



Australian Government
Department of Climate Change



International linking of emissions trading schemes
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Australian Government perspectives

Anthea Harris
Assistant Secretary
Department of Climate Change

Key design elements

- cap and trade
 - manage economic costs of transition to low emissions path
- Broad coverage of gases and sectors
 - Consult Ag and Forestry

Key design elements

- Designed to link with other countries' schemes
- Address competitive challenges facing emissions-intensive trade exposed industries
- Address the impact on strongly affected industries
- Measures to assist households (particularly low income) to adjust to the impact of a carbon price
 - Supporting price signal

Design Process

- Green Paper in July 2008
- Exposure draft end 2008
- Medium-term emissions trajectory end of 2008
- Passage of legislation 2009
- Introduction of an emissions trading scheme by 2010

Linking considerations

- Environmental effectiveness
- Cost-effectiveness
- Smooth transition
- Flexibility
- Consistency with international obligations

Use of international units in the Australian ETS

- Use of non-Kyoto units?
- Use of Kyoto units
 - Environmental effectiveness
 - Influence on international negotiations?
 - Types of units?
 - Links to countries with no caps?
 - Cost-effectiveness
 - Balance between domestic and international abatement?
- Smooth transition – control over domestic costs?

Conversion of domestic ETS units into Kyoto units

- Facilitate transfer of AAUs?
- Joint Implementation
 - Relationship with broad coverage?
 - Ease of implementation?
 - Cost of meeting international obligations?

Closer bilateral links

- Longer term priority?
- Working with NZ through Joint Officials' Group
- Working with others through ICAP

Conclusions

- Timeframes important
- Policy likely to evolve with changing international environment
- How can changes best be managed?