



Garnaut Climate Change Review

Emissions Trading Scheme

Discussion Paper Submission

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Introduction

The Australian Emissions Trading Scheme (ETS) and its related reporting mechanism, the National Greenhouse and Energy Reporting (NGER) Act 2007, will introduce new costs and compliance reporting on Australian business.

As a large energy user, Asciano is concerned that an Australian ETS: fulfils the best outcome for national interests; addresses climate change by reducing national and international emissions; and provides a framework that is manageable for Asciano and all sectors of Australian society.

Scheme Design

Asciano has the following comments in relation to elements of the design of an Australian Emissions Trading Scheme.

Greenhouse Gas Coverage

The six major greenhouse gases as defined by the Kyoto protocol must be included in the scheme. Diluting the scope of greenhouse gases measured and accounted for as greenhouse gas emissions does not serve to achieve the goal of emissions reduction to address climate change.

The use of default values provided by the Department of Climate Change in reporting these major gases is acceptable from administrative and equity perspectives. Technical guidelines that allow measurement and reporting of actual emissions from equipment used, instead of default values based on fuel usage, should be an optional choice for organisations with permit liabilities. This would allow the benefits from lower emission equipment to be realised, when compared to emissions reductions that may result from using the default values.

Sector Coverage

Given that transport emissions make up a significant portion of Australia's emissions, and are set to dramatically increase in the future, it is essential that the whole transport sector is included in the Australian ETS on the Scheme's commencement.

It is right in principle and consistent with proper economic and environmental practice for transport to be included in the ETS to meet national emissions reduction requirements. While transport, or elements of transport, could be excluded by focussing emissions reductions wholly on other sectors, such a position is unreasonable and inequitable. The transport industry must accept its responsibility in contributing to the achievement of environmental outcomes.

Any delay in including the transport sector in emissions trading will only serve to create difficulties in lowering transport emissions at a later date and would unfairly pass this task on to other sectors. Transport emissions would quickly increase from being 14% of our national emissions to a much higher level. Without appropriate price signals and supporting policy, increases in transport emissions would offset the reductions gained by other sectors, making their reductions a wasted exercise.

Excluding certain sections of the transport sector from an ETS, for example by including energy users that cross NGER Act 2007 reporting thresholds in the ETS, and excluding those who do not cross this threshold, will only create distorted market behaviour to avoid emissions costs and undermine the objectives of the Scheme. This is particularly true when many small emitters (such as trucks and cars) do not exceed the thresholds for inclusion individually, but together make a significant contribution to emissions.

Point of Liability of Emitters

As a large energy user, Asciano prefers a Scheme that provides the most transparency regarding emissions costs as part of energy costs, and therefore gives it greater control in managing these emissions costs. The principle of liability and obligation for emissions at the point of emission, supports transparency in emissions costs for fuel.

A point of emission obligation at fuel refineries or suppliers, with these parties to hold the liability for emissions permits, provides greater simplicity in the management of permits, and covers the whole transport sector.

Asciano's concern, given the large amounts of fuel it uses, is that given the different financial instruments that will evolve with permits, the demonstration of the actual cost component of emissions by refineries or suppliers for end fuel users would not be overly transparent.

To provide greater transparency and control of emissions costs, emitters that cross the NGER Act 2007 reporting threshold should then have the option to purchase their own permits and have control of managing this liability. This approach would not be inconsistent with reporting requirements under the NGER Act 2007 where emission levels must be reported irrespective of any holding of a permit liability.

This approach would also allow large fuel users who opt to manage their own permit liability to accurately report and cover emissions with permits for actual emissions, versus the use of default values in measuring emissions.

Permit Purchase

Asciano has the following comments regarding the mechanics of the ETS.

Time Frames

The proposal to auction permits and to release permits for auction at short regular intervals is supported. Given the costs associated with purchasing permits for large energy users, the ability to purchase these at weekly or monthly intervals would assist organisations in being able to cover their immediate emissions liabilities instead of purchasing in advance of requirements or through secondary markets. This would provide subsequent cash flow benefits in managing this cost throughout the year.

Free Allocations

The free allocation of permits is not supported. All parties in the transport sector should be treated equally.

Trade Exposed Energy Intensive Industries

Transitional assistance through the allocation of free permits to TEEII's as proposed in the discussion paper, is supported.

International Linkages

Linkage to international schemes is supported, with Australia adopting a separate unit of trade permit for the Australian ETS.

There should be caps on the use of international units, for both Kyoto units and or non-Kyoto units. The use of Kyoto and non-Kyoto international permits would allow low cost permits to be internationally purchased thereby providing other low cost emissions permit options and encouraging actions in activities not yet recognised under Kyoto, such as avoided deforestation. A cap on the use of international permits would ensure that large scale emissions reduction initiatives were still achieved within Australia.

Conclusion

Asciano supports the Australian Emissions Trading Scheme, and the inclusion of the whole transport sector in this Scheme at its commencement. The NGER Act 2007 already imposes significant recording and reporting obligations on energy users, and the option for organisations covered by this Act to manage their own emissions permit liabilities would allow them to best manage this new cost to business.

The success of the Australian ETS is dependant on full coverage of all sectors in Australia. The success in achieving national emissions reduction targets is dependant not just on the success of the Australian ETS, but the introduction of complimentary policies to drive national adaptation and mitigation strategies.

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