



‘CPRS 101’

Mark Goodsell
NSW Director

A quick overview of the CPRS

- Key part of the national commitment to reduce Australia's greenhouse gas emissions
- A “cap and trade” emissions trading scheme (ETS)
- Associated measures





What is *proposed*?

- **“Cap and trade’ ETS with broad coverage:**
 - All greenhouse gases
 - All sectors (agriculture – out *initially*)
 - All large emitters (over 25,000 t of CO₂-e)
 - Fuel (and refrigerants etc) – importers/upstream suppliers
- **Less than 1,000 companies need to have permits**
 - Businesses will need permits **ONLY** for *direct* emissions
 - Businesses **WILL NOT** require permits to cover their electricity use

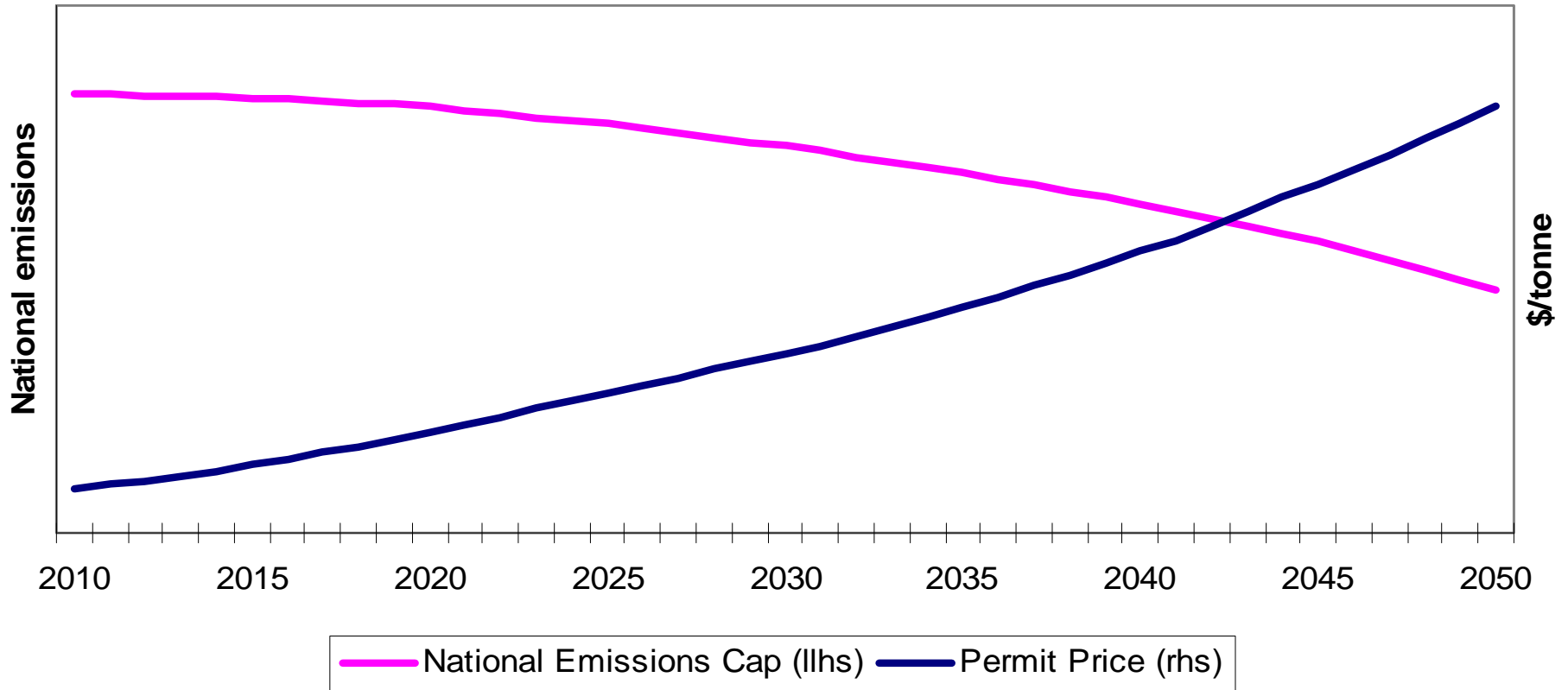


Cap and Trade

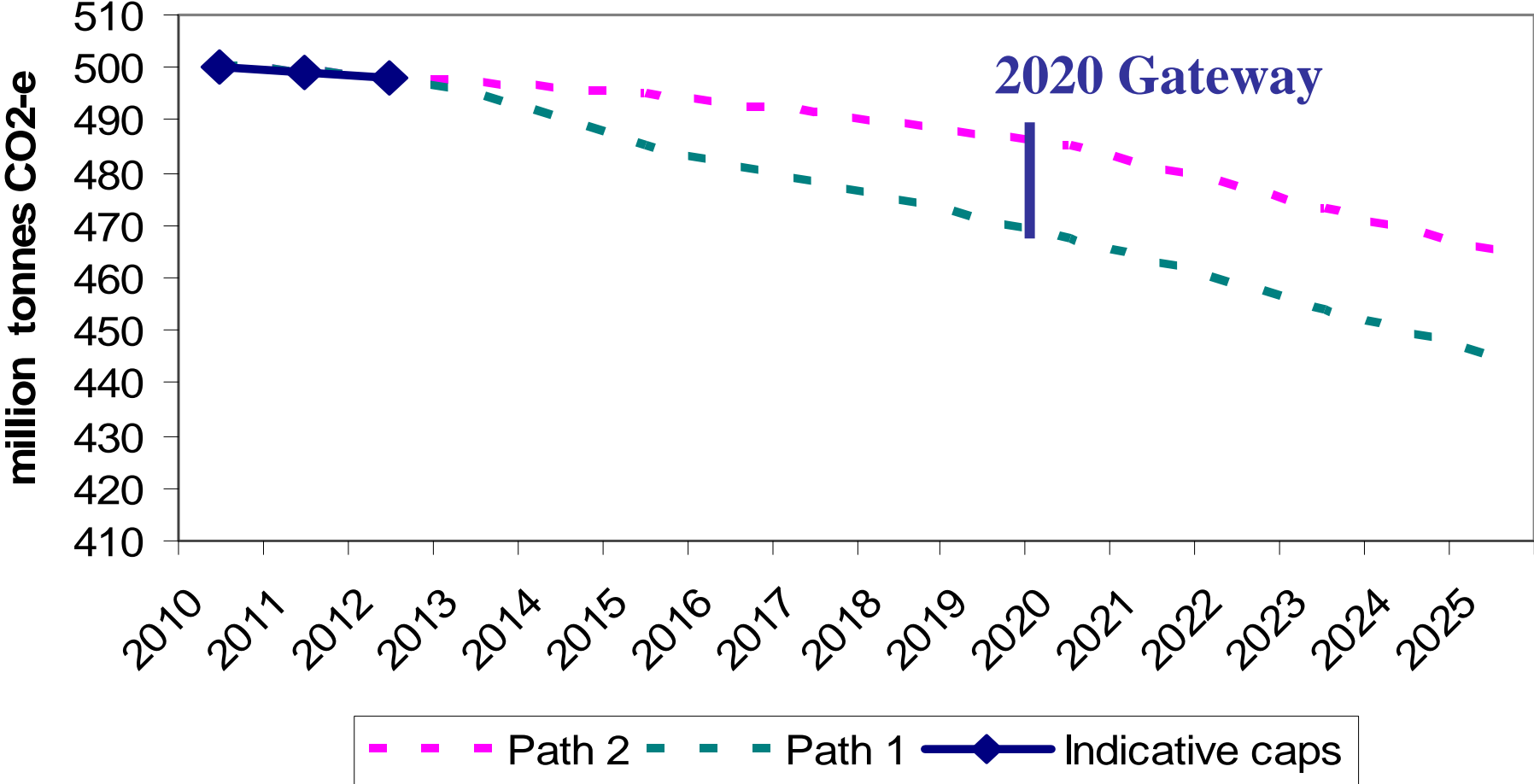
- Government requires and enforces measurement and reporting of emissions (for large emitters)
- Liabilities imposed and enforced on “covered emissions”
- Government issues a *falling number* of permits in line with the national reduction target.
- Permits are tradeable - encouraging businesses with lower cost opportunities to reduce emissions to do so



