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Emissions trading in Australia – setting the cap



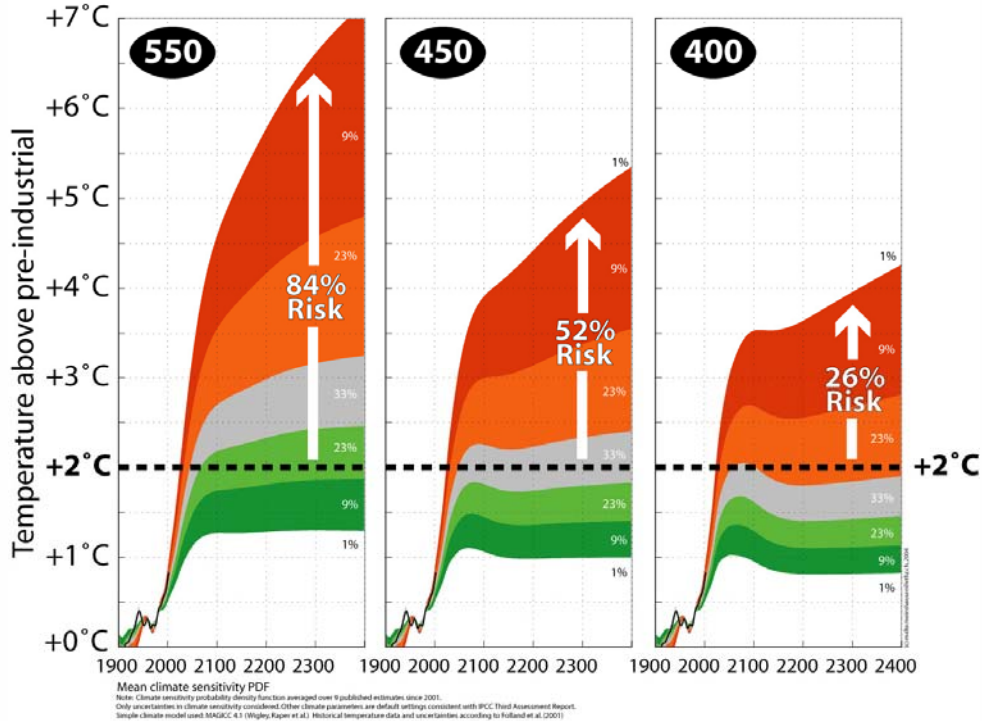
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Australian ET proposals – 3rd time lucky?

- States scheme
- Howard Coalition government
- New Rudd Labor government



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Climate change risk

Options for the future	Likelihood of exceeding 2°C
Business as usual (630ppm, these figures are for 650)	92 - 100%
Stern Review (450 – 550ppm concentration)	38 – 78%
ACF, UK DEFRA paper 50% global by 2050, 80% for developed countries	8 – 57%
UK “High Stakes” Report 80% global by 2050, near 100% for developed	9 – 26%
Risk of having your car stolen	2%
Risk of having your house burgled	7%

IPCC scenarios (add de column?)

Category	CO ₂ -equivalent Concentration at stabilization including GHGs and aerosols (2005 = 375 ppm) ^(b)	Peaking year for CO ₂ emissions ^(a, c)	Change in global CO ₂ emissions in 2050 (% of 2000 emissions) ^(a, c)	Global average temperature increase above pre-industrial at equilibrium, using "best estimate" climate sensitivity ^{(d), (e)}	Global average sea level rise above pre-industrial at equilibrium from thermal expansion only ^(f)
	Ppm	Year	Percent	°C	metres
I	445 – 490	2000 – 2015	-85 to -50	2.0 – 2.4	0.4 – 1.4
II	490 – 535	2000 – 2020	-60 to -30	2.4 – 2.8	0.5 – 1.7
III	535 – 590	2010 – 2030	-30 to +5	2.8 – 3.2	0.6 – 1.9
IV	590 – 710	2020 – 2060	+10 to +60	3.2 – 4.0	0.6 – 2.4
V	710 – 855	2050 – 2080	+25 to +85	4.0 – 4.9	0.8 – 2.9
VI	855 – 1130	2060 – 2090	+90 to +140	4.9 – 6.1	1.0 – 3.7

Table SPM.6. Characteristics of post-TAR stabilisation scenarios and resulting long-term equilibrium global average temperature and the sea level rise component from thermal expansion only. {Table 5.1}^a

2020 targets are vital



The States' ET Proposal

- “Gateways” with stabilisation at 1990 levels by 2020 and 60% by 2050
- Coverage: only electricity to start with
- Timing: start 2010
- Offsets (mainly tree-planting) undecided but likely

The previous Coalition proposal

- Targets/Cap uncertain – Treasury asked to model emissions pathways and costs
- Coverage: Broad, 55% of total emissions (or 80% of emissions excluding land-based)
- Timing: 2012 start date

New Labor government - targets?

- “Set a target to cut Australia’s greenhouse gas emissions by 60 per cent below 2000 levels by 2050”
- Pathway to be determined following Garnaut (mid-2008), combined with Treasury and State Govt modelling
- BUT will Labor get advice on deeper cuts?

New Labor government?

- Coverage?
- Timing: “introduce a national ET scheme by 2010”
- “The scheme will need to meet five basic tests, namely: environmental effectiveness, economic efficiency, fairness, international consistency and urgency”.

What is 'environmentally effective'?

- Cap minimises the risk of exceeding 2°C
- Flexible enough to go deeper
- No 'safety valve' in the penalty price
- Broad coverage of sectors

What is 'environmentally effective'?

- Fair allocation of permits (via auction)
- Revenue recycled to smooth bumps (esp EE)
- Allows complimentary measures
- Sustainability overlay is still required

“It’s the environment, stupid”

A ‘safety valve’ is not safe

- Will result in emissions exceeding targets
- Undermines environmental outcome
- Will prevent linking with EU ETS
- Has international carbon trade implications
- Will prevent linking with voluntary offset programs

Broad coverage of emissions

- Good to see broad coverage
- Let's avoid a Bluescope repeat
- Need an immediate announcement that ensures shelter from carbon price

Flexible enough to go deeper

- Targets may need to go deeper
- Long term goal must be flexible
- States, copied by feds - Gateways approach not bad (set a new target every 5 years and gateway for 10 years ahead)
- Let's not repeat water trading mess
- Annual certificates that are date stamped
- No perpetual property rights

Sustainability overlay still required

- Climate solutions need to be sustainable
- Some solutions have co-benefits
- Means that while a tonne is a tonne, some solutions are preferable over others
- Unsustainable: Nukes, monoculture crops
- Sustainable: Biodiversity plantings