


**Climate Change and Energy Policy:  
Presentation to Department of  
Infrastructure and Transport**

Michael Hitchens, Chief Executive Officer, May 2011




## Agenda

- **How did we get here?**
  - Not much to say on energy policy
- **International negotiations**
- **Domestic policy**

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## How did we get here?

INTERNATIONAL	DOMESTIC
UNFCCC 1992 (in force 1994)	Ratification of UNFCCC 1992
Berlin Mandate 1995	Carbon tax proposals → Greenhouse Challenge 1995
Kyoto Protocol 1997 (in force 2005)	National Greenhouse Strategy 1998, includes MRET (starts 2001)
EU ETS 2003-05 Stern Review 2007	AGO ETS 1999-2001; NSW GGAS 2003; States NETT 2004; QLD GEC 2005;
Bali Roadmap 2007-09	PMs TGET; Ratify Kyoto Protocol; Garnaut Review; CPRS White Paper 2008
Pre-Copenhagen 2009	RET; CPRS to start 2011
Post-Copenhagen/Cancun	Multi-Party Committee on Climate Change

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## International negotiations

- **Australia's Kyoto Protocol progress**
  - Average of +8% on 1990 over 5 years
  - Perhaps 50+ million tonnes to sell
- **Copenhagen Accord/Cancun Pledges**
  - Developed versus developing country paradigm
  - Pledges add to 17% reduction, at best
  - 2°C thought to require 25% and peaking by 2020
- **'Binding' agreement before 2012 unlikely**
  - USA – China the key


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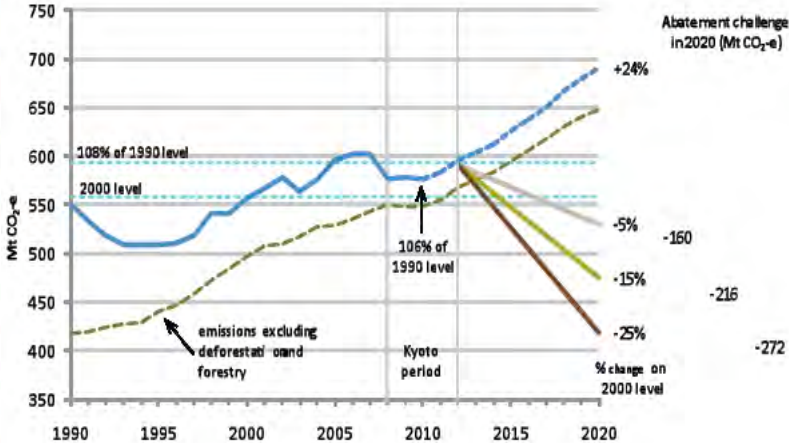
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 **Australia's pledge**

“... reduce Australia's emissions by 25 per cent on 2000 levels by 2020 if the world agrees to an ambitious global deal capable of stabilising levels of greenhouse gases in the atmosphere at 450 ppm CO<sub>2</sub>-e or lower...and... to unconditionally reduce Australia's emissions by 5 per cent on 2000 levels by 2020, and to reduce emissions by up to 15 per cent by 2020 if there is a global agreement which falls short of securing atmospheric stabilisation at 450 ppm CO<sub>2</sub>-e, and under which **major developing economies commit to substantially restrain emissions** and **advanced economies take on commitments comparable to Australia's.**”

