



Australian Government
Department of Climate Change

The Carbon Pollution Reduction Scheme

Presentation to All-Energy Australia '09

7 October 2009

Towards a Low Carbon Economy

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Key themes of this presentation

- Government policy to facilitate the transition to the low carbon economy of the future
- Particular focus on the Carbon Pollution Reduction Scheme (CPRS)



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Background - Australia's Commitment to Global Action

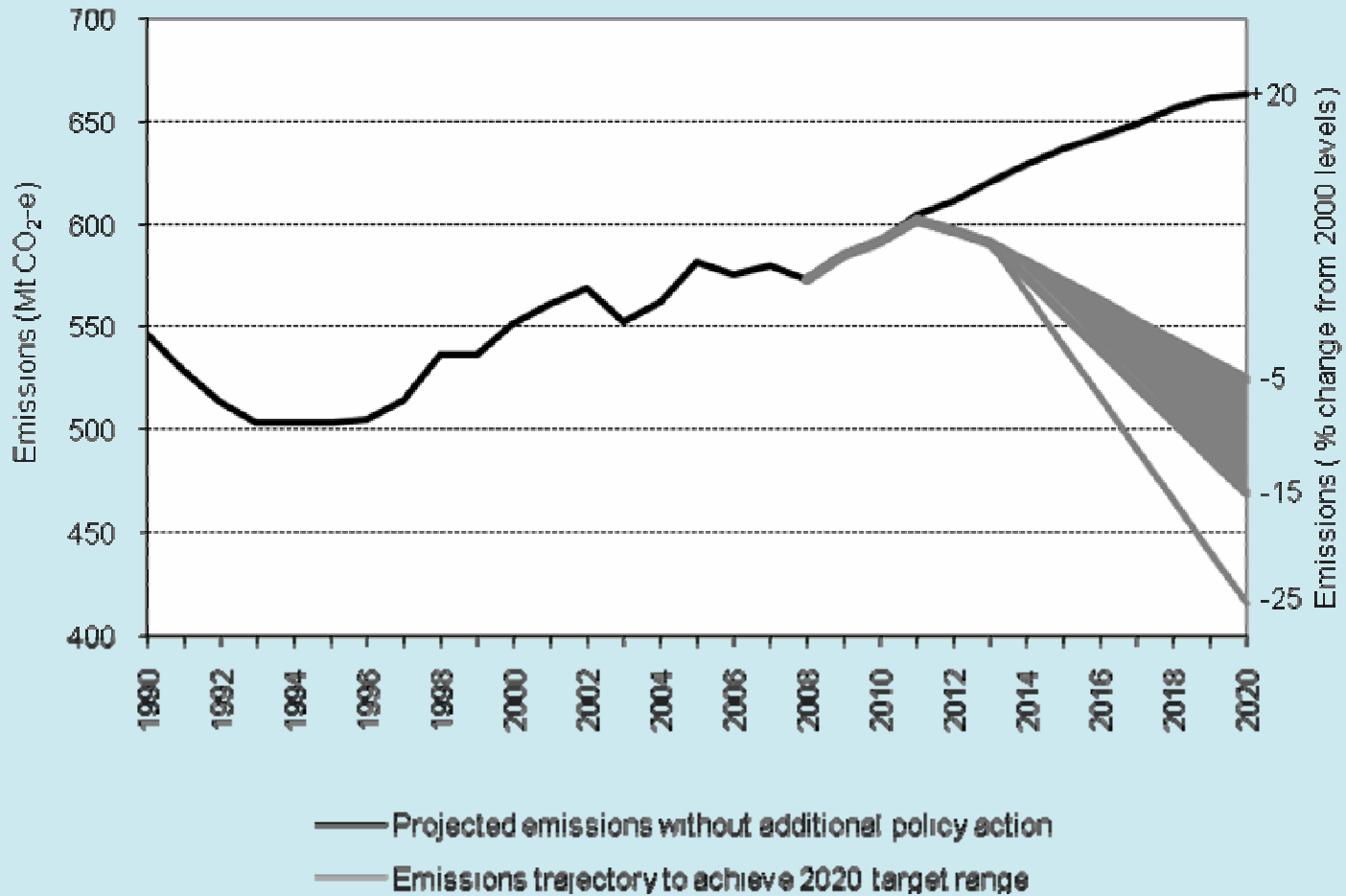
- Australia seeks global action to stabilise greenhouse gases at 450ppm or lower
 - And will reduce emissions by up to 25% on 2000 levels by 2020 in this context
 - And by at least 60% by 2050.
- The Carbon Pollution Reduction Scheme is the primary policy instrument to achieve these objectives
- Complementary measures are also required as the CPRS alone may not be sufficient.



