

Position No.	Preferred Policy Position	AGL Comment
2	Coverage	
2.1	All greenhouse gases included under the Kyoto Protocol-carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, hydrofluorocarbons and perfluorocarbons – would be covered from scheme commencement.	AGL supports the inclusion of all greenhouse gases included under the Kyoto Protocol. Reducing emissions of greenhouse gases other than carbon dioxide may be a more cost effective way of reducing greenhouse gas emissions in the short-term than reducing carbon dioxide alone.
2.2	In general, the emissions threshold for direct obligations under the scheme would apply to entities with facilities which have direct emissions of 25,000 tonnes of carbon dioxide equivalent a year or more. Different thresholds may be required for the waste sector and synthetic greenhouse gases.	Generally support, but AGL does not agree that waste should be a covered sector.
2.3	Stationary energy emissions would be covered from scheme commencement by applying scheme obligations both to facilities with direct emissions of 25,000 tonnes of carbon dioxide equivalent a year or more and to suppliers of fuel to small energy users.	Supported
2.4	Transport emissions would be covered from scheme commencement, with scheme obligations applied to upstream fuel suppliers.	Supported
2.5	Fugitive emissions would be covered from scheme commencement by applying scheme obligations to facilities with direct emissions of 25,000 tonnes of carbon dioxide equivalent a year or more.	Supported
2.6	Emissions from industrial processes would be covered from scheme commencement by applying scheme obligations to facilities with direct emissions of 25,000 tonnes of carbon dioxide equivalent a year or more.	Supported
2.8	Emissions from the waste sector would be covered from scheme commencement, with the precise scope of coverage, thresholds and other detailed design issues to be determined.	AGL does not support the coverage of waste facilities in the CPRS. Operators of landfill facilities are unlikely to be significant traders of permits, and the transaction costs associated with the inclusion of waste are likely to be higher than any benefits achieved for smaller landfills. AGL is of the view that the same economic incentive for abatement can be achieved through allowing reductions in waste related emissions to be included as offsets using established criteria under the NSW Greenhouse Gas Abatement Scheme and the Greenhouse Friendly program. Further detail is provided in the body of AGL's submission.
2.9	Carbon that is transferred to carbon capture and storage (CCS) facilities would be netted out of the originating entity's gross emissions. Scheme obligations for fugitive emissions-from transport of the carbon and from the CCS facility-would be imposed on the operator of the CCS facility.	

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2.11	Scheme obligations for emissions from synthetic liquid fuels would be applied to fuel excise and customs duty remitters.	
2.12	Scheme obligations for emissions from liquefied petroleum gas would be applied to producers, marketeers, distributors and importers of liquefied petroleum gas supplied to energy users.	Supported, but AGL notes that LPG competes domestically with petrol as a fuel source, and petrol will effectively be given a competitive advantage through the commensurate removal of excise duty. AGL suggests this be addressed so as to ensure LPG is not competitively disadvantaged.
2.13	Scheme obligations for emissions from domestic combustion of liquefied natural gas and compressed natural gas would be applied to producers of those fuels.	Supported, but AGL notes that the domestic production of these fuels will be disadvantaged relative to imports. This should be considered when determining assistance for these trade-exposed industries.
2.14	Scheme obligations for emissions from natural gas combustion would be applied to entities with facilities which have direct emissions of 25,000 tonnes of carbon dioxide equivalent a year or more, and to natural gas retailers for emissions from gas supplied to small emitters, or to gas producers where they supply directly to small emitters.	Supported, on the proviso that retailers are permitted to pass on the cost of covering the emissions of small customers and that this is made clear in the objectives of the scheme and in the legislative framework of the CPRS. AGL also believes that gas-fired generators and commercial and industrial combustion emissions greater than 25kt should be required to inform their gas retailer that they are managing their own liability. This will ensure that retailers do not surrender certificates for customers with emissions above 25 kt that are managing their own liability.
2.15	Scheme obligations for emissions from black coal combustion would be applied : <ul style="list-style-type: none"> To facilities with direct emissions of 25,000 tonnes of carbon dioxide equivalent a year or more. To all coal mines, distributors, washeries, and producers of coke and coal by-products for emissions from small emitters. 	Supported, on the proviso that transitional assistance as suggested in the Green Paper is provided.
2.16	Scheme obligations for emissions from brown coal combustion would be applied : <ul style="list-style-type: none"> To facilities with direct emissions of 25,000 tonnes of carbon dioxide equivalent a year or more. On manufacturers of brown coal briquettes and other brown coal by-products for emissions from small emitters. 	Supported, on the proviso that transitional assistance as suggested in the Green Paper is provided.
2.17	Scheme obligations would not apply to emissions from combustion of bio-fuels and biomass for energy; they would receive a 'zero rating'.	Supported
2.18	The scheme would cover only domestic emissions sources and sinks that are counted in Australia's Kyoto protocol emissions account.	Supported
2.19	The Government is disposed to include agriculture emissions in the scheme by 2015 and to make a final decision on this in 1013.	AGL believes that coverage under the scheme should be firmly established prior to commencement. See the body of the submission for further detail.

