

The carbon pricing mechanism

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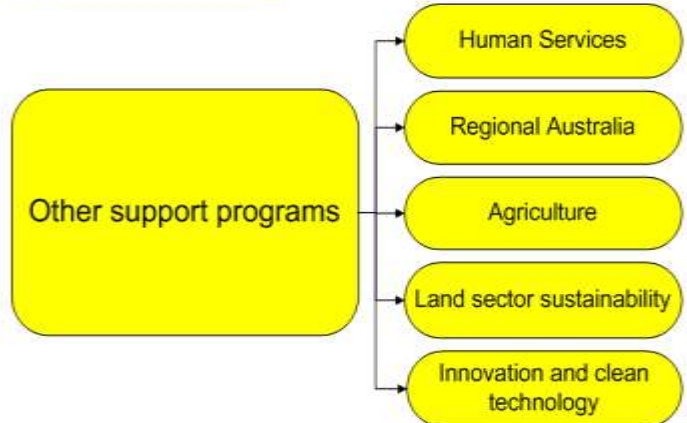
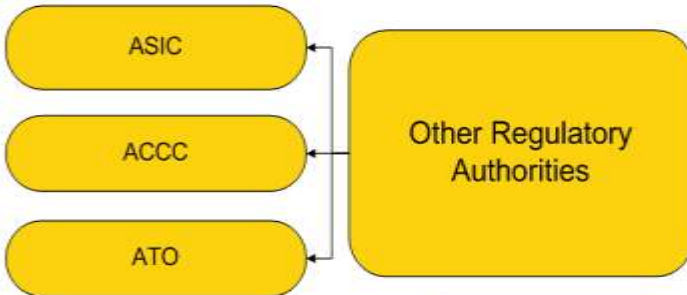
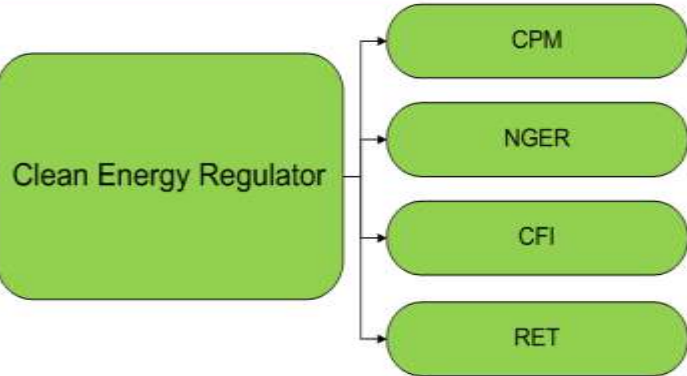
June 2012

Introduction

- **About the carbon price mechanism**
- **Determining liability under the clean energy legislation**
- **Reporting emissions**
- **Reducing liability**

Role of Government - Clean Energy Legislation

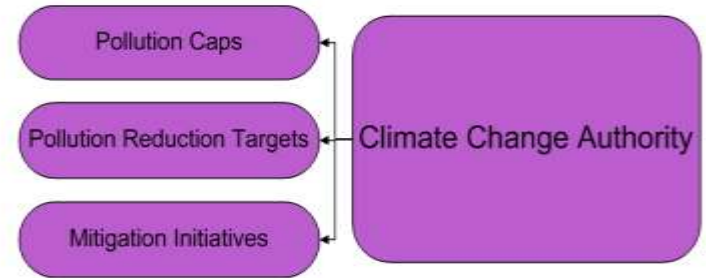
Administrative



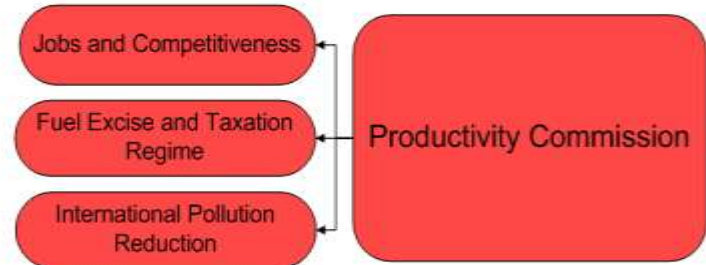
Policy



Review, Recommend and Track



Review and Report



Australia's Clean Energy Future

Encouraging **energy efficiency**

Promoting innovation and investment in **renewable energy**



Introducing **carbon price**
Assisting households and businesses through **revenue**

Creating **land sector** opportunities to:

- cut pollution
- improve productivity, sustainability and resilience

Who will be subject to the carbon price?

