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Climate change

Emissions trading

The Commonwealth Government has announced its intention to introduce a broad-based greenhouse gas emissions trading scheme, commencing in July 2011. However, to be introduced, the scheme must pass through Federal Parliament. As the Government does not control the Senate, when or if the scheme will be introduced is unclear. The following information outlines the main features of the scheme should it be introduced.

The new scheme, called the Carbon Pollution Reduction Scheme (CPRS), will provide a flexible, cost-effective framework to reduce greenhouse gas levels by allowing market forces to determine where cuts should be made.

The Commonwealth Government will issue 'emissions permits' equal to the amount of the cap. Emitters will need to acquire a permit that equals their annual emissions or pay a penalty.

Emitters who anticipate they will exceed their permitted limit have several avenues to remain in compliance. They can either implement measures to reduce emissions, purchase permits from other parties or create additional permits through carbon dioxide reducing activities like tree planting.

The cap will gradually decrease every year, meaning fewer permits will be available. As a result the permit price will increase over time, providing greater incentive to reduce emissions.

WHO WILL BE IMPACTED BY THE CPRS?

Emitters that produce over 25,000 tonnes of carbon dioxide annually will be required to account for their emissions and acquire permits. These liable parties will include electricity generators, large manufacturers and resource project managers.

Households and small businesses will not be directly covered by the scheme so will only be indirectly impacted. This indirect impact will take the form of higher prices for emissions-intensive products such as electricity and gas.

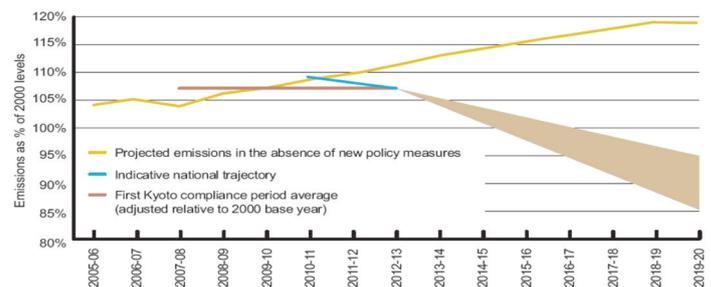
WILL THE CPRS DAMAGE THE ECONOMY AND SHIFT OUR INDUSTRIES OFFSHORE?

Modelling consistently suggests the economic impact of the scheme will be relatively small. Economic growth under CPRS is forecast to decrease by only 0.1 percentage point. While the price of emissions-intensive products such as energy will increase, these are only a small part of the economy and the overall impact will generally be insignificant.

However, for energy intensive industries for which the increased costs will be significant, free permits will be provided under the CPRS to discourage them from shifting to countries without such a scheme.

EMISSIONS CAP UNDER THE CPRS

The 2020 target range and the indicative trajectory compared to projected future emissions



Source: Commonwealth Department of Climate Change, December 2008.

MORE INFORMATION

Primary responsibility for emissions trading within the Western Australia Government rests with the Department of Treasury and Finance (DTF) Emissions Trading Unit. More information can be obtained from DTF's website at www.dtf.wa.gov.au including the State Government's submission to the Commonwealth on emissions trading.

The Commonwealth Government's Department of Climate Change has responsibility for implementing the CPRS. Refer to its website (www.climatechange.gov.au) for a wide range of publications on emissions trading.

The Garnaut Climate Change Review conducted a wide ranging review into emissions trading and other climate change issues. Its report and other papers can be accessed at www.garnautreview.org.au.

