Australia’s Climate Change Policies & Impact on NZ’s ETS

- A plethora of policies
- Carbon Farming Initiative?
- Renewable Energy Target
Carbon Price Political History

• Development, hiatus and commitment by Howard Government (1997 – 2007)
• Major factor in Kevin ‘07 election
• Carbon Pollution Reduction Scheme (CPRS) – destroyed two leaders and nearly a Government
• Sept 2010 minority ALP Government with support of Independents (Reps) and Greens (Senate).

Clean Energy Future Scheme

• Announced by Government 10 July 2011
• Subject to Parliamentary approval
• Emissions trading scheme (a la CPRS)
• 3 year fixed price ($23 - $25.40)
• 3 year variable price (with floor and ceiling)
• Reasonably broad coverage (60% of emissions)
  – Agricultural & land emissions excluded
  – Some liquid fuel emissions excluded
CEFS – where do the $ go?

• Compensation for households (>50% of revenue)
• EITE assistance – exists under RET
  – Two levels (94.5% & 66%) based on emissions intensity (tCO$_2$/million revenue)
  – Six pulp and paper activity definitions
  – Wood panels unresolved
  – No cap on allocations
  – 1.3% decay in assistance
  – Subject to review but 5 year certainty

CEFS International Linkages

• Imported international units cannot be used in fixed price period (until July 2015).
• Only Kyoto ACCUs can be exported, not domestic permits.
• International units can be used in flexible price period subject to limit (until 2020 50% of annual liability from domestic permits/credits)
• Limited export of permits (except ACCUs) in flexible price period.
Domestic Forestry Offsets

• Substantial change from CPRS “opt-in” for afforestation”
• Only available via Carbon Farming Initiative (CFI) credits.
• Kyoto compliant CFI credits eligible for compliance under the carbon price. Limited to 5% of obligation in fixed price period. Units will be bankable.
• $250 million over six years for the purchase of non-Kyoto compliant CFI credits.

CEFS – implications for Australian forest products

• Additional costs throughout the supply chain (fuel, electricity) = reduced international competitiveness.
• Some compensation for most emissions intensive but not all trade exposed.
• Missed opportunity of carbon stored in forests and wood products.
• Access to carbon price for afforestation – restricted to CFI, less attractive than CPRS proposal.
Carbon Farming Initiative

- Subject to Parliamentary process.
- Mechanism of accrediting certain domestic sequestration and emission reduction activities (agriculture, landfill)
- Potential connection to carbon price:
  - Kyoto compliant units eligible
  - $250 million over six years to purchase
- Voluntary market shallow and weak.

Voluntary Market

- CFI provides credits for National Carbon Offset Standard (NCOS)
- NCOS regulates claims re carbon neutral products and/or companies.
- International trade for voluntary market?
CFI excludes commercial forestry

• Very different to NZ experience
• Anti-forestry prejudices exploited by both ends of the political spectrum (Greens and Nationals)
• Significant concerns and confusion about definition of additionality
• Common practice test – unclear and uncertain over time
• Permanence risk & administration costs

CFI excludes commercial forestry

• Negative list – subjective, interventionist tool that subverts the market mechanisms.
• Five of the six activities on the example Negative List are forestry related and rule out almost all commercial forestry activities.
Negative List examples

• Cessation or avoidance of harvest in monoculture plantations.
• Establishment of forest as part of a Managed Investment Scheme
• Establishment of a forest … that is not an environmental planting in the following circumstances…

Renewable Energy Target

• Original MRET scheme began in 2001.
• Expanded scheme July 2009.
• 20% of electricity to be from renewable sources by 2020 – an enormous change
• Market for additional renewable energy by legislating trade in Renewable Energy Certificates (RECs)
• To be phased out between 2020 & 2030
Renewable Energy Target

• Substantial price fluctuations caused by continual playing with levers.
  – Changes to targets.
  – Deeming and multipliers for small-scale generation.

• Real evidence of impact on electricity prices along with other factors (5-10%).

• EITE assistance provided following major increase in target.

Renewable Energy Target

• Black liquor and wood waste are eligible sources.

• 291 accredited renewable energy power stations – black liquor (2) wood waste (13)

• 53 million RECs created (Dec 2009) – approx 1 million (2%) each from black liquor and wood waste

• Mostly expansion of existing generation
RET issues for forestry

- Only covers electricity not heat/steam
- Limited surplus plantation biomass available
- Political/eligibility issues with native forest biomass.
- Native forest wood waste (including mill residue) now to be totally excluded
- Some export of biomass for energy – wood pellets

Implications for NZ

- Australia determined to be less competitive (high price and broad coverage).
- Major obstacles to trade in permits and scheme integration.
- An example of what to avoid.