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Background - 2020 target range: 5-15 and 25 per cent reductions on 2000 levels

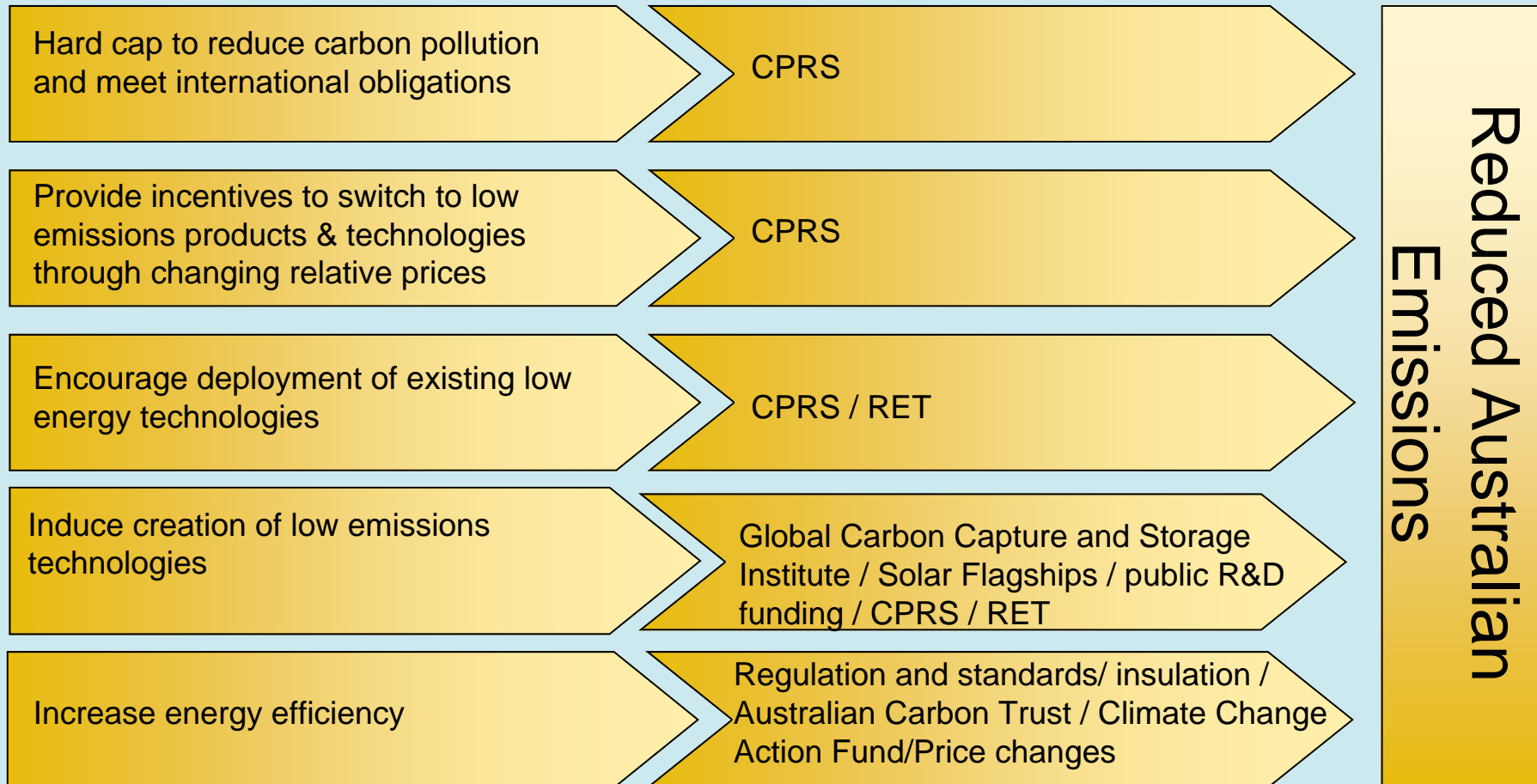


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Mitigation Component

Policy Means and Measures



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The CPRS: a framework for action

