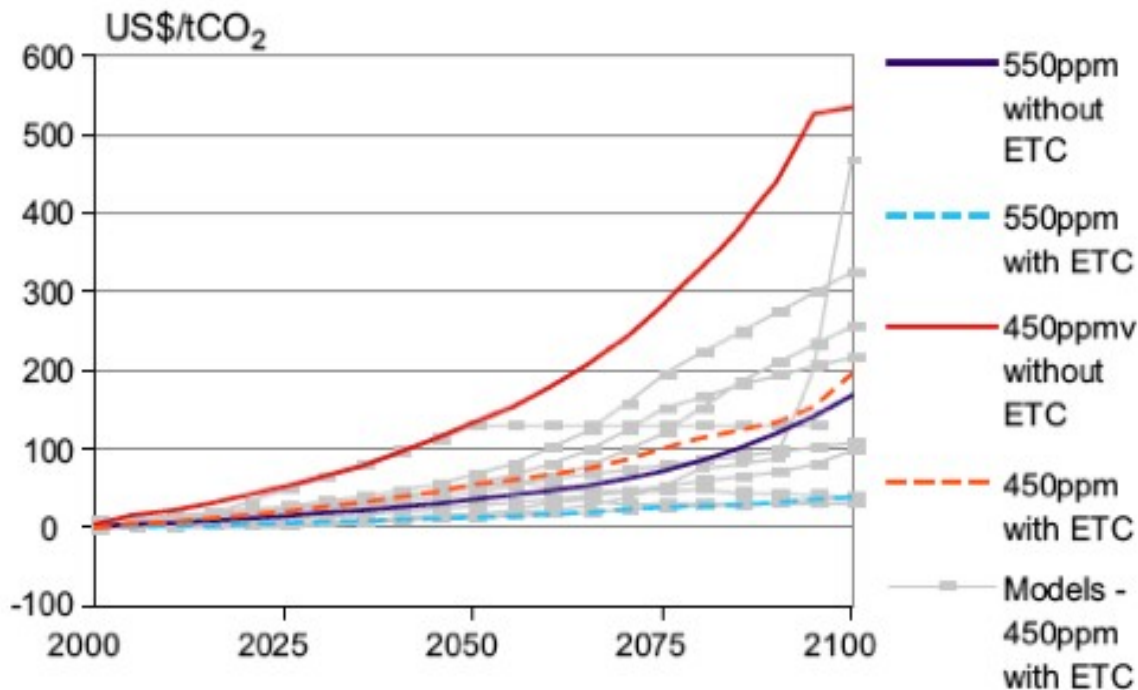
Proposed ETS timetable

ETS Timetable	
March to June 2008	Phase 1 consultation with stakeholders to inform the development of the Green Paper, including: <ul style="list-style-type: none">• ongoing consultation with states and territories through the Council of Australian Governments;• roundtable discussions with peak industry and non-government organisations, with inaugural meetings held on 3 March;• consultation with the agriculture and forestry sectors on the question of their inclusion in the emissions trading scheme and on the timeframe for that inclusion; and• targeted consultations on technical design issues.
July 2008	Public release of the Green Paper on scheme design
July to September 2008	Phase 2 consultation on the Green Paper
December 2008	Public release of exposure draft of legislative package
December 2008 to February 2009	Phase 3 consultation on exposure draft legislation package
End 2008	Firm indication by Government of planned medium-term trajectory for the scheme
March 2009	Bill introduced into Parliament
Mid-2009	Government aims to achieve passage of bill by Parliament at this time
During 2009	Phase 4 consultation on emissions trading regulations
3rd quarter 2009	Act enters into force; scheme regulator established
2010	Emissions trading scheme will commence

Where might prices go?

- Market speculation: A\$19/tCO₂e
- Garnaut proposal: A\$20/tCO₂e (2010-12)
- C'wlth: silent til December

(a) Averaged effects of including ETC on carbon price



IPCC (2007) AR4, WG3
report - model analysis
with and w/o
endogenised
technological change

Forward agenda & issues

- Coverage (of abatement opportunities)
 - Land-based emissions out - decisions in 2013, about 2015
 - ... but what about offsets?
 - Petroleum impact offset (til 2013)
 - EITE arrangements
- NRM
 - land use change emissions not covered
 - new forests (carbon credits) can opt in
 - adaptation agenda (water, coasts, marine ecosystems, etc)
- Future international action
 - Bali road map for post-2012
 - seek resolution - Copenhagen 2009
- Allocation / expenditures?
 - possible \$50-100 billion from auctioning over 10 years

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Brett Janissen

ph. 02 6204 6505

m. 0418 495 042

brett.janissen@aetf.net.au

www.aetf.net.au