

# Linking Australia's ETS to international carbon markets

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thinkchange



# Linking carbon markets: rationale

## Rationale for Linking

## Linking Considerations for Australia

## Australian Linking in Practice

- Reduces aggregate mitigation costs and increases economic efficiency
- Provides access to deep and liquid markets
- Promotes global action and supports strong global ambition
- Reduces transaction costs for entities operating under linked ETS systems

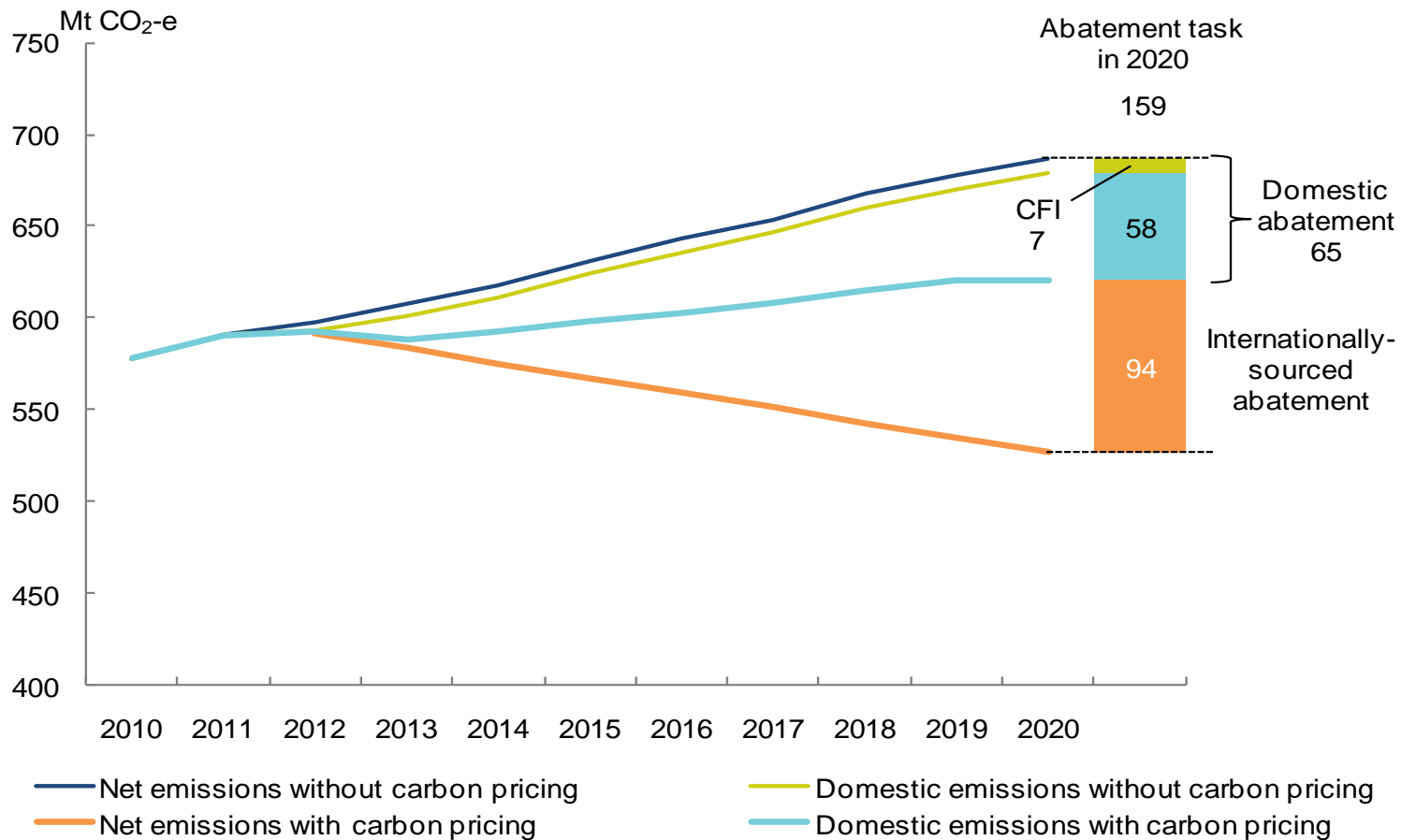
# Role of overseas abatement in the ETS

Rationale for Linking

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Australian Linking in Practice

### Australia's emissions in the core policy scenario



# Policy considerations for linking to international markets

Rationale for Linking

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Australian Linking in Practice

- Allowance/disallowance of new or existing units
  - Units do not compromise the environmental integrity of Australia's ETS
  - Use of units is consistent with the objective of the ETS and with Australia's international objectives/obligations
  - Review and recommendations of the Climate Change Authority
  - Stakeholder consultation / advance market notice
- Linking to other ETS
  - Internationally (or mutually) acceptable level of mitigation commitment
  - Comparable MRV, compliance and enforcement mechanisms
  - Compatibility in design and market rules

# Environmental integrity considerations

Rationale for Linking

Linking Considerations for Australia

Australian Linking in Practice

- Baselines, Additionality, Leakage and Permanence
- Measurement, Reporting and Verification
- Governance and Compliance
- Registry Design and Operation
- Broader sustainability issues

# Australian linking in practice (1)

Rationale for Linking

Linking Considerations for Australia

Australian Linking in Practice

- International Project Based Offsets: Kyoto Units
  - Qualitative Restrictions
    - Nuclear projects
    - Destruction of trifluoromethane (HFC-23)
    - Destruction of nitrous oxide from adipic acid plants
    - Large-scale hydro-electric projects not consistent with World Commission on Dams guidelines
    - Long term and temporary CERs
  - Quantitative Restrictions
    - At least 50 % of annual liabilities must be met with domestic permits
    - [Proposed] A maximum of 12.5% of annual liabilities may be met with Kyoto units

# Australian linking in practice (2)

Rationale for Linking

Linking Considerations for Australia

Australian Linking in Practice

- International Cap and Trade: Australia's CPM and the EU's Emission Trading Scheme (ETS)
  - Partial (One Way) Link (July 2015 - 2018)
    - Australian liable parties will have access to EUAs for the purposes of meeting their obligations under the scheme, up to the 50% quantitative limit on international units.
  - Full (Two Way) Link (From 2018)
    - The Australian Government and European Commission will work together to formalise the two-way link from 2018 through a treaty agreement

Questions?

Thank you