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2.20	All reforestation (as defined for the first commitment period of the Kyoto Protocol) would be included, on a voluntary basis, from scheme commencement in 2010, with design details to be determined.	AGL does not believe that forestry should be included in the scheme. See the body of the submission for details.
2.21	After careful deliberation the Government does not propose to include deforestation in the Carbon Pollution Reduction Scheme. Australian deforestation emissions have reduced markedly since 1990, largely due to increased protection against land clearing.	AGL does not believe that forestry should be included in the CPRS, but that offsets should be available.
2.22	<p>The scheme would not include domestic offsets from agriculture emissions in the period prior to coverage of these emissions.</p> <p>The Government would consider the scope for offsets from emissions sources that cannot be included in the scheme in 2013, following final decisions on coverage of agriculture emissions.</p> <p>The Government is committed to facilitating the participation of Indigenous land managers in carbon markets and will consult with Indigenous Australians on the potential for offsets from reductions in emissions from savanna burning and forestry opportunities under the scheme.</p>	AGL believes that scheme coverage should be determined prior to the commencement of the scheme. See the body of the submission for further detail.

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3	Carbon Markets	
3.1	A carbon pollution permit (which will be referred to in legislation as an Australian emissions unit) would be an entitlement composed of various 'rights' contained in the carbon pollution reduction legislation. The main rights would be the right to surrender the permit and to transfer it.	Supported.
3.2	A permit could be held and traded by any legal or natural person (subject to verification of identity and measures to prevent criminal activity).	Supported.
3.3	The permit would be a financial product for the purposes of the Corporations Act 2001, but some adjustment to that regime may be required to fit the characteristics of permits.	AGL does not support the designation of AEU's as financial products for the reasons outlined in the body of the submission.
3.4	Unlimited banking of permits would be allowed under the scheme.	Supported.

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3	Carbon Markets	
3.5	The scheme would permit a limited amount of short-term borrowing by allowing liable entities to discharge up to a certain percentage (less than 5 percent) of their obligations by surrendering carbon pollution permits dated from the following year.	AGL believes that borrowing up to 10% of a firm's liability in one compliance year should be permitted: - 5% through surrender of a forward year's permits; and - 5% through non-compliance with that 5% required to be made good in the following year. AGL does not believe there should be any policy of 'naming and shaming' non-compliant firms as this would divulge their position and impact on their ability to source competitively priced permits. See the body of the submission for further detail.
3.6	The scheme would have a compliance period of one year. Further consultation with industry will be needed for reporting and compliance period for reforestation.	Supported, on the proviso that the banking and borrowing provisions are as outlined above.
3.7	The scheme would have a price cap for the period 2010-11 to 2014-15	Supported, by way of payment of a penalty for non-compliance.

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4	Emissions targets and scheme caps	
4.1	At the end of 2008, in the context of the white paper, the Government would announce a medium-term national target range for 2020 that provides upper and lower bounds to give investors and market participants information on directions and retains sufficient flexibility for the Government.	Supported.
4.2	The Government would announce an indicative national emissions trajectory to provide broad guidance on the pathway towards the medium-term target range.	Supported.
4.3	The Government would announce a minimum of five years of the indicative national emissions trajectory, to be extended by one year, every year as required to maintain a minimum of five years of guidance at all times after commencement of the scheme.	Supported.
4.4	The difference between the scheme cap and the national target would be explicitly and transparently reconciled through notional allocation (and retirement) of permits for sources of emissions not covered by the scheme.	Supported.

