Australia’s Clean Energy Future Legislation

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www.cleanenergyfuture.gov.au
Australia’s Mitigation Challenge

108% of 1990 level
2000 level
106% of 1990 level
emissions excluding deforestation and forestry
Kyoto period

-5%
-15%
-25%

159
215
270

% change on 2000 level

Abatement challenge in 2020

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Australia’s 2050 Target

- 5% - 15% - 25% +24%

Mt CO$_2$-e

2000 level

106% of 1990 level

Kyoto period

% change on 2000 level

Abatement challenge in 2020

159 215 270

919

-80%

100 200 300 400 500 600 700 800 900 1000


Mt CO$_2$-e

-80% % change on 2000 level

Abatement challenge in 2050

919
How Emissions are Growing

Sectoral emissions growth 2010 to 2020
Comparing Australia’s 2020 Targets

<table>
<thead>
<tr>
<th>Commitment by 2020 (reduction from 2000 levels)</th>
<th>Comparisons</th>
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<td>Per capita</td>
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<tr>
<td>%</td>
<td>% per capita</td>
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<tr>
<td>-5</td>
<td>-29</td>
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<td>-25</td>
<td>-44</td>
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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
Coverage of Carbon Pricing

Emissions trading scheme

- Electricity generation and stationary energy
- Industrial processes
- Waste
- Fugitive emissions

Around 500 liable businesses
All facilities > 25 CO$_2$e Kt

Equivalent carbon price applied through separate legislation to:
- some business transport emissions,
- non-transport use of liquid and gaseous fuels, and
- synthetic greenhouse gases
Fixed Price Emissions Trading Arrangements

• The Emissions Trading Scheme (ETS) commences with a three-year fixed price period
  – A$23.00 in 2012-13
  – A$24.15 in 2013-14
  – A$25.40 in 2014-15
• Fixed price permits cannot be banked
• Domestic land sector offsets can be used for up to 5% of compliance liability
  – generated under the Carbon Farming Initiative
Flexible Price Emissions Trading Arrangements

- Flexible price ETS from 1 July 2015
- 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 three years of the flexible price period
  - Price ceiling will be set A$20 above expected international price in 2015/16; will rise by 5% real p.a.
  - Price floor set at A$15 in 2015-16; will rise by 4% real p.a.
- Unlimited banking and limited borrowing
International Linking

• International units can be used to meet liabilities from 1 July 2015

• Safeguards in place to ensure credibility and environmental integrity of ETS
  – Quantitative limit – at least 50 per cent of annual liabilities must be met with domestic permits
  – Qualitative limits – most CERs, ERUs and RMUs can be used

• Climate Change Authority to advise on integrity of international units

• Export of Australian permits will only be allowed from 1 July 2018
  – Except as part of bilateral linking arrangements
Transitional Assistance and Support for Renewables

• More than 50% of carbon price revenue raised will go to households
  – Assistance targeted to low-income households

• 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
  – Retains full incentives for emission reductions

• Support for renewable energy research and development
Sources of Emissions Reductions

**2020**
- Electricity: 30%
- Industrial processes: 11%
- Fugitives: 22%
- Other stationary energy: 10%
- Transport: 8%
- Waste: 9%
- CFI: 11%

**2050**
- Electricity: 52%
- Fugitives: 14%
- Transport: 8%
- Other stationary energy: 11%
- CFI: 4%
- Industrial processes: 7%
- Waste: 4%

[Source: cleanenergyfuture.gov.au]
Change in Composition of Electricity Generation

- Black coal
- Brown coal
- Coal CCS
- Gas and oil
- Gas CCS
- Renewables
Governance

Government and Parliament
Major policy decisions

Clean Energy Regulator
will administer
- Carbon Pricing Mechanism
- Carbon Farming Initiative
- Renewable Energy Target
- National Greenhouse and Energy Reporting System

Climate Change Authority
will review, recommend and track
- Level of pollution caps
- Operation of the carbon price
- Other climate change mitigation initiatives
- Progress towards pollution reduction targets

Productivity Commission
will review and report on
- International pollution reduction actions
- Jobs and Competitiveness Program
- Fuel excise and taxation regime

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Timeline

• **12 October 2011**: Passed through House of Representatives

• **November 2011**: Aim to pass through Senate

• **1 July 2012**: Scheme commences
Questions ?