

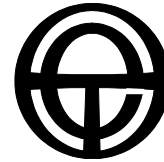
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Friday, April 18, 2008

Garnaut Review Secretariat  
Level 2, 1 Treasury Place  
Melbourne 3002 VIC

Dear Professor Garnaut,

Total Environment Centre (TEC) welcomes the opportunity to respond to the views of the Review as set out in the *Emissions Trading Scheme Discussion Paper* (March 2008).

This response is made in addition to our endorsement of the joint submission made by TEC, Greenpeace, and Climate Action Network Australia (CANA). TEC believes that for the ETS to act effectively as Australia's primary abatement mechanism the following issues would need to be addressed. These are in addition to the issues outlined in the joint submission.

**Coverage**

The proposed coverage of the ETS is relatively comprehensive. However, guidance on measures to address precursor emissions would be welcomed. Precursor emissions at altitude (eg. NOx) are significant drivers of the climatic impacts of aviation. Many have argued, from a point of self interest, that uncertainty surrounds these impacts. However, to the extent that uncertainty does exist, it is uncertainty about the *extent* of the impact, not *whether* there is an enhanced impact. The IPCC (1999) puts the enhanced impact at a multiplier of 2 - 4 and advocates the use of a multiplier (Radiative Forcing Index) of 2.7. Guidance on how the ETS proposes to treat precursor emissions would be welcome.

**Domestic Offsets**

The discussion paper proposes that 'domestic offsets...be accepted without limits.'

This is problematic on several levels. Perhaps the most fundamental is the *prima facie* eligibility criteria required for the generation of domestic offsets. By definition, under a cap and trade scheme, domestic offsets can only be generated in uncovered sectors. The only reason a sector would be uncovered under an ETS is that there does not exist the ability to measure emissions from these sectors with the requisite rigour and accuracy. It remains a stark paradox then that we disallow the direct entry of a sector into an ETS because of measurement problems but in the same breath allow for its indirect entry through unlimited offset generation. The measurement issues that made it impractical for the sector to be covered by the ETS are dismissed when it comes to the question of how these sectors will credibly generate offsets that will be treated as fungible credits.

Issues of measurement aside, there still remain fundamental issues of impermanence with regard to biosequestration projects such as tree plantations. Guaranteeing permanence is fundamental to recognition as a credible offset. Permanence does not require that the project continues forever, just that the emissions benefit of the project is irreversible. For example, if an energy efficiency project was 'closed down' the emissions benefit derived during the life of that project would be 'locked in' -the emissions benefit would be irreversible. This is also true of renewable energy projects, methane flaring, organic waste diversion, and recycling. In fact this is true of all projects but those involving some form of biosequestration. In this regard biosequestration projects are unique.

Biosequestration projects, such as tree plantations, are inherently impermanent. Once a tree plantation is 'shut down' there exists the risk that all the emissions benefit generated during the life of the project will be reversed- as the trees are cut down and processed, or die and decompose. In effect the tree plantation is only a temporary reservoir for carbon. For this reason the Clean Development Mechanism (CDM) only affords *temporary* recognition to such projects. That is, purchasing offset credits through tree plantation projects only allows parties to *temporarily* offset their carbon liability. In effect tree plantations under the CDM only allow parties to defer offsetting their emissions to a later date. Two instruments were specifically created for tree plantations; the *temporary Certified Emission Reduction (tCER)* and the *long-term Certified Emission Reduction (lCER)*. Parties holding a tCER can only defer buying permanent CERs for 5 years before seeking reaccreditation.

TEC is concerned about market developments in Australia's voluntary offset market that have seen temporary biosequestration projects marketed as 'permanent.' Some providers have attempted to argue that if a biosequestration project exists for 100 years then it can be accepted as 'permanent.' Others have put the number at 70 years. However, neither 70 nor 100 years equates to permanence. No discrete period of time can. Permanence requires irreversibility throughout time.

Once these arbitrary periods of time have passed, the legal liability to retain the stored carbon onsite is extinguished and there exists no guarantee that subsequent activities or events will not release the sequestered carbon into the atmosphere.

Biosequestration projects that act only as temporary carbon reservoirs should not be provided with permanent recognition.