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4	Emissions targets and scheme caps	
4.5	Scheme caps would be set and announced for a minimum period of five years in advance at any one time. In the event that Australia's international commitment period extends beyond five years, scheme caps would be extended to the end of the commitment period.	Supported.
4.6	Scheme caps would be extended by one year, each year, as required to maintain a minimum five year certainty period. Should the international commitment period (and therefore scheme caps) already extend beyond five years, an annual extension would become optional.	Supported.
4.7	By using gateways, the Government would provide guidance over future scheme caps beyond the period of fixed scheme caps.	Supported.
4.8	The Government would provide guidance over future scheme caps beyond the initial certainty period through the use of a gateway in each of the following years, to the end of the gateway period.	Supported.
4.9	The initial length of the gateway would be 10 years beyond the minimum five years of scheme caps.	Supported.
4.10	Gateways would be extended by give years, every five years, as part of a strategic review of international conditions and Australia's likely future international commitments.	Supported.
4.11	The scheme cap would not be adjusted in the event that it is incompatible with internationally negotiated national targets and, if necessary, the Government would make up any shortfall in internationally agreed targets by purchasing international emissions units.	Supported.
4.12	The Government would announce an approach in early 2010 for expanding the cap to accommodate increases in scheme coverage that provided a smooth scheme price path.	Supported.
4.13	At the end of 2008, in the context of the white paper, the Government would announce the indicative national emissions trajectory for the period 2010-11 to 2012-13, and in 2010 the Government would announce a further two years of the trajectory up to and including 2014-15, or to the end of any international commitment period, whichever is longer.	Partially Supported. AGL emphasises that clarity and certainty should be provided at the earliest possible opportunity to provide us much stability and liquidity to the market. If possible, AGL believes that targets for beyond 2012-13 should be established before 2010.
4.14	At the end of 2008, in the context of the white paper, the Government would announce an approach for setting scheme caps for the period 2010-11 to 2014-15, consistent with the national emissions trajectory. In early 2010, the Government would announce the finalised scheme caps for the first five years of the scheme (2010-11 to 2014-15) and 10 years of gateways beyond this period.	Supported. AGL emphasises that clarity and certainty should be provided at the earliest possible opportunity to provide us much stability and liquidity to the market.

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5.	Reporting and Compliance	
5.1	<p>NGERS would be the starting framework for monitoring, reporting and assurance under the scheme, and elements of that system would be strengthened to support the scheme.</p> <p>Where practical, the scheme would also seek to utilise related provisions in other Australian Government schemes, such as the fuel excise and customs duty arrangements for liquid fuels, to minimise additional compliance burdens.</p>	Supported.
5.2	<p>In general, entities with operational control over covered facilities or activities would be liable for emissions obligations arising from those facilities or activities under the scheme.</p>	Supported. It is essential to have the reporting and CPRS liability aligned. AGL believes where 'operational control' as defined under NGERS is not the appropriate mechanism for attributing liability due to the complexity of management/operational arrangements. This should be catered for by permitting a party to 'nominate' themselves as the liable entity (with the consent of the party otherwise with 'operational control'). This then becomes a matter to be determined between the parties on a commercial basis.
5.3	<p>Emissions estimation methodologies under the scheme would be those available under the National greenhouse and Energy Reporting System.</p>	Supported.
5.4	<p>Noting the four classes of methodologies available for NGERS, where method 2 (see Box 5.1) or above is already in widespread use for a source, those methodologies would be imposed as the minimum to be used from the commencement of the scheme.</p>	Supported.
5.5	<p>Further consultation and analysis would be undertaken to establish appropriate reporting requirements and emissions estimation methodologies relating to the obligations of upstream fuel suppliers under the scheme.</p>	Supported. See further detail provided in the body of the submission.
5.6	<p>Consistent with adjustments to the scheme trajectory, five years notice would be given before major revisions of emissions estimation methodologies that affect the majority of stakeholders.</p> <p>Consultation would be undertaken and appropriate notice would be given before imposing or increasing minimum standards for emissions estimation methodologies.</p>	Supported.
5.7	<p>Noting the four classes of methodologies available for NGERS, where an entity has elected to use Method 2 (see box 5.1) or above for a particular source, that methodology would be the minimum standard for that entity for a period of four years. The scheme regulator may grant exceptions to this rule in some circumstances.</p>	Supported.

