



Asia-Pacific Emissions Trading Forum

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# ***Markets for Carbon***

***National MBI Conference (Brisbane)***

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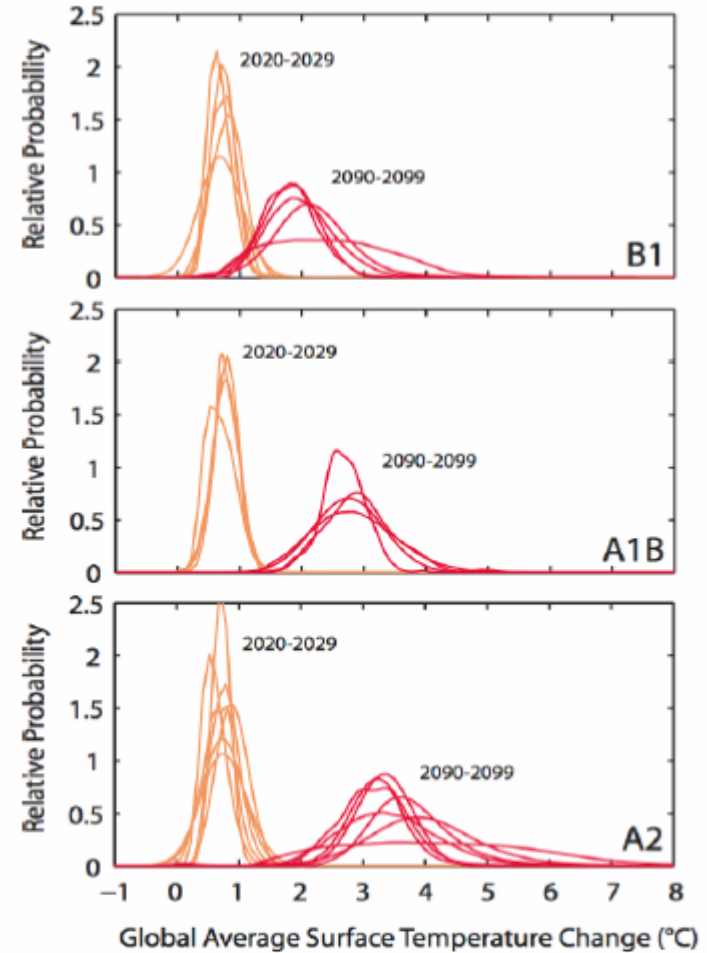
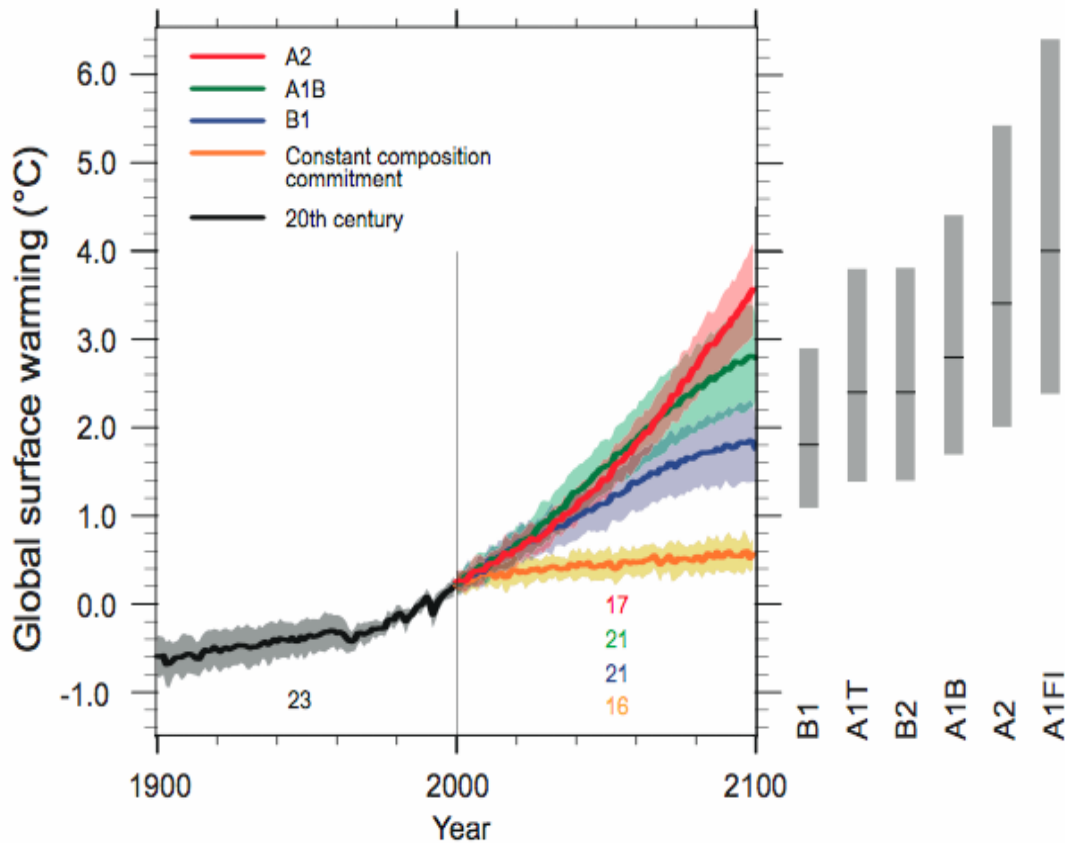
***3 June 2008***

