

Fifth Annual Workshop on Greenhouse Gas Emission Trading September 2005

Australia – Update on Emissions Trading

The recent Energy White Paper “Securing Australia’s Energy Future” (www.pmc.gov.au/energy_future) outlines the Australian Government’s strategy to deliver on current commitments (including to meet its Kyoto target) and prepare the economy to respond to any long-term emissions constraints that may be required as part of an effective global response to climate change. As Australia is on track to meet its Kyoto target, the Government has decided that the introduction of additional measures such as emissions trading is therefore unnecessary at this stage.

Additionally, the Australian Government will not introduce an emissions trading scheme in the future in the absence of an effective global response to climate change emerging.

Should an effective global response be in prospect, the Australian Government will consider least-cost approaches to constraining emissions. This consideration would encompass the possible introduction of market-based measures (such as an emissions trading scheme) in the longer term, noting the potential for these to lead to better resource allocation and provide industry and individuals with the greatest flexibility in determining how best to respond.

The Mandatory Renewable Energy Target (MRET)

The Australian Government’s MRET is designed to increase the contribution of renewable energy to Australia’s electricity supplies. The MRET imposes a legal liability to source renewable energy on, generally, large wholesale purchasers of electricity. The legislation establishes the rules for the participation of renewable energy generators who may create renewable energy certificates (RECs). These RECs can then be traded to the liable parties to meet their individual targets.

Large buyers of electricity such as wholesaler purchasers and retailers are collectively required to source an additional 9500 GWh of their electricity from renewable energy sources by 2010 relative to 1997. This takes Australia from around 16,000 GWh per annum of renewable energy in electricity in 1997 to about 25,500 GWh per annum in 2010, or an increase of about 60% in that period.

On 15 June 2004 the Australian Government released its energy policy white paper – *Securing Australia’s Energy Future* – a statement was made on the MRET Review. The statement indicated the MRET would continue to operate and some operational and administrative improvements would be introduced. The changes were designed to strengthen the operation of the measure and included enhanced market transparency, increased opportunities for bioenergy and solar technologies, improved

business certainty, and encouraged innovation through recognising emerging renewable electricity generation technologies.

State Based Scheme

Australian State Governments have established an Inter-jurisdictional Emissions Trading Working Group to develop a multi-jurisdictional emissions trading scheme for consideration by State and Territory Governments (the Australian Government is not involved). Details can be found at <http://www.cabinet.nsw.gov.au/greenhouse/emissionstrading> - including a Report to First Ministers of State and Territory Governments in December 2004, outlining ten key design propositions to form the basis for further investigation and analysis.