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5.	Reporting and Compliance	
5.8	Provisions relating to documentation and record keeping under the scheme would be based on those set out for the National Greenhouse and Energy Reporting System.	Supported.
5.9	A single report would be sufficient to satisfy an entity's obligations under both the national Greenhouse and Energy Reporting System and the Carbon Pollution Reduction Scheme, with reports to be submitted by 31 October each year.	Supported.
5.10	Large emitters (those with obligations under the scheme of 125,000 tonnes of carbon dioxide equivalent or more) would be required to have their annual emissions reports assured by an independent accredited third party prior to their submission. The Government would consider the need to extend this requirement on the basis of initial experience, developments relating to international linking and the compliance burdens likely to be placed on small entities.	AGL suggests that the benefits of this approach need to be balanced against the costs of such a requirement. AGL suggests a degree of discretion is appropriate. See the body of the submission for further detail.
5.11	Assurance under the Carbon Pollution Reduction Scheme would be carried out in accordance with guidelines made under the national Greenhouse and energy Reporting Act 2007 and standards produced by the Australian Government's Auditing and Assurance Standards Board.	Supported.
5.12	The scheme would operate on a financial-year basis.	Supported, although AGL does note that international schemes operate on a calendar year basis.
5.13	The final date for the annual surrender of permits would be a fixed time after the final date for emissions reporting. At Scheme commencement, this period would be six weeks.	Supported.
5.14	<p>Liable entities would be allowed to surrender permits at any time before the annual surrender deadline to meet their end-of-year obligations (any permits surrendered would not be available for future compliance periods).</p> <p>Any entity or individual would be allowed to voluntarily surrender permits regardless of whether they have obligations under the scheme.</p>	Supported.
5.15	The regulator would be given a range of compliance, investigative and enforcement powers, and a broad range of mechanisms to respond proportionately to non-compliance under the scheme.	Supported. These enforcement mechanisms and powers should be aligned with those that exist for other regulators.

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6.	Linking the scheme to international Markets	
6.1	<p>The scheme would be designed so that it can link with International markets and schemes, with a preference for open trade within an effective global emissions constraint.</p> <p>All targets for the scheme, as well as the commitment to reduce national emissions by 60% by 2050 will be defined in terms of net national emissions.</p>	<p>AGL agrees that in the long term interests of securing efficient and cost-effective abatement, the CPRS should be linked with international carbon trading markets. However, AGL supports the approach suggested in the Green Paper of adopting a transitional approach of limiting linkages in the early years in the interests of scheme stability and confidence.</p>
6.2	<p>A carbon pollution permit (which would be referred to in the legislation as an Australian emissions unit) would be created for the scheme, and it would be distinct from Australia's international (Kyoto Protocol) units.</p>	Supported.
6.3	<p>Subject to restrictions, the scheme would link internationally via the Kyoto Protocol's flexibility mechanisms in the early years of operation.</p>	Supported.
6.4	<p>The Government believes the short-term priority is to minimise implementation risk while the scheme is being established. This includes promoting price stability and predicability in the early years of the scheme.</p> <p>Liabe entities would be able to meet their obligations by using eligible Kyoto units for compliance in the scheme, limited to a maximum percentage of each entity's obligation (for the period 2010-11 to 2012-13)</p>	Supported.
6.5	<p>No AAU's would be accepted for compliance in the scheme (for the period 2010-11 to 2012-23. This position would be reviewed in the light of international developments.</p>	Supported.
6.6	<p>ERUs created under the Kyoto Protocol's joint implementation mechanism would be recognised for compliance purposes in the scheme (for the period 2010-11 to 2012-13).</p>	Supported.
6.7	<p>RMUs would be recognised for compliance purposes in the scheme (for the period 2010-11 to 2012-13)</p>	Supported.
6.8	<p>Certified emission reductions generated by the Kyoto Protocol clean development mechanism would be accepted (for the period 2010-11 to 1012-23), with the exception of those that have associated contingent obligations and high administrative costs: currently, temporary certified emission reductions and long-term certified emission reductions from forestry-based projects.</p>	Supported.

