



Australia

Australia's National Ambition

Submission to the AWG-LCA and AWG-KP

This submission provides information on Australia's ambition to mitigate its national emissions to 2020.

Australia's national ambition

Australia is committed to working towards a post-2012 outcome that is comprehensive, effective and fair. Australia recognises that it has an obligation to help shape positively an international agreement that addresses climate change beyond the first period of the Kyoto Protocol. Australia intends to take strong mitigation measures delivered through a comprehensive domestic policy framework. Australia is serious about delivering on its announced emissions reductions.

The Australian Government has made a policy commitment to unconditionally reduce Australia's emissions by 5 per cent below 2000 levels by 2020. This is projected to be a 27 per cent reduction in per capita terms (34 per cent relative to 1990 levels). This sets Australia on an immediate course to stop the growth of, and then reduce, national emissions by 60 per cent on 2000 levels by 2050. Emissions peak in 2010 and fall thereafter.

Should countries reach a global deal that includes commitments by all major economies, including key developing countries, to substantially restrain emissions and by all developed countries to take on comparable emissions reduction targets, Australia will commit to reduce emissions by up to 15 per cent below 2000 levels by 2020. This represents a projected reduction of 34 per cent in per capita terms (41 per cent relative to 1990 levels).

Australia will commit, therefore, to a medium-term (2020) target to reduce Australia's greenhouse gas emissions by between 5 per cent and 15 per cent below 2000 levels.

Australia's national ambition for 2020 represents a 12 to 22 percentage point reduction on Australia's target for 2008-2012. This is the same reduction range as implied by the EU's mid-term ambition. Australia faces higher mitigation costs in the move to a low carbon future than

most other countries.¹ Australia is willing to commit to these reductions because it recognises that the costs of inaction will be greater than the costs of action and that a comprehensive global agreement is in our national interest.

Australia welcomes the various indications of national ambition that countries have made to date, including most recently the United States and Sweden. However, many countries are yet to nominate a national ambition. Australia encourages all other advanced economies to specify their ambition for mid-term reductions as early as possible in 2009. This is necessary to build confidence and momentum in the negotiations. Such information should be made available to other Parties through the UNFCCC submission process.

Collective goals

Ambitious global emission goals are in Australia's national interest. It is desirable that countries agree on a mid-term and a long-term global goal for emissions reductions. In terms of collective effort, each collective goal should incorporate a single percentage ambition, a base year from which this ambition is measured against, and a target year by which this global aspiration may be achieved.²

If a global agreement does emerge over time involving commitments - by developed and developing countries - that are consistent with long-term stabilisation of atmospheric concentrations of 450 parts per million of CO₂-e or lower, Australia would continue to play its full part in achieving ambitious stabilisation levels by establishing appropriate post-2020 emission reduction targets.

Australia is committed to playing its full, fair and constructive part in forging such an agreement. Indeed, the Prime Minister has said that the Government would be prepared to reconsider Australia's 2050 target of reducing emissions by 60 per cent below 2000 levels, if this is required to play our full and fair part, and that the Government would seek an explicit mandate at the next election for this change to our 2050 target.

Domestic action to mitigate climate change

The foundation of Australia's whole of economy strategy to tackle climate change emissions is the Carbon Pollution Reduction Scheme (CPRS). The Government intends to commence the Scheme on 1 July 2010.

The CPRS will put a price on carbon in a systematic way throughout the

¹ A parallel submission addresses the matter of comparable effort.

² The desirability of such goals were discussed in greater detail in Australia's submission on mitigation made to the AWG-LCA and AWG-KP in November 2008.

Australian economy. It employs a 'cap and trade' emissions trading mechanism to limit greenhouse gas emissions. As a market-based solution, the CPRS is the lowest cost way to move Australia to the low carbon economy of the future. Implementing the CPRS represents the biggest structural economic reform since the opening up of Australia's economy in the 1980s and 1990s.

The Government has announced that the Scheme should have maximal practical coverage of greenhouse gas emissions and sectors. All greenhouse gases listed under the Kyoto Protocol will be covered from Scheme commencement. The CPRS will cover around 75 per cent of Australia's emissions. It will cover emissions from stationary energy, transport, fugitive, industrial processes, waste and forestry sectors.

The Government will also undertake a work program to enable it to determine whether or not it is practical to include agricultural emissions from 2015. The Government does not intend to include deforestation in the Scheme. Australian deforestation emissions have reduced markedly since 1990, largely due to increased protections against land clearing. Given the sporadic nature of remaining land clearing emissions, covering deforestation under the scheme would pose large practical difficulties. It also raises the risk of pre-emptive land clearing.

The Government will auction the majority (around 70 per cent) of the Schemes permits. The Government intends for all money raised from the Scheme to be used to help Australian households and businesses adjust to the Scheme and to invest in clean energy options.

The Government intends to guard against the risk of carbon leakage and provide some transitional assistance to emissions-intensive, trade-exposed (EITE) industries. The Scheme will provide assistance to EITE industries in the form of an administrative allocation of permits, linked to the EITE industry's output. Such assistance will be consistent with Australia's international trade obligations.

Complementary Policies

In addition to the CPRS, the Government's emissions reduction strategy has three other elements: the Renewable Energy Target, carbon capture and storage, and energy efficiency.

The Renewable Energy Target (RET) will ensure that 20 per cent of Australia's electricity is generated from renewable sources by 2020. This represents a four-fold increase on Australia's current commitments. While the CPRS will help bring renewable energy technologies into the market over time, the RET will accelerate their use. The RET is an important transitional measure that will support the development of a domestic renewable power industry and prepare the electricity sector for

its contribution to the significant emissions reductions needed to tackle climate change. The RET is to be phased out between 2020 and 2030.

Carbon capture and storage (CCS) will be a key component of the global solution to climate change. The Government is supporting several projects currently underway in Australia and has also launched the Global Carbon Capture and Storage Initiative to accelerate the scaling up and deployment of CCS technology across the world.

Energy efficiency represents a significant opportunity to achieve low-cost abatement and could help cut future energy demand growth by as much as half. Australia's recent economic stimulus package included \$3.9 billion towards improving energy efficiency in 2.7 million Australian homes. This represented the largest single investment in energy efficiency by any Australian Government to date. The Government will announce further energy efficiency measures before the start of the Scheme.

International carbon market linkages

The CPRS has been designed to link with international carbon markets with a preference for open trade within an effective global emissions constraint. No quantitative restrictions will apply to the use of eligible Kyoto units for compliance in the Scheme. However there will be constraints on the types of Kyoto units that will be eligible for acceptance in the Scheme.

The Government will allow entities to use eligible Kyoto units for compliance with Scheme obligations, in particular from the clean development mechanism (with the exception of tCERs and LCERs³) and the joint implementation (JI) mechanism. Initially, Australia will not host JI projects in sectors that are covered by the Scheme. In 2013 the Government will consider the scope for domestic offsets and JI projects in sectors that cannot be included in the Scheme.

For prudential reasons and as a way of reducing potential upside price risk, no exports of carbon pollution permits will be allowed at Scheme commencement. The Government's intention is to relax restrictions on linking with credible schemes and mechanisms as the Australian scheme matures. Exports will only be introduced with five years' notice.

Direct bilateral linking opportunities, including mutual recognition of compliance units and harmonization with the schemes of other countries and regions, will be considered on a case-by-case basis after the Scheme has been established. Such a link could be entered into with less than five years' notice where this was unlikely to lead to a significant change in carbon prices.

³ tCERs – temporary Certified Emission Reductions, LCERs – Long-term Certified Emission Reductions.