Broad Coverage

- stationary energy
- industrial processes
- fugitive emissions
- some waste emissions including landfills

60%
Australia's
carbon
emissions



Liability for councils

- **Liable emissions from:**
 - Landfill
 - Wastewater
- **Impact on prices:**
 - Treasury estimates: 0.7 percent CPI rise 2012-13

Legislation

- Satisfy liability under:
Clean Energy Act 2011
- Report under:
National Greenhouse and Energy Reporting Act 2007
- Acquit emissions units under:
Australian National Registry of Emissions Units Act 2011

Carbon pricing mechanism – two stages

Stage 1: Fixed price period

- Three years
- Liable entities purchase units up to emissions levels
- Units cannot be traded or banked

Stage 2: Flexible price period

- From 1 July 2015
- Auctions to commence first half of 2014
- Pollution caps set by Government through Regulations

Covered emissions

Scope 1 emissions:

- released directly as a result of facility activities

Includes:

- CO₂
- Methane
- Nitrous oxide
- Perfluorocarbons for aluminium production

Emissions not covered

Excludes:

- agricultural emissions
- fuels subject to customs or excise
- fugitive emissions from decommissioned underground coal mines
- synthetic greenhouse gases
- combustion of biomass, biofuel and biogas
- legacy emissions from the operation of a landfill

Operational control

- **Operational control if:**
 - authority to introduce/implement policies
 - operational control transferred
 - declared by Clean Energy Regulator

Facility

- **Activity/activities (including ancillary activities) that:**

- produce greenhouse gas emissions
- produce energy
- consume energy

AND

- meet *National Greenhouse and Energy Reporting Regulations 2008* requirements
- declared “a facility” by Clean Energy Regulator

Liability threshold

- **An entity has a liability where:**
 - covered emissions of 25,000 tonnes or more; or
 - large gas consuming facility
 - covered + legacy emissions of 25,000 tonnes or more for a landfill facility
- **thresholds calculated on a pro-rata basis for part year emissions**

Liabe Entity Public Information Database (LEPID)

- **public database**
- **discloses liable entities**
 - reasonable grounds that entities liable
 - entities advised in writing
- **will publish emissions numbers**
- **LEPID continuously updated**

Registration and Carbon Units

- **Register if:**
 - already reporting and do not wish to transfer liability
 - not already reporting
- **Establish ANREU account:**
 - irrespective of emissions
- ***Acquire and surrender carbon units:***
 - if covered emissions over 25,000 tonnes

Surrendering emission units

- **Two choices:**

- acquire and surrender emissions

OR

- pay unit shortfall

- **Avoid unit shortfall charge by surrendering:**

- 15 June (if interim emissions number)

AND

- 1 February of the following year

Unit shortfall charge

- **If liability not fully satisfied by due date**
 - = total liability - amount surrendered x specified amount
 - **Fixed price period**
 - 130 per cent x fixed price payable for carbon units of the vintage of the carbon units not surrendered
 - **Flexible price period**
 - amount specified in regulations,
- OR**
- 200 per cent of the 'benchmark average auction charge' for the previous financial year
 - **Failure to pay incurs late payment penalty**

Eligible emission units

- **An eligible emissions unit is one of the following:**
 - a carbon unit
 - an eligible Australian Carbon Credit Unit (ACCU), or
 - an eligible international emissions unit
- **Unit represents one tonne of CO₂-e**
- **Surrendered electronically from an account in the Australian National Registry of Emissions Units**

Reducing liability and managing costs

- Reduce waste deposited or divert organic waste
- Produce and bank Carbon Farming Initiative (CFI) credits - (Australian Carbon Credit Units (ACCUs))
- Purchase sufficient ACCUs
- Flare, capture or transfer methane



Where to go to for Information

Clean Energy Regulator:

www.cleanenergyregulator.gov.au

Department of Climate Change and Energy Efficiency: **www.climatechange.gov.au**

Department of Agriculture, Fisheries and Forestry: **www.daff.gov.au**

Contact us:

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