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6.	Linking the scheme to international Markets	
6.9	<p>CERs and ERUs generated in the first Kyoto Protocol commitment period would be recognised for compliance in the scheme in 2012-13 and in subsequent years, in accordance with the rules set out in the protocol and any restrictions that apply to the use of international units set out in the Australian scheme.</p> <p>CERs generated through abatement from 2013 onwards by projects established in the first commitment period would be recognised for compliance in the scheme in 2012-13 and subsequent years, subject to rules set out in the protocol and any restrictions set out in the CPRS</p>	Supported.
6.10	International non-Kyoto units would not be accepted for compliance in the scheme. This position would be reviewed for the post 2012-13 period in the light of future developments in international negotiations.	Supported.
6.11	In order to facilitate a smooth start to the scheme and to minimise implementation risks, the Government would not allow Australian permits to be converted into Kyoto units for sale in and transfer to international markets in the early years of the scheme.	Supported.
6.12	<p>Australia would not host joint implementation projects in sectors that are covered by the scheme.</p> <p>Decisions on Joint Implementation projects for uncovered activities could be aligned with decisions on domestic offsets.</p>	Supported.
	The Government seeks stakeholder comment on how much notice should be given before qualitative restrictions are changed, including in a situation in which the environmental integrity of a particular type of international unit has been compromised.	AGL believes that quantitative or qualitative restrictions should be known at the commencement of the scheme and not altered for a period of at least 15 years (to the end of the last gateway when the asset or project was completed).
6.13	The Government would provide the maximum feasible level of certainty about future linking arrangements, consistent with retaining enough flexibility to respond to changing international arrangements.	Supported.
6.14	Linking arrangements would be subject to review in the light of ongoing international negotiations and market development, with a clear preference for relaxing restrictions on linking with credible schemes and mechanisms as the Australian scheme matures.	Supported.

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7.	Auctioning of Australian carbon pollution permits	
7.1	Allocations would, over the longer term, progressively move towards 100 percent auctioning as the scheme matures, subject to the provision of transitional assistance for emissions intensive trade-exposed industries and strongly affected industries.	Supported.
7.2	The relevant minister would direct the regulator in the early phase of the scheme. The scheme regulator would later assume all auction policy responsibilities. The responsibilities of the scheme regulator, auction design, and the relevant minister's power of direction would be reviewed at the five-year review.	Supported.
7.3	Four auctions would be held each financial year, one in each quarter. The Government seeks stakeholder feedback on the relative risks of alternative models, such as annual or weekly auctions.	AGL believes that quarterly auctions will not provide sufficient flexibility, and suggests monthly or 2-monthly auctions would better achieve the stated objectives. See the body of the submission for further detail.
7.4	At least one auction of the relevant year's vintage would be held after the end of the financial year in the lead-up to the relevant surrender date. A suggested date would be within one month prior to the acquittal date.	AGL suggests one post-compliance year prior to surrender would be sufficient on the proviso that liable entities have the borrowing mechanisms suggested above (ie some portion of the liability can be met in the following year) and that the reporting of liability is not made public prior to the auction. Further detail is provided in the body of the submission.
7.5	The first auction would taken place as early as is feasible in 2010, prior to the start of the scheme.	Supported.
7.6	Four years of vintages would be auctioned (current vintage plus advance auction of three future vintages).	Supported.
7.7	The advance auction of future year vintages would occur once each year.	AGL suggests further clarity on this point is required. The schedule provided in Figure 7.6 in the Green Paper suggests that the auction of future vintages would occur at each auction. AGL supports this position – ie that future year vintages should be available at each auction, thereby providing more than one opportunity to acquire vintages from future years each year. Further detail is provided in the body of the submission.
7.8	Subject to the lodgement of any required security deposit, universal participation would be permitted at auctions.	Supported.

