



AUSTRALIA

Views on the means to achieve mitigation objectives of Annex Parties for the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol

This submission provides the initial views of the Australian Government on the means to achieve mitigation objectives of Annex I Parties for the Ad Hoc Working Group (AWG) on Further Commitments for Annex I Parties under the Kyoto Protocol.

Australia considers the Kyoto Protocol to be an appropriate vehicle for recognising mitigation actions by advanced economies, including Australia.

The 'top-down' approach used by the Kyoto Protocol of defining allowable greenhouse gas emissions for each advanced economy in terms of assigned amounts for commitment periods is the surest means by which advanced economies can work together to mitigate greenhouse gas emissions. This approach allows advanced economies to tailor their own national policies and measures to mitigate greenhouse gases according to their national circumstances.

'Bottom-up' policies and measures are integral to the achievement of top-down national goals. Broader international cooperation on bottom-up policies and measures can also contribute towards positive mitigation outcomes, particularly with regard to sectoral cooperation. For advanced economies such cooperation complements, but can not replace, a top-down approach.

Australia will meet its national target for the first commitment period. Australia has made several decisions that will enable it to be well placed to continue to make a substantial contribution towards the global mitigation of greenhouse gases.

Australia has set a long-term target for national emissions reductions of 60 per cent on 2000 levels by 2050. Australia is also committed to setting a medium-term target. This target will be based on careful and prudent environmental and economic analysis of mitigation approaches

that best suit Australia's national circumstances. Australia has also set a 20 per cent Renewable Energy Target (RET) for 2020.

A decision to commit to a second period will require Annex-I Parties to the Kyoto Protocol to have confidence in the rules and procedures that will apply to a second period as well as the knowledge that all UNFCCC Parties will contribute towards further mitigation based on their respective national circumstances as part of a post-2012 outcome. In this regard, the work of the Ad Hoc Working Group on Long-Term Cooperative Action under the Convention will be critical.

Emissions Trading

Australia will move to develop emissions trading legislation by the end of 2008. This will enable passage of legislation in 2009, so as to facilitate an Australian Emissions Trading Scheme being operational in 2010.

A number of initial design principles will guide the development of an Australian emissions trading system, namely:

- . it will be a 'cap and trade' scheme where an overall environmental cap is set by issuing a set number of permits, and entities are allowed to trade permits, thereby putting a price on carbon.
- . the quantitative limits on emissions that define its effectiveness and environmental contribution will be designed to place Australia on a low emission path in a way that best manages the economic impacts of transition, while assuring our ongoing economic prosperity.
- . it will have maximal coverage of greenhouse gases and sectors, to the extent that this is practical.
- . it will be designed to enable international linkages, while ensuring it suits Australian economic conditions. The design parameters need to balance the desirability of international linking to form an emerging global market with the need to meet Australian objectives, particularly in the early stages of implementation.
- . it will address the competitive challenges facing emission-intensive trade exposed industries in Australia. Australia recognises that not only emissions-intensive trade-exposed industries would be affected by a carbon price and hence the scheme will also address the impact on strongly affected industries.
- . It will include measures to assist households to adjust to the impact of carbon prices.

Policies and measures

In addition to emissions trading, Australia will continue to pursue a range of policies, measures and regulations that help mitigate emissions at an acceptable cost. Australia has committed, for example, to a portfolio of measures to address energy efficiency and the up-take of low emissions technologies. These include: meeting a clean energy plan to promote renewable technologies and clean coal; and programs to assist families, schools and communities to reduce emissions. Australia also requires energy audits for Federal Government Agencies and is setting a goal to power Australia's Parliament House and all Federal political offices with renewable and clean energy.

Sectoral approaches

Sectoral approaches can usefully complement, although not replace, the achievement of national commitments by advanced economies under the Kyoto Protocol. Cooperation between countries on sectoral matters can also assist countries to implement national policies and measures to mitigate emissions. International sectoral cooperation can benefit areas such as technology development and deployment, capacity building, exchanges of best practices and confidence building.

