

2 May 2017

Despite the Trump decision, the Paris Agreement remains the Mother of all market signals

The global transition to a low carbon economy remains a once in a generation economic opportunity regardless of the Trump Administration's decision to exit the Paris Agreement.

"Although the US President's decision to leave the Paris Agreement sends a bad political signal, the market signals could not be stronger," says Peter Castellás, Chief Executive Officer of the Carbon Market Institute.

"All of Australia's key trading partners in the Indo-Pacific have shifted inexorably towards low-carbon development, and all have unequivocal commitment to reducing emissions under the Paris Agreement," says Castellás.

"Irrespective of the Trump decision, Australia's energy-intensive, export oriented economy will become increasingly exposed to markets like China and Korea, where there is an explicit carbon price, a changing fossil fuel energy mix and a demand for innovation and technology solutions that augment the transition."

"It is critical that the Australian Government redoubles its resolve to our Paris commitments and makes it clear that it is in our national economic interest to be part of the global community response to reduce global emissions."

"President Trump's interpretation of the Paris Agreement played to a nationalist sentiment of his domestic constituency. Some of his comments were inaccurate and misleading and some of his facts, wrong. It is important now that the Australian Government and other elected Parliamentarians don't succumb to the temptation to echo some of these inaccurate and misleading comments of the US President."

"At a time when we are reviewing our national climate policies, we need a mature forward-thinking approach in Australia. We need our Prime Minister and senior cabinet ministers to stand firm and articulate clearly the case for committed action in the face of any climate sceptics that, emboldened by the Trump decision, may try to detract from good policies that need to be implemented in our economic interest."

The international community is now considering how the global momentum will be operationalized through the preparation of a Paris Rulebook that is to be finalized in

2018, and to guide implementation of commitments under the Agreement.

“There is an increasingly important role for Government to address the information gaps that exist in Australia about regional carbon market developments, in order to help ‘future-proof’ Australian products and services; unlock innovation and technology; and secure the competitiveness of trade-exposed industries.”

Importantly for Australia, there is uncertainty about how the Paris rulebook will treat emissions offsets and eligibility of tradable mitigation outcomes. It is not clear what the carbon offset supply and availability of units will be to be traded in a post 2020 environment for heavy emitting companies with a carbon liability.

“Australia needs to be inside the tent on these negotiations and deepen cooperation with other Parties in the development of options that will form the market mechanisms to import or export international carbon credits.”

There is no doubt that US action on climate change remains critical to achieving the ambitions of the Paris Agreement. However, US action will continue as powerful US businesses and states such as California reaffirm their commitment to invest and create jobs and opportunities and the linkage of carbon markets in North America progresses.

“President Trump’s decision is regrettable, disappointing, inward-looking and divisive. But the combined weight of the global political will to transition to a zero-carbon economy and the economic evidence of the transition is clear. The global emissions trajectory is down.”

“Australia is a committed Party to the Paris Agreement. We are in the game so let’s optimize our position as nation as this economic transition and new markets evolve.”

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The Carbon Market Institute is at the centre of climate change policy and business in Australia. We’re dedicated to helping business seize opportunities in rapidly evolving carbon markets. Independent and non-partisan, we’re the peak industry body for climate change and business.

We believe that market based solutions are the most efficient policy mechanism to address the challenge of climate change. We share knowledge and facilitate connections between business, policy makers and thought leaders to drive the evolution of carbon markets towards a significant and positive impact on climate change.

Engaging leaders, shaping policy and driving action, we’re connecting insights and catalysing opportunities in the transition to a low carbon economy.