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7.	Auctioning of Australian carbon pollution permits	
7.9	Ascending clock auctions would be used for single vintage auctions, and simultaneous ascending clock auctions would be used for multiple vintage actions.	Supported. Further detail is provided in the body of the submission.
7.10	Only those entities that receive free permit allocations would be allowed to sell them through double-sided auctions in the early phase of the scheme.	Not supported. As a liquid secondary market will be in existence, there is no need for double-sided auctions.

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8.	Household assistance measures	
8.1	The Government has committed that every cent raised for the Australian Government from the Carbon Pollution Reduction Scheme will be used to help Australians – households and business – adjust to the scheme and to invest in clean energy options.	Supported.
8.2	The Government is also committed to providing low-income households with increases in assistance through the tax and payment system and all households with other assistance to address the impact on their living standards.	Supported. AGL believes that assistance should include a focus on energy efficiency. AGL suggests that a nationally consistent energy efficiency program which is funded from auction revenue would be an appropriate measure. Further detail provided in the body of the submission.
8.3	The Government has indicated in the terms of reference for Australia's Future Tax System Review that it is to consider the interrelationships between the tax and transfer payment systems and the scheme.	Supported.

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9.	Assistance for emissions-intensive trade-exposed industries	
9.1	The key rationales for providing assistance to emissions-intensive trade-exposed (EITE) industries would be to : <ul style="list-style-type: none"> • Address some of the competitiveness impacts of the scheme on EITE industries in order to reduce carbon leakage. • Provide transitional support to EITE industries that will be most severely affected by the introduction of a carbon constraint. • Support production and investment decisions that would be consistent with a global carbon constraint. 	Supported.
9.2	The proposed assistance would be provided to emissions-intensive trade-exposed industries in the form of free allocations of carbon pollution permits at the beginning of each compliance period, contingent on production.	Supported.

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9.	Assistance for emissions-intensive trade-exposed industries	
9.3	The proposed emissions-intensive trade-exposed assistance would be provided on the basis of the industry-wide emissions from a process or activity to ensure that assistance is well targeted and is equitable both within and between industries.	Supported.
9.4	Emissions-intensive trade-exposed (EITE) assistance would be provided for the direct and indirect electricity emissions associated with the activity or process.	Supported.
9.5	All industries, other than those for which there exists a physical barrier to trade, would be considered for emissions-intensive trade-exposed assistance.	Supported.
9.6	Up to around 30 per cent of Australian carbon pollution permits would be freely allocated to emissions-intensive trade-exposed (EITE) activities. At the outset of the scheme, if agricultural emissions are excluded from scheme coverage, this would be up to around 20 percent of permits.	Supported.
9.7	Allocations of assistance for direct emissions of new and existing emissions-intensive trade-exposed (EITE) entities would be calculated on the basis of : <ul style="list-style-type: none"> • An Australian historical industry-average emissions-intensity baseline for each EITE activity. • The output of the EITE activity for each entity. • The assistance rate for that EITE activity. 	Supported.
9.8	The emissions-intensive trade-exposed (EITE) assistance rate would be reduced over time with the intent that the share of assistance provided to the EITE sector does not increase significantly over time.	Supported.
9.9	Between 2010 and 2020 : <ul style="list-style-type: none"> • Assistance would be provided to emissions-intensive trade-exposed industries as proposed unless broadly comparable carbon constraints are introduced in key competitor economies, in which case assistance be withdrawn. Beyond 2020 : <ul style="list-style-type: none"> • Assistance would be withdrawn in broadly comparable carbon constraints are introduced in key competitor economies or • Assistance would be phased out over a five-year period in the event of acceptable international action that places obligations on an industry's major competitors. • Assistance would be continued as proposed in the absence of broadly comparable carbon constraints or acceptable international action. 	Supported.

