

Advisory Report on the

Clean Energy Amendment (International Emissions Trading and Other Measures) Bill 2012

Clean Energy (Charges—Excise) Amendment Bill 2012

Clean Energy (Charges—Customs) Amendment Bill 2012

Excise Tariff Amendment (Per-Tonne Carbon Price Equivalent) Bill 2012

Ozone Protection and Synthetic Greenhouse Gas (Import Levy) Amendment (Per-Tonne Carbon Price Equivalent) Bill 2012

Ozone Protection and Synthetic Greenhouse Gas (Manufacture Levy) Amendment (Per-Tonne Carbon Price Equivalent) Bill 2012

Clean Energy (Unit Issue Charge—Auctions) Amendment Bill 2012

House of Representatives
Standing Committee on Economics

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ISBN 978-0-642-79810-7 (Printed version)

ISBN 978-0-642-79811-4 (HTML version)

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Chair's foreword

There exist a number of carbon markets around the world. Individually, these markets work in a localised way to reduce pollution, but linked, they can create an international market place that fosters least-cost abatement and helps contribute to a global solution to climate change.

The Clean Energy Amendment (International Emissions Trading and Other Measures) Bill 2012, and six associated bills, provide the framework for Australia's emissions trading scheme to link with other schemes, which will contribute to the development of a global carbon market.

The provisions will initially facilitate a one-way link with the European Union Emissions Trading System (EU ETS) from 2015, through which Australian entities can acquit up to 50 per cent of their annual carbon liability through eligible international carbon units like EU allowances. A two-way link between the Australian and European schemes will commence from 2018.

The committee's inquiry focused on four issues raised by the bills: the implications for Australia of linking with international emissions trading schemes; the removal of the price floor; the surrender limit on Kyoto units; and the treatment of natural gas.

Following its inquiry, the committee considers that linking the Australian emissions trading scheme to other schemes will deliver the Government's overarching policy objective to foster a low-cost transition to a low-carbon pollution future. Witnesses generally supported the concept of linking emissions trading schemes to this end. The committee also believes that the process of formally linking with other schemes provides the Government with the opportunity to participate in treaty negotiations to ensure Australia's interests are promoted.

To facilitate a link with the EU ETS, the Government agreed to remove the floor price for carbon units, which these amendments provide for. Evidence presented

to the committee in its inquiry corroborated that the Government's approach was sound in this regard. The link to the EU ETS should present carbon price stability to the Australian carbon market in absence of the price floor.

A limit on eligible Kyoto units was another condition of the linking arrangement, which the amendment bills also provide. The committee believes some limitation on Kyoto units is necessary to ensure the integrity of the linked schemes and for this to help foster a transition to a low-carbon economy in Australia.

The committee further found that the amendments relating to the coverage of the natural gas sector were necessary to give effect to the original policy intent of the clean energy legislation. These amendments aim to ensure that liability for carbon pollution is realised as high as possible in the natural gas supply chain and that the principle of universal coverage for all liable entities applies. The committee was satisfied that the remit of the amendments was limited, and was also encouraged by the proposed consultation arrangements with the natural gas sector.

The committee supports the provisions of the amendment bills and recommends that the House of Representatives pass them.

I would like to thank the submitters and witnesses who appeared before the committee at its roundtable hearing in Canberra. I also thank my colleagues on the committee for their contribution to the report.

Julie Owens MP
Chair

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Membership of the Committee

Chair	Ms Julie Owens MP
Deputy Chair	Mr Steven Ciobo MP
Members	Mr Scott Buchholz MP
	Mr Stephen Jones MP
	The Hon Joel Fitzgibbon MP
	Dr Andrew Leigh MP
	Ms Kelly O'Dwyer MP
	Mr Craig Thomson MP

Committee Secretariat

Secretary	Mr Stephen Boyd
Inquiry Secretary	Ms Zoë Smith
Technical Advisor	Ms Felicity Ryan
Inquiry staff	Dr Bill Pender
	Ms Samantha Mannette
Administrative Officers	Ms Natasha Petrović
	Ms Carissa Skinner



Terms of reference

On 20 September 2012 the Selection Committee asked the House of Representatives Standing Committee on Economics to inquire into and report on the:

- Clean Energy Amendment (International Emissions Trading and Other Measures) Bill 2012;
- Clean Energy (Charges – Excise) Amendment Bill 2012;
- Clean Energy (Charges – Customs) Amendment Bill 2012;
- Excise Tariff Amendment (Per-tonne Carbon Price Equivalent) Bill 2012;
- Ozone Protection and Synthetic Greenhouse Gas (Import Levy) Amendment (Per-tonne Carbon Price Equivalent) Bill 2012;
- Ozone Protection and Synthetic Greenhouse Gas (Manufacture Levy) Amendment (Per-tonne Carbon Price Equivalent) Bill 2012; and
- Clean Energy (Unit Issue Charge – Auctions) Amendment Bill 2012.