National Emissions Cap & Permit Price



December 2008 Announcements



4 May 2009 Modification

- Government initially set a maximum cap of a 15 percent reduction on 2000 levels by 2020
- On 4 May 2009, opened the possibility of extending target to 25% below 2000 levels by 2020 if there is a strong global agreement
- Start date pushed back a year (to July 2011) fixed price regime in 2011-12 (\$10 a tonne)





National Greenhouse and Energy Reporting Scheme (NGERS)

- NGERS compliance
 - Companies above a threshold must report annually to the Government on their energy production and use and greenhouse emissions.
 - Aligns with CPRS for direct emitters



NGERS: reporting thresholds and key dates

Facility thresholds

25 kt
100 TJ

Corporate group thresholds

125 kt
500 TJ

87.5 kt
350 TJ

50 kt
200 TJ

FIRST REPORTING YEAR
2008-09

SECOND REPORTING YEAR
2009-10

THIRD REPORTING YEAR
2010-11

FOURTH
2011-12

Corporations to apply for registration by

31 August 2009

31 August 2010

31 August 2011

31 Aug 2012

Corporations to provide data report by

31 October 2009

31 October 2010

31 October 2011

31 Oct 2012

Government to publish data by

28 February 2010

28 February 2011

28 February 2012

28 Feb 2013

Emissions Intensive Trade Exposed

- *Transitional measures in place until wider adoption of carbon constraints*

Initial allocations

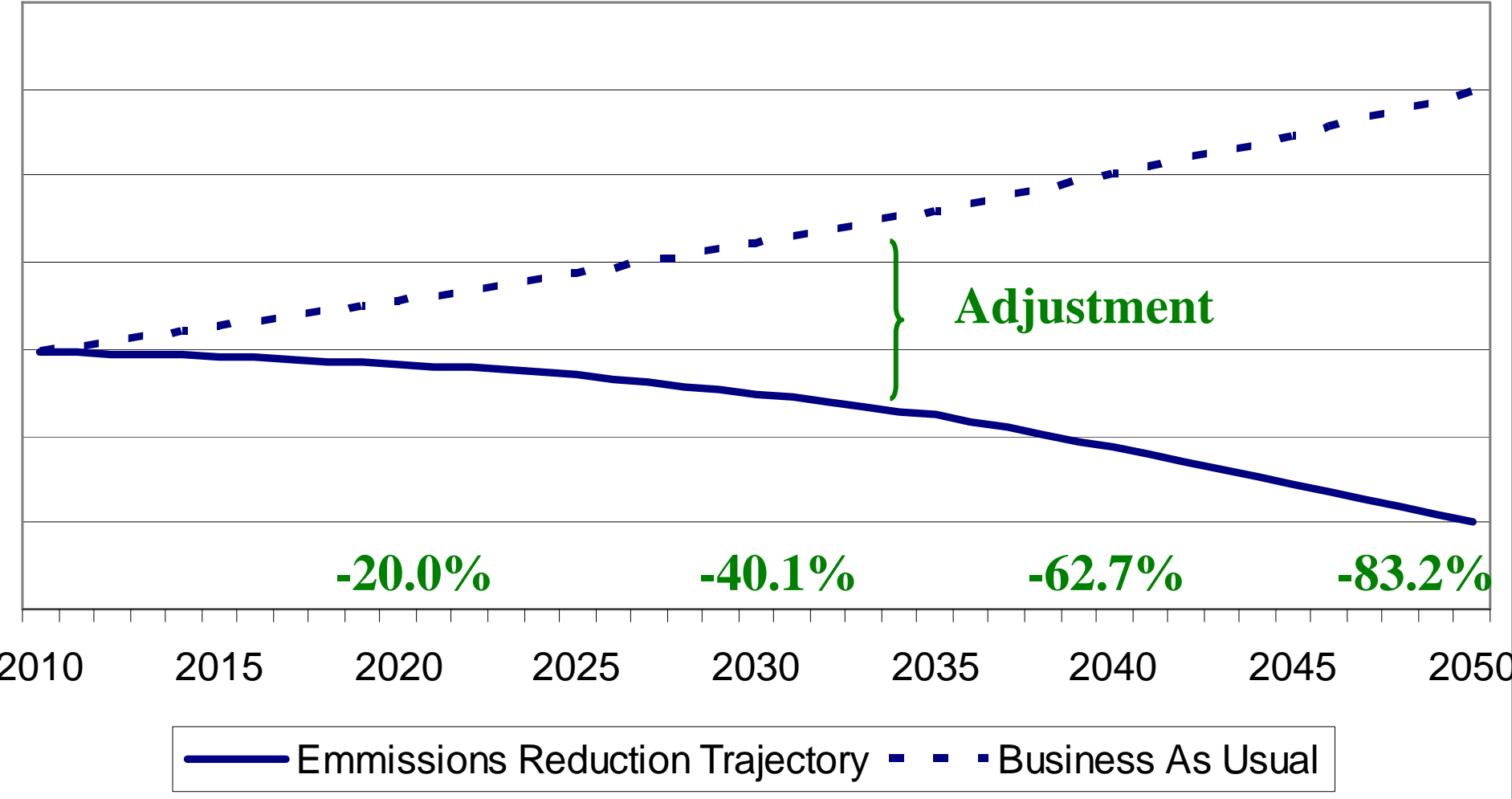
- 94.5% of direct and electricity-related industry average liabilities if over 2000t CO2/\$m revenue
- 66% of direct and electricity-related industry average liabilities if over 1,000t CO2/\$m revenue (coal mining excluded)
- Nil below 1,000t CO2/\$m revenue
- These rates fall at 1.3 percentage points per year