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10.	Assistance for strongly affected industries	
10.1	<p>The characteristics of strongly affected industries are that they must :</p> <ul style="list-style-type: none"> • Be non-trade-exposed (as entities in trade-exposed industries may be eligible for assistance as emissions-intensive trade-exposed industries) • Be emissions-intensive (exceeding the threshold for eligibility proposed for emissions-intensive trade-exposed industries) • Include some entities that are emissions-intensive compared to their competitors, such that they cannot fully pass on carbon costs and could experience significant losses in asset value. • Have significant sunk capital costs. • Not have significant economically viable abatement opportunities available to them. 	Supported. AGL notes that while energy retailers do not meet these criteria, it needs to be recognised that unless retailers are permitted to pass the total carbon cost through to consumers, they will be severely impacted, and that the regulation of retail prices by jurisdictional bodies may impede this pass through. AGL suggests that there needs to be some consideration of how impacted retailers would be assisted if this were to occur.
10.2	Coal-fired electricity generators are likely to be strongly affected by the scheme, based on the characteristics proposed in Section 10.1	Supported.
10.3	The Australian Government has made significant contributions to progress the commercial deployment of carbon capture and storage (CCS). These contributions, and any further support, should recognise the technical and institutional hurdles to the development and deployment of carbon capture and storage technologies, and reflect Australia's significant domestic and international interests in the development of this technology.	Supported.
10.4	The Government would address particular impacts of the scheme on workers, communities and regions.	Supported.
10.5	To ameliorate the risk of adversely affecting the investment environment, the Government proposes to provide a limited amount of direct assistance to existing coal-fired electricity generators.	Supported.
10.6	Final decisions on an appropriate quantum of the proposed direct assistance for coal-fired electricity generators would be made after the medium-term national target range is established.	Supported. It should be recognised that continuing uncertainty on this issue will inevitably lead to decreased liquidity and greater volatility in the energy market.
10.7	<p>Eligibility for the proposed direct assistance for coal-fired electricity generators would be limited to those assets that were 'in existence' as of 3 June 2007, that is, assets that :</p> <ul style="list-style-type: none"> • Were in operation <p>Or</p> <ul style="list-style-type: none"> • Satisfied the national electricity Rules criteria for a 'committed project'. 	Supported.
10.8	The proposed direct assistance for coal-fired electricity generators would be allocated to individual recipients using a simple asset-by-asset method.	Supported.

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10.	Assistance for strongly affected industries	
10.9	The proposed direct assistance for coal-fired electricity generators would be allocated to individual recipients using a simple asset-by asset method that involves : <ul style="list-style-type: none"> • The available assistance being split into separate pools, with one pool being made available to brown coal-fired assets and the other to black coal-fired assets. • Assistance in each pool being allocated to individual assets in direct proportion to the capacity of each asset. 	Supported
10.10	The quantum of the proposed direct assistance for coal-fired electricity generators would be determined 'up-front' – that is, before the scheme begins. However, potential recipients will need to submit to a review process to minimise any prospect of windfall gains.	Supported.
10.11	The proposed direct assistance for coal-fired electricity generators would be provided on a 'once and for all' basis-that is, further allocations of assistance would not be provided after the scheme begins.	Supported, with a proviso that always remains an opportunity to re-open in exceptional circumstances.
10.12	A decision on the timing of the delivery of the proposed direct assistance for coal-fired electricity generators would be made at the time the quantum of assistance is determined.	Supported.

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11.	Tax and accounting issues	
11.1	Discrete provisions of the income tax law would be developed. Such provisions would provide generally the same tax treatment to permits purchased by taxpayers who are carrying on a business or other income-earnings activity as would occur under existing legislation, but would provide increased certainty and reduced complexity.	Supported.
11.2	The cost of acquiring a permit would be deductible at the time the permit is acquired.	Supported.
11.3	The effect of deferring a deduction for the purchase of a permit would be achieved through a rolling balance method, under which the value of permits held at the beginning and end of the income year would be taken into account.	Supported, with firms being able to choose between using historical cost or market value for valuing permits held in the rolling balance.
11.4	The value of free permits would be included in the taxpayer's assessable income in the year the permits are received.	Not supported. AGL believes that these should be assessed as income at the time of surrender/sale.
11.5	The value of a cash grant given to a liable entity as assistance under the scheme would be included in their assessable income in the income year it is received.	Not supported.