Under Standing Order 222(e), the House is taken to have adopted the Selection Committee's reports when they are presented.



List of abbreviations

AIU	Australian-issued international unit
ANREU Act	Australian National Registry of Emissions Units Act 2011
ANREU Regulations	Australian National Registry of Emissions Units Regulations 2011
The bill	References to 'the bill' are to the Clean Energy Amendment (International Emissions Trading and Other Measures) Bill 2012
Carbon pricing mechanism or mechanism	The carbon pricing mechanism set up by the CE Act
CE Act	Clean Energy Act 2011
CE (Charges-Customs) Act	Clean Energy (Charges-Customs) Act 2011
CE (Charges-Excise) Act	Clean Energy (Charges-Excise) Act 2011
CE (IUSC) Act	Clean Energy (International Unit Surrender Charge) Act 2011
CE (Unit Issue Charge-Auctions) Act	Clean Energy (Unit Issue Charge-Auctions) Act 2011
CER	Certified Emission Reduction unit
CFI	The Carbon Farming Initiative

Clean Energy
Amendment Bills

The package of bills including the Clean Energy Amendment (International Emissions Trading and Other Measures) Bill 2012, the Clean Energy (Charges-Excise) Amendment Bill 2012, the Clean Energy (Charges-Customs) Amendment Bill 2012, the Excise Tariff Amendment (Per-tonne Carbon Price Equivalent) Bill 2012, the Ozone Protection and Synthetic Greenhouse Gas (Import Levy) Amendment (Per-tonne Carbon Price Equivalent) Bill 2012, the Ozone Protection and Synthetic Greenhouse Gas (Manufacture Levy) Amendment (Per-tonne Carbon Price Equivalent) Bill 2012, and the Clean Energy (Unit Issue Charge-Auctions) Amendment Bill 2012

Clean Energy
Legislative Package

The package of Acts including:

- Clean Energy Act 2011;
- Clean Energy (Consequential Amendments) Act 2011;
- Clean Energy Regulator Act 2011;
- Climate Change Authority Act 2011;
- Clean Energy (Unit Shortfall Charge-General) Act 2011;
- Clean Energy (Unit Issue Charge-General) Act 2011;
- Clean Energy (Charges-Excise) Act 2011;
- Clean Energy (International Unit Surrender Charge) Act 2011;
- Ozone Protection and Synthetic Greenhouse Gas (Manufacture Levy) Amendment Act 2011;
- Ozone Protection and Synthetic Greenhouse Gas (Import Levy) Amendment Act 2011;
- Fuel Tax Legislation Amendment (Clean Energy) Act 2011;
- Excise Tariff Legislation Amendment (Clean Energy) Act 2011;
- Customs Tariff Amendment (Clean Energy) Act 2011;
- Clean Energy Legislation Amendment Act 2012.

DCCEE

Department of Climate Change and Energy Efficiency

Eligible Kyoto unit	A Kyoto unit that is also an eligible international emissions unit
ERU	Emissions Reduction Unit
EU	European Union
EU Directive	Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC
EU ETS	The European Union Emissions Trading System
European allowance unit	An allowance within the meaning of the European Union Greenhouse Gas Emission Allowance Trading Directive, but excluding allowances issued in respect of aviation activities
Excise Tariff Act	Excise Tariff Act 1921
Fuel Tax Act	Fuel Tax Act 200
GST	Goods and Services Tax
JSCACEFL	Joint Select Committee on Australia's Clean Energy Future Legislation
Kyoto unit	An Assigned Amount Unit, a Certified Emission Reduction unit, an Emission Reduction Unit, a Removal Unit or a prescribed unit issued in accordance with the Kyoto rules
NGER Act	National Greenhouse and Energy Reporting Act 2007
OTN	Obligation Transfer Number
PEN	Provisional Emissions Number
Registry	Australian National Registry of Emissions Units
Regulator	The Clean Energy Regulator
RMU	Removal Unit
SGG (Import Levy) Act	Ozone Protection and Synthetic Greenhouse Gas (Import Levy) Act 1995
SGG (Manufacture Levy) Act	Ozone Protection and Synthetic Greenhouse Gas (Manufacture Levy) Act 1995



List of recommendations

Recommendation 1

The House pass the Clean Energy Amendment (International Emissions Trading and Other Measures) Bill 2012 and associated bills as proposed.