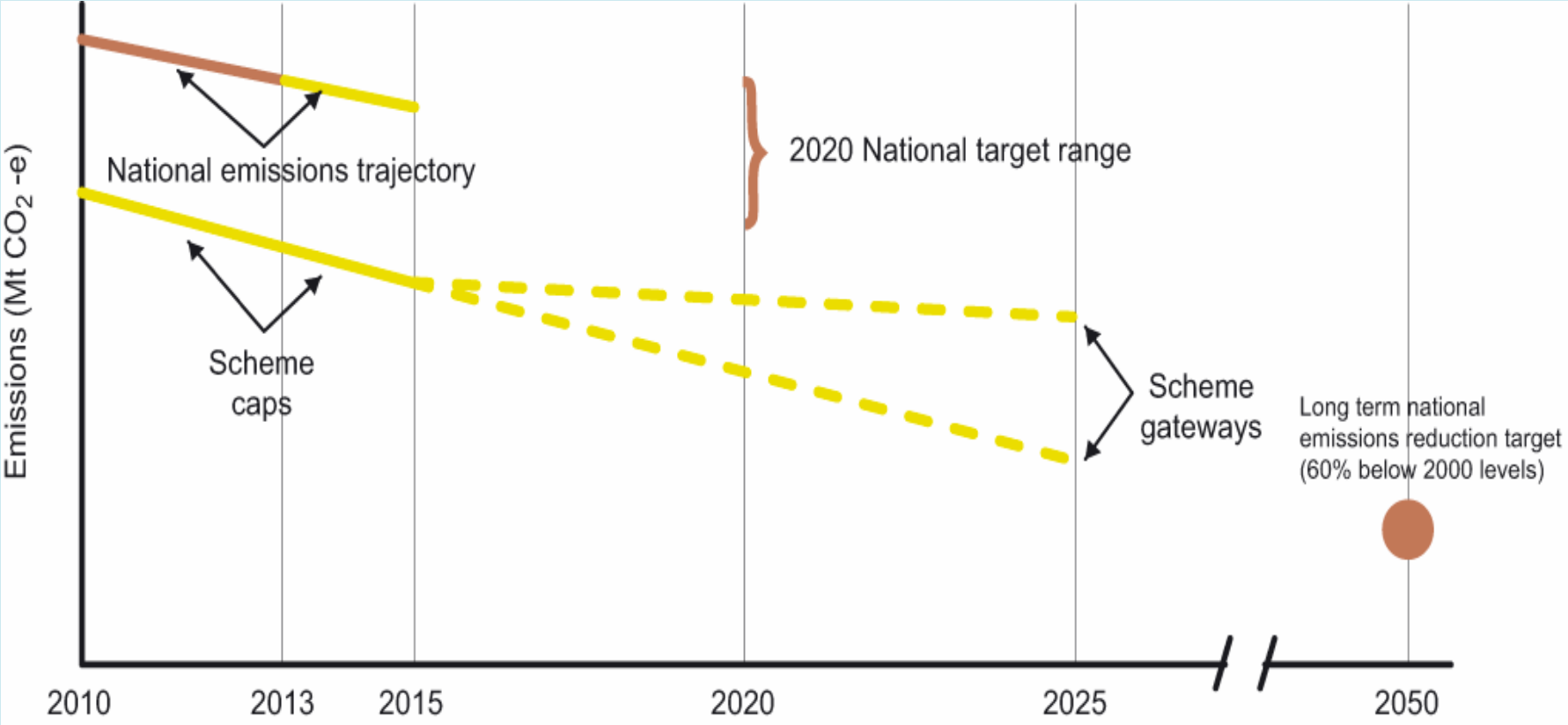
- Market-based mechanism
 - Cap on emissions – environmental contribution
 - Issue permits up to the cap
- Liable parties must surrender permits equal to emissions
- Permits are tradeable
 - helps lower costs and ensures least cost abatement throughout the economy
 - Carbon price signal influences investment, production and consumption decisions



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National targets and CPRS caps



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Setting the CPRS scheme cap

- Set in Regulations
- Minister must have regard to Australia's international obligations under the Kyoto Protocol
- The Minister may also take into account a range of other factors
 - This includes the take up of GreenPower above the 2009 baseline



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CPRS Key Features - Coverage

- Broad coverage – ensures that the costs are spread across the economy
- Around 75% national emissions and all 6 Kyoto gases
- Includes transport, waste landfill, fugitive emissions and synthetic greenhouse gases
- Reforestation opt-in from 2010
- Decision in 2013 on coverage of agriculture from 2015



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The CPRS Key Features – development of carbon markets

- An efficient carbon market will:
 - provides a clear price signal that informs investment and production decisions
 - ensure carbon permits reach those who value them the most
 - Provides long term risk management services through derivatives enabling clean energy projects to acquire the investment they need and to hedge against volatility and risk
- Linking internationally allows Australia to access low cost abatement measures
- Opportunities for Australia as a carbon market hub for Asia
- Market will be well regulated by ASIC and the ACCC

Complementary measures – focus on the Renewable Energy Target

- 20 per cent of Australia's electricity supply to be from renewable sources by 2020
 - will boost growth and provide certainty for investment in renewable energy
 - more than four-fold increase in the renewable energy target from 9,500 gigawatt-hours to 45,000 gigawatt-hours in 2020.
- Will provide support for a range of renewables including wind, biomass, solar and geothermal energy.



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Conclusions

- The CPRS provides a comprehensive framework to develop a low carbon economy through the introduction of the carbon price signal
- Combined with other complementary measures and household and industry assistance to deliver a smooth transition



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Complementary measures – focus on GreenPower™

- GreenPower™ purchases above 2009 baseline levels will be taken into account in setting future CPRS caps
- The action of all GreenPower™ customers – present and future – count towards emissions reductions because all purchases are needed to maintain and boost levels above the baseline
- Growth in renewable energy generation – including GreenPower™ – was factored into official modelling used to establish Australia's emissions reduction targets
- Action taken by GreenPower™ purchasers has therefore allowed for a more ambitious cap than would otherwise have been the case
- It is necessary to set a baseline to reward additional effort and ensure that GreenPower™ is not counted twice in setting future caps



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