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11.	Tax and accounting issues	
11.6	Scheme transactions would be treated under the normal GST rules. This would ensure that scheme transactions would receive the same treatment as similar transactions in the broader economy. It would also be consistent with the underlying principles of the GST, including its broad-based nature, minimise compliance costs for entities and avoid complexity in the law.	The scheme should be GST free.

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12.	Transitional Issues	
12.1	To assist business more generally, the Government proposes to establish the Climate Change Action fund. This Fund will focus predominantly on those industries not receiving free permit allocation, but which nevertheless need assist to adjust to the carbon price.	Supported. AGL notes in this context that there needs to be greater attention provided to ensuring that retailers are not prevented from passing through the costs they will incur in the transition to the CPRS. See the body of the submission for detail.
12.2	State and territory governments are encouraged to discontinue their market-based programs once the Carbon Pollution Reduction Scheme commences, as this is consistent with the Council of Australian Governments' complementary measures and streamlining agenda. The Government will continue to work cooperatively with the New South Wales, Australian Capital Territory and Queensland governments to assist them in their development of appropriate transitional arrangements.	Supported. See body of the submission for detail.
12.3	A program for allocating early action credits would not be established.	

Position No.	Preferred Policy Position	AGL Comment
13.	Governance arrangements and implementation	
13.1	Elected representatives (the Parliament and the Government, acting through the responsible minister) would be given responsibility for policy decisions with significant and far-reaching implications, and an independent regulator would be responsible for decisions that are essentially administrative in nature or that involve individual cases.	Supported.
13.2	A non-binding reference to the medium-and long-term national targets would be included in the objects clause of the Act establishing the scheme. Factors that the Government may consider when making decisions about the national targets over time could also be sent out in the objects clause.	

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13.	Governance arrangements and implementation	
13.3	The broad principles of industry assistance would be sent out in the establishing Act. Further detailed criteria for determining eligibility and the quantum of assistance would be set out in delegated legislation. This would be administered by the regulator, which would have a high level of operational independence in determining individual cases in accordance with the legislatively prescribed criteria.	Supported, provided that there were clear guiding objectives provided to the regulator as to the policy purpose of the assistance which must be given effect to in making such a determination.
13.4	The Act establishing the scheme would set out a broad framework for monitoring, facilitating and enforcing compliance. The regulator would then be given responsibility for ensuring compliance by liable entities and, to that end, be given a range of compliance, investigative and enforcement powers, with the flexibility to select from a set of graduated options to respond proportionately to non-compliance.	Supported.
13.5	An independent expert committee would be constituted every five years to conduct public reviews of the scheme. The responsible minister would be provided with the power to bring forward a review. More frequent 'care and maintenance' reviews may be necessary in the early years of the scheme to assess the operation of administrative arrangements. To improve market certainty, the scope of those early reviews would be tightly defined.	Supported.
13.6	The scheme would be implemented through unitary Commonwealth legislation. States and territories will be informally engaged as part of ongoing cooperation and coordination on climate change policy through the Council of Australian governments.	Supported.
13.7	The scheme regulator would be given a high level of operational independence to implement the emissions trading legislation and apply it to individual cases. The regulator would be accountable to the responsible minister and subject to ministerial directions of a general nature only.	Supported.
13.8	The regulator would be required to report on its operations each financial year to the responsible minister for presentation of the Parliament. The regulator's decisions would be subject to sound appeals processes, including judicial review pursuant to the Administrative Decisions (Judicial Review) Act 1977 and merits review by the Administrative Appeals Tribunal.	Supported.
13.9	The regulator would be established as an incorporated body subject to the financial Management and Accountability Act 1997. The regulator would have a commission structure with a number of statutory office-holders appointed by responsible minister.	Supported.

Position No.	Preferred Policy Position	AGL Comment
13.	Governance arrangements and implementation	
13.10	The Government will assess the potential for consolidating the Greenhouse and Energy data officer the Renewable Energy Regulator and the proposed scheme regulator.	Supported.