



Australian Government



# Australia's Carbon Pricing Mechanism – Allocation

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# Allocation

# Objectives and principles

- Allocation used to underpin *Clean Energy Future Plan* measures
  - Mix of auctioning and free allocations
- Allocation methods designed to preserve carbon price incentive to reduce emissions
  - No grandfathering
  - No updates to free allocation benchmarks
  - No new entrant reserves
  - Used historical data, no opportunity to influence benchmarks
- Majority of allocation used to assist those adversely affected
  - These need not be liable entities

# Allocation methods

- Auctioning
  - Provide assistance to low and middle income households
  - Fund land and biodiversity measures
  - Fund clean energy innovation, energy efficiency, clean technology programs
- Administrative allocation (benchmarked)
  - Support for emissions-intensive, trade-exposed industry
  - Maintain energy security (emissions-intensive generators)

# Auctioning

- Sale of fixed price units, 2012-13 to 2014-15
  - 75% within compliance year, 25% after compliance year
- Advance auctions of capped vintages from 2013-14
- Auctions of current vintage within compliance year (2015-16 onward)
- Policy still being determined; will be set in regulations

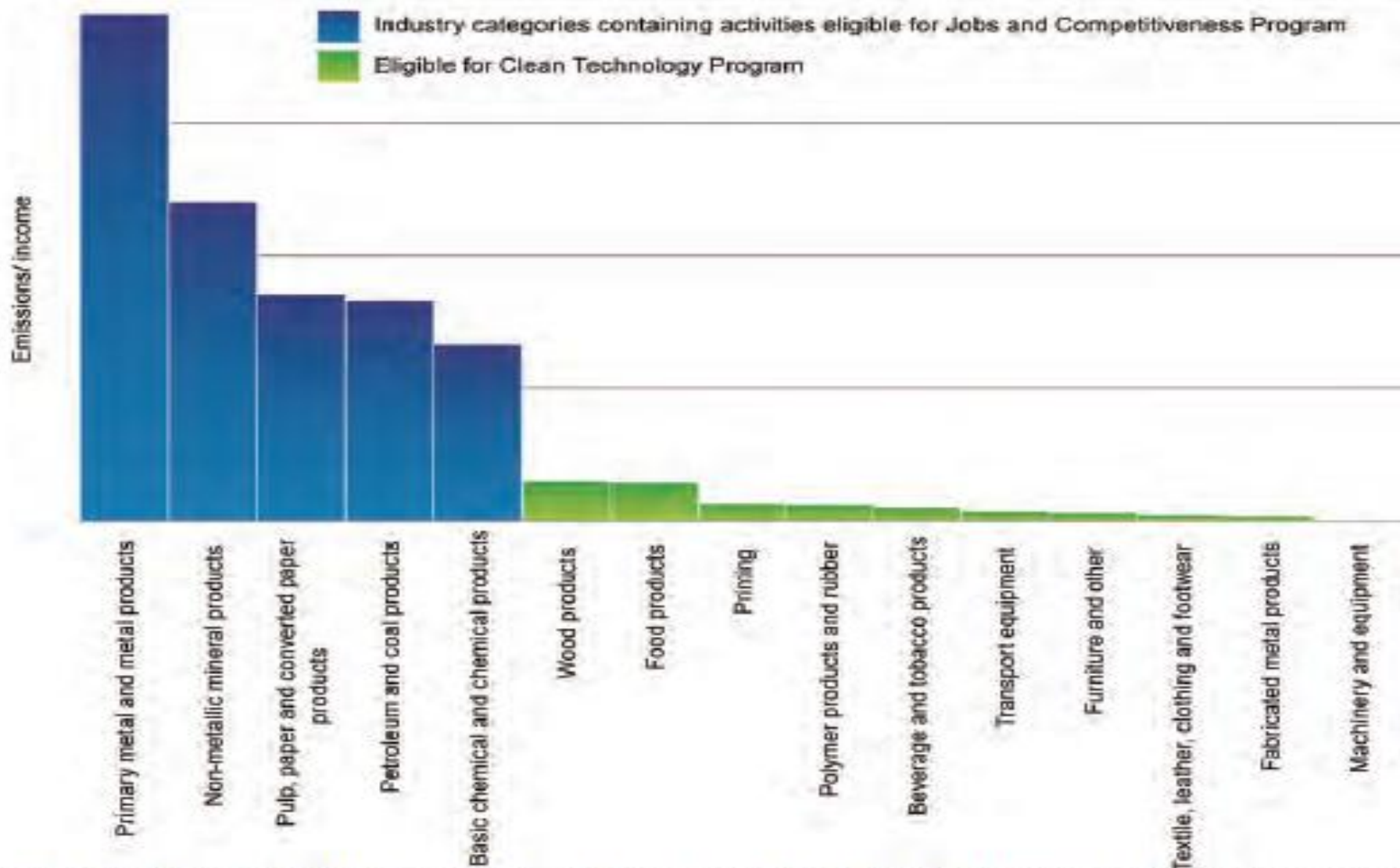
# Jobs and Competitiveness Program

- Free carbon units to businesses:
  - significantly impacted by a carbon price due to the emissions intensity of their production; and
  - constrained in their ability to pass on costs as a result of being trade-exposed.
- The ongoing program will provide around \$8.6 billion of assistance over the first three years of the carbon price.

# Eligibility thresholds (Activity-based)

	Highly-emissions intensive	Moderately-emissions-intensive
Revenue Threshold	2,000tCO <sub>2</sub> -e / \$1m revenue	1,000tCO <sub>2</sub> -e / \$1m revenue
Value-added Threshold	6,000tCO <sub>2</sub> -e / \$1m value-added	3,000tCO <sub>2</sub> -e / \$1m value-added
Assistance rates (%)	94.5% declining at 1.3%p.a.	66% declining at 1.3%p.a.

# Emissions intensity – selected sectors



Source: Australian Bureau of Statistics, 8155.0 - Australian Industry, 2009-10, 2011 and Department of Climate Change and Energy Efficiency, National Greenhouse and Energy Reporting System data, 2011.



# Examples of eligible EITE activities

Highly-emissions intensive	Moderately-emissions-intensive
Aluminium smelting	Integrated production of lead and zinc
Alumina refining	Production of high purity ethanol
Production of clinker	Production of liquefied natural gas
Petroleum refining	Production of polyethylene
Integrated iron and steel manufacturing	Production of white titanium dioxide pigment
Production of ammonia	Tissue paper manufacturing

# Allocation of assistance

- Assistance will be provided through the upfront allocation of free carbon units.
- Assistance will be calculated by:
  - (industry average emissions + electricity intensity baselines of production) x assistance rates x production
- Retains an incentive to reduce emissions – not a full exclusion from the carbon price.

# Energy security

- Coal-fired generators with emissions intensity greater than **1.0 tCO<sub>2-e</sub> / MWh** eligible to apply
- AUD1 billion in cash assistance in June 2012
- Free carbon units valued at around AUD4.5 billion and allocated over 2013-14 to 2016-17

# Questions?

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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