Multilateral action to act to mitigate emissions from international shipping and aviation is desirable and is not covered by the Kyoto Protocol. Given the unique circumstances of these sectors, the prospect for collective mitigation action should be taken forward in the relevant multilateral organisations, the International Maritime Organisation and the International Civil Aviation Organisation.

Kyoto flexibility mechanisms

The flexibility mechanisms of the Kyoto Protocol are an important additional way for Annex I Parties to meet their commitments. These mechanisms enable Annex I Parties to access cost-effective opportunities to reduce emissions or to remove carbon from the atmosphere in other countries.

The Marrakesh Accords require that national actions (as opposed to use of the mechanisms) constitute a "significant element" of the efforts made by each Annex I Party to meet its target under the Kyoto Protocol. The Marrakesh Accords do not set a quantified proportion that is to be met through national action. This approach should be maintained as it helps ensure that Parties can continue to reduce emissions at least cost.

The flexibility mechanisms should continue to tightly focus on the reduction of emissions. The scope of the existing mechanisms should also be broadened to facilitate mitigation in areas that were excluded or limited for project activity in the first commitment period, in particular with regard to sinks such as carbon sequestration and storage and afforestation and reforestation activities.

Rules and procedures under the Kyoto Protocol

The rules and procedures that will govern the operation of the Kyoto Protocol for the second commitment period should be clarified as soon as possible during the work of the AWG, and this should be a priority for the work of the AWG in 2008. This will allow Annex I Parties to make an objective commitment to a national target for the second commitment period.

The AWG should consider at an early point in 2008 what should be an appropriate base year for the second commitment, and what should be the duration of the second commitment period. The first commitment period allowed for a five year commitment period (2008-2012). If the second commitment period were of the same five year duration it would run from 2013 to 2017.

The assigned amounts for the quantified emissions limitation or reduction commitment should be expressed as a percentage of a base year or period similar to the approach adopted for the first commitment period as inscribed in Annex B to the Protocol. The target inscribed for Parties for the second commitment period should continue to apply to the entire commitment period to provide a comprehensive carbon budget.

During the course of 2008 the AWG should agree on a desired approach towards the matter of banking between commitment periods, including calling for submissions by Parties.

The AWG should ensure all sinks and sources are appropriately assessed in considering approaches to climate change mitigation. As an essential component of this task, at an early point in 2008, the AWG should commence consideration of the definitions and modalities that will apply to land use, land use change and forestry (LULUCF) in a future commitment period. In so doing, Australia believes that the AWG should ensure that all modalities are consistent with underpinning principles; in particular that assessments of sinks and sources from the land sector should be comprehensive and consistent between countries and approaches. It will also be essential to ensure that estimates of

sinks and sources are underpinned by robust monitoring and reporting, which needs to be complete over space, time and land use category.

Comparative national mitigation efforts

The mitigation potential for individual advanced economies will necessarily reflect national circumstances. As reflected in Document UNFCCC/TP/2008/1, relevant nationwide factors and indicators include total greenhouse gas emissions and emission trends, GDP and GDP growth, population and population growth, the production of energy, and a number of other potential factors and indicators. Relative natural resource endowments are also a factor that shapes mitigation potential.

The current list of Annex I Parties does not reflect the potential contribution that all advanced economies could make towards mitigating emissions. Taking the GDP per capita of UNFCCC Parties, there are more non-Annex-I Parties that are advanced economies than existing Annex-I Parties. UNFCCC Parties should decide on an objective basis for graduation of non-Annex-I Parties to the Annex-I list, with a view to all advanced economies adopting a comparable effort towards the mitigation of greenhouse gas emissions. The Ad Hoc Working Group on Long-Term Cooperative Action should consider and adopt recommendations in this regard.

Spill over effects

Parties have been invited to provide information on the potential environmental, economic and social consequences, including spill over effects on all Parties, of available tools, policies, measures and methodologies available to Annex I Parties. Convention Articles 4.8 and 4.10 recognise that Parties should take into consideration in the implementation of their commitment the situation of all Parties. The consequences of spill over effects can be significant, particularly for those economies that are highly dependant on income generated from the production, processing and export, and/or consumption of fossil fuels and associated energy-intensive products. Australia acknowledges that Parties should take such impacts into consideration when implementing national response policies and measures.