Australia’s Carbon Pricing Mechanism – Institutional Arrangement

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Institutional Arrangements
Governance: Rule-making & reviews

- **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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Emissions MRV

• National Greenhouse and Energy Reporting System (NGERS)
  – Set up in 2007
  – Detailed Measurement Determination
  – Electronic reporting system ‘OSCAR’
  – First reports in 2008-9 financial year

• Adapted for Australian ETS
  – Registration, reporting, disclosure, penalties
  – New mandatory pre-submission audits
Registry

• Australian National Registry of Emission Units
  – Electronic registry: CFI, ETS, Kyoto Protocol
  – Set up in 2009 under Executive powers
  – Legislation in 2011 (CFI then ETS)

• Anti-fraud provisions
  – Identity requirements
  – Fit and proper person test
  – Suspend registry, suspend, restrict or close accounts, correct registry, delay or refuse transactions (if fraud suspected)
  – Related market protection provisions
Registry - technical

- Defence Signals Directorate IT security requirements
- UNFCCC standards
- Australian Govt Protective Security Policy
  - Hosting, passwords, logon procedures
- Proof of identity
  - Anti money-laundering and counter-terrorism financing guidelines
Market oversight

• Carbon units:
  – Financial products
  – Personal property

• Australian Securities and Investments Commission
  – Market misconduct & manipulation

• Australian Competition and Consumer Commission
  – Consumer protection - fraudulent claims

• Austrac
  – Anti-money laundering and counter-terrorism financing
Taxation treatment

• Carbon units excluded from GST (indirect tax)
  – Mainly for efficiency reasons
  – Also avoids potential for ‘carousel fraud’

• Special income tax provisions
  – Clarify and simplify rules for carbon unit holders
Compliance – non-surrender

• Shortfall charge:
  – 200% of benchmark average auction price per allowance not surrendered
  – Additional late payment penalty

• No ‘make-good’ provision
Compliance - other

• Broad investigation and enforcement powers

• Range of penalties under Act:
  – Infringement notices (up to $220,000)
  – Civil penalties (up to $1.1m or 3 x benefit)
  – Criminal prosecution for fraud or dishonesty
    • Up to 10 years in prison

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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)

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