



3rd Annual CEEM Conference

Emissions Trading – Getting Crucial Design Elements Right

30th November 2007

Australian Graduate School of Management, UNSW, Sydney

This one day conference will look at the crucial design elements of an emissions trading scheme such as target setting, allocation issues and linking potentials. It will be of interest to researchers, policy makers and participants in Australian energy and environmental markets. All sessions include time for questions and discussion.

Background

On the 1st June 2007 the Prime Ministers Emissions Trading Taskforce released its report recommending that immediate steps be taken towards implementing an emissions trading scheme for Australia. On the 3rd June 2007, the Prime Minister announced that Australia will move towards a domestic emissions trading system, beginning no later than 2012.

Emissions Trading Schemes are designer markets – governments create and can change the rules. There is, therefore, an enormous amount of flexibility in the chosen design of such markets and this poses both opportunities yet risks for policy makers. It is possible to create extremely complex and abstracted schemes, and the policy process is vulnerable to stakeholder pressure, with the result that while the scheme may meet internal criteria, these may not translate into the claimed level of physical abatement. Still, some fundamental design parameters are clear – any effective emissions trading scheme will require a cap on greenhouse gas emissions. This will be discussed in the first session.

Another key design parameter is permit allocation. All emissions trading schemes currently on the table include a mixture of free allocation and permit auctioning. Some lessons regarding free allocation can be learnt from the European Emissions Trading Scheme (EU ETS) and there is limited information regarding how auctioning might best be implemented. Permit allocation will be addressed in the second session.

A growing number of countries are integrating cap-and-trade schemes into their national climate policies. The EU ETS, operational since 2005, is one of the frontrunners, but an increasing number of similar systems are emerging around the world. In the United States, in particular, dynamic initiatives have been launched at the State level (Regional Greenhouse Gas Initiative, RGGI and California), while in New Zealand and Canada such schemes are in the planning stage. Most of these schemes explicitly emphasis linking to other schemes and this issue will be addressed in the third session. The conference will conclude with a panel discussion on “What will the consequences of emissions trading be?”.

Program

8:30 Registration and Coffee

8:45 **Welcome**

9:00 **Session 1 Trajectories: Setting the cap (Chaired by Iain MacGill)**
Experiences from the EU

Presented by Joachim Schleich (Fraunhofer ISI) - 30 min

New Zealand's Approach

Presented by Tim Denne (Covec Limited) - 15 min

Review of Australian Proposals

Presented by Philip Freeman (Australian Conservation Foundation) - 15 min

Discussion

10:30 Coffee break

11:00 **Session 2 Allocation: Free allocation and auctioning (Chaired by Frank Muller)**
Allocation in the RGGI

Presented by Charlie Holt (University of Virginia) - 30 min

Experiences from the EU

Presented by Regina Betz (CEEM) - 15 min

Proposals for Australia

Presented by Jack Pezzey (ANU) - 15 min

Discussion

12:30 Lunch

13:00 **Session 3 Linking emissions trading schemes (Chaired by Iain MacGill)**

Legal issues arising with the linking of international emissions trading schemes

Presented by Ashley Stafford (Baker McKenzie) - 15 min

Can existing and proposed schemes be linked? How much needs to be harmonised

Presented by Regina Betz (CEEM) - 30 min

Linking options with the NZ ETS

Presented by Tim Denne (Covec Limited) - 15 min

Discussion

14:30 Coffee break

15:00 **Session 4 Panel discussion: What will the consequences of emissions trading be? (Chaired by Tony Beck, Australasian Emissions Trading Forum)**

Experiences of Innovation outcomes from the EU ETS

Presented by Joachim Schleich (Fraunhofer Institute) - 15 min

What will be the impact on Trade exposed energy intensive industry?

Presented by Hugh Saddler (Energy Strategies) - 15 min

Consequences of emissions trading on the power sector

Presented by Julian Turecek (Origin Energy) - 15 min

Will the scheme promote appropriate investment in low-emissions technologies?

Presented by Iain MacGill (CEEM) - 15 min

17.00 Concluding remarks