Impacts



The Adjustment Task



Immediate Impacts

Direct costs

- Costs of permits and compliance costs of involvement in the ETS for less than 1,000 companies

Energy costs

- Electricity, Gas, Petrol etc

Energy intensive inputs

- Metals, Non-metallic mineral products (e.g. cement), Plastics, Chemicals, Transport

Sales volumes

- Particularly for goods and services whose consumption uses energy (cars, appliances, travel)



Treasury Modeling: Permit Prices

	CPRS -5%		CPRS -15%	
	<i>\$A 2005</i>	<i>\$A Current</i>	<i>\$A 2005</i>	<i>\$A Current</i>
2012	21	23	29	32
2020	35	47	50	67
2050 (60% reduction on 2000 levels)	115	280	158	385



Treasury Modeling: Impacts

- By 2050, CPRS will have “cost” about 2 year’s growth
- Sectoral impacts more dramatic with relative winners (green and low emissions) and losers (emissions/energy intensive)
- Household impacts (prices) modest – particularly after compensating measures



Key Risks

- Trade Exposed businesses – will **not** be able to pass costs on to customers (until offshore competitors have the same costs)
- Electricity supply – will emissions intensive generators continue to operate?
- These are major areas being discussed in Canberra by Opposition and Government



Emissions Intensive Trade Exposed

Initial allocations

- 94.5% of direct and electricity-related industry average liabilities if over 2000t CO2/\$m revenue
- 66% of direct and electricity-related industry average liabilities if over 1,000t CO2/\$m revenue (coal mining excluded)
- Nil below 1,000t CO2/\$m revenue
- These rates fall at 1.3 percentage points per year



Climate Change Action Fund

- Around \$2 billion available to assist business in adapting to CPRS:
 - Information
 - Carbon footprint audits
 - Investment grants



Electricity Sector Assistance

- Targeted at most emissions intensive generators
- Government has indicated it may increase assistance (negotiation point with Opposition)



Opportunities

- Early mover advantages
- Lower emissions/energy processes and practices
- Alternative materials in building, machinery etc
- Green goods and services



Particular Ai Group concerns with current proposals

- Treatment of trade exposed businesses that are not “emissions intensive”
- Adequacy of EITE permit allocation
- Lack of consistency of EITE allocation (*in particular it does not cover coal mining*)
- Reduction over time in the rates of assistance
- Adequacy of Climate Change Action Fund



Other Key Arguments

- High priority to getting a genuine *global* response
- An *initial period* of gradually rising impact
- *Least cost abatement*
 - Broad base,
 - Keep compliance costs to a minimum
 - Remove/avoid additional regulatory measures
- Electricity generator measures should ensure continuity of supply
- Skills
- Scope for additional revenue in early years