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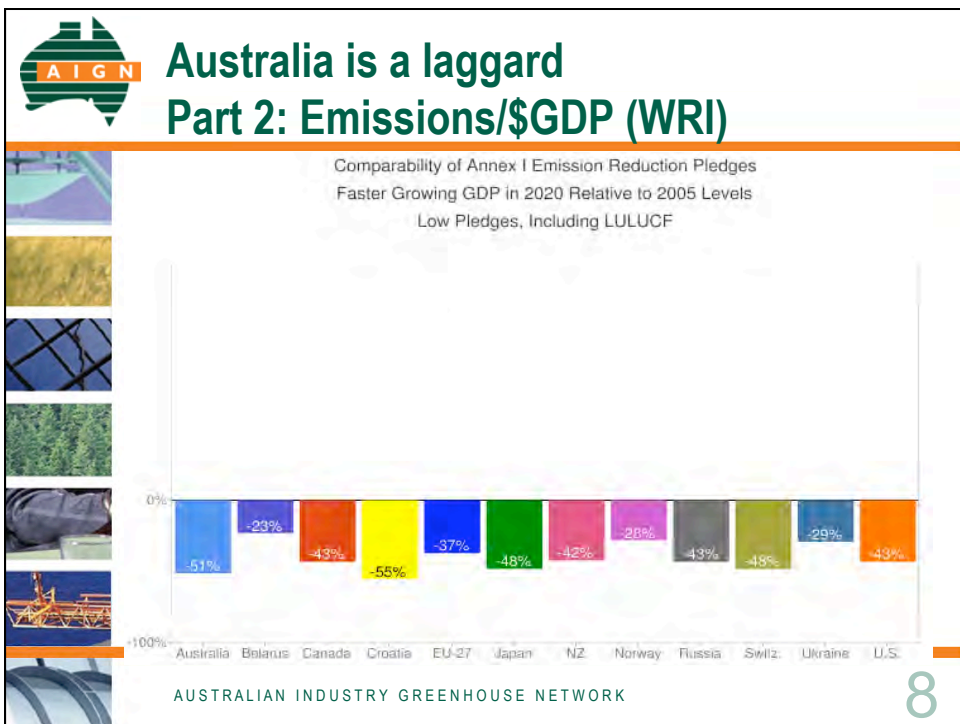
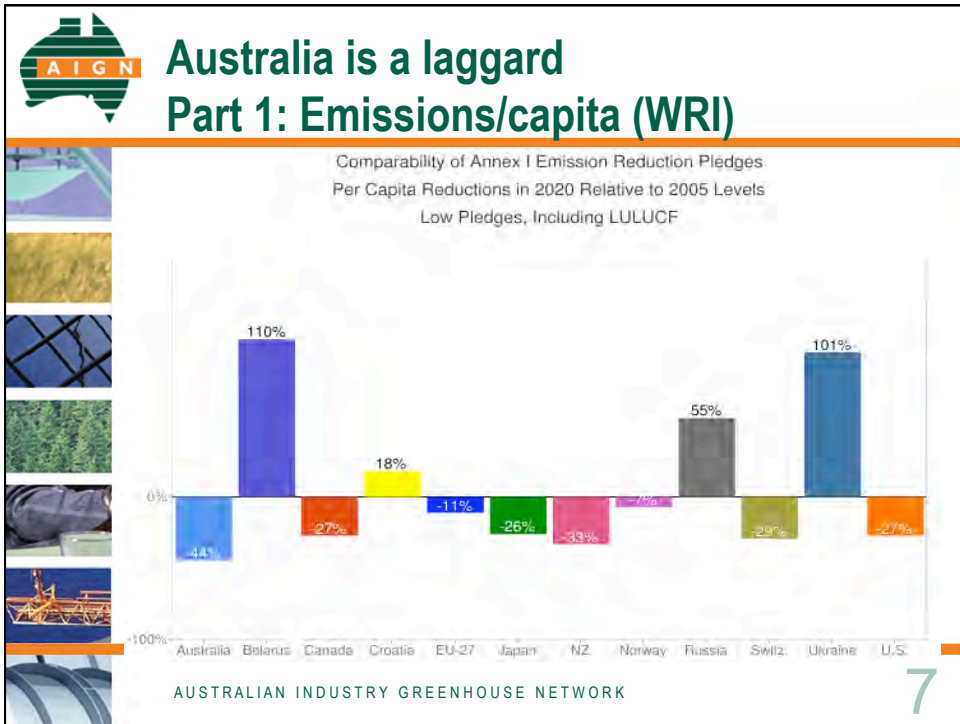
 **Australia's position**




Year	Total Emissions (Mt CO <sub>2</sub> -e)	Emissions Excl. Deforestation & Forestry (Mt CO <sub>2</sub> -e)	% Change on 2000 Level	Abatement Challenge (Mt CO <sub>2</sub> -e)
1990	550	420	108%	-
2000	550	420	2000 level	-
2010	550	420	106%	-
2020 (Projection)	700	420	+24%	-160
2020 (Projection)	522.5	420	-5%	-216
2020 (Projection)	462.5	420	-15%	-272
2020 (Projection)	412.5	420	-25%	-

Source: DCEE

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## Australia is a laggard Part 3: Shadow emission prices (McKibbin)

Region	Economy-wide 2012 price per ton CO2 (\$2006)	Economy-wide 2020 price per ton CO2 (\$2006)	Percent change in 2020 GDP relative to BAU
USA	\$28.09	\$38.44	-2.7
Japan	\$50.36	\$68.92	-5.1
Australia	\$15.91	\$21.78	-6.3
W. Europe	\$56.76	\$77.68	-4.9
ROECD	\$18.06	\$24.72	-5.6
China	\$15.22	\$20.82	-3.7
India	\$1.02	\$1.40	0.7


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## Domestic policy

- **AIGN supports one price on emissions**
  - Emissions trading has pluses with permit allocation; least-cost international trading; long-term price discovery (but medium term price instability)
  - Emission tax may offer less uncertainty on (medium terms) price
- **The policy problem is the transition to a comprehensive global price**

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## AIGN concerns about transition

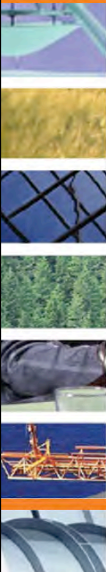


- **Managing uncertainty**
  - Multiple Federal and State measures
  - Stable/transparent policy settings and institutions
  - Long-term price discovery
- **Trade neutral in period of transition**
- **Compensate generator asset value loss**
- **Investment in RD&D**
- **Investment in adaptation**

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## MPCCC framework = uncertainty



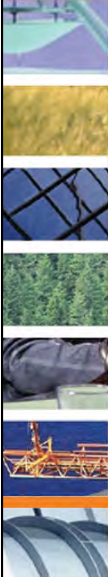
- **Fixed price period**
  - 3 or 5 or more years?
  - Not linked to international price?
  - Sector coverage?
- **The transition to cap-and-trade**
  - Price discontinuity?
  - Is Australia's commitment still -5%?
- **More unknowns**
  - The deal for trade exposed industry?
  - The deal for electricity generators?
  - Phase out of other costly policy?

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## Energy Policy?



- **Energy White Paper would not including**
  - Emissions policy (Carbon price; RET; FITs etc)
  - Transport policy
  - Tax policy
- **National electricity and gas markets**
- **Energy efficiency**
  - Intensity targets
  - White certificates scheme
  - Energy efficiency standards