# Overview

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

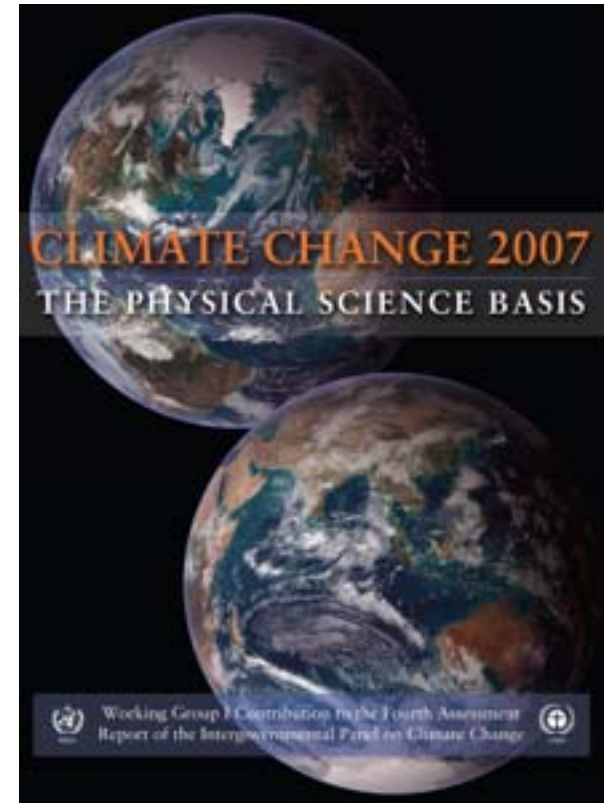


# International drivers: science



# 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

QuickTime™ and a  
decompressor  
are needed to see this picture.

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# 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 MtCO<sub>2</sub>e 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

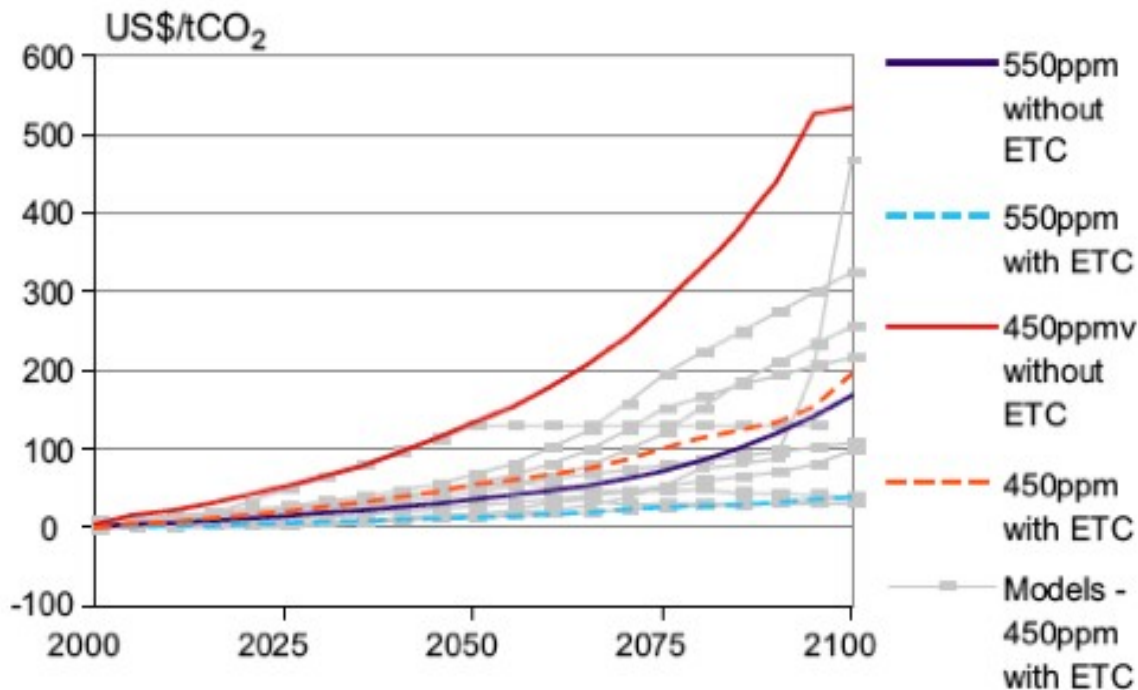
# Proposed ETS timetable

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

# Where might prices go?

- Market speculation: A\$19/tCO<sub>2</sub>e
- Garnaut proposal: A\$20/tCO<sub>2</sub>e (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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