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**Absolute emissions reduction is key.**

The Australian Government must ensure that energy policy shoulders its fair share of the emissions reduction burden, and that the combined suite of climate and energy policies drive down absolute emissions in line with our 2030 Paris Agreement targets.

In the context of the Australian Government’s [2017 review of national climate policy](#) already underway, the Carbon Market Institute welcomes today’s release of [Blueprint for the Future](#) – the final report of the Government’s [Independent Review into the Future Security of the National Electricity Market](#) (Finkel Review), led by Chief Scientist Alan Finkel.

The Carbon Market Institute supports the Blueprint’s recommendations:

- A continuous emissions reduction trajectory to deliver investment certainty and absolute emissions reductions of 28% below 2005 levels by 2030 in line with international commitments;
- By 2020 the Australian Government should develop a whole-of-economy emissions reduction strategy for 2050; and
- All governments should come together to agree on an emissions reduction trajectory.

“We have a rare window of bipartisanship emerging in Australia but both parties need to keep the end goal in mind – that Australia must reduce absolute emissions in line with its Paris Agreement commitments”, says Peter Castellas, Chief Executive Officer of the Carbon Market Institute.

“The Carbon Market Institute supports the Finkel Review position that consideration should be given to a post-2030 emissions reduction goal. For Australia to play its role in meeting global emissions reduction under Paris Agreement commitments, the Government should define the long-term emissions reduction goal for the Australian economy beyond 2030 that leads to net zero emissions economy by 2050,” says Castellas.

“The implementation of a new policy for the electricity sector should be done in combination with the climate policy review that is already underway”, says Castellas.

“The Turnbull Government brought climate and energy together under one Minister and the outcomes of the Finkel Review and the national review of climate policies need to be implemented in sync to deliver our absolute emissions reduction goals”, Castellas says.

“A primary metric for the development of any new National Electricity Market (NEM) policy, is the way in which the electricity sector will shoulder its fair share of absolute emissions reductions in line with our international target and UNFCCC obligations, and the Finkel Blueprint supports this”, says Castellas.

“Our 2030 Paris commitments are a floor and will need to increase in line with increasing ambition through the UNFCCC review process”, says Castellas.
“If the Government chooses to incorporate a Clean Energy Target (CET) into the broader energy and climate policy suite, it will need to make clear that sectoral emissions will be capped so that it reflects a proportional share of the overall emissions reduction task set for the economy” says Castellas.

“It must also be made clear whether the electricity sector would continue to be covered, or made exempt from coverage under the Government’s existing Safeguard mechanism. The outcome of the Finkel Review and the climate policy review should inform industry how an electricity-sector specific CET in combination with the Safeguard Mechanism will meet Australia’s target of reducing national emissions by 26-28% below 2005 levels by 2030”, says Castellas.

“If the Government develops a CET in concert with the tightening of the baselines of facilities covered under the Safeguard mechanism, then we have a more economy-wide carbon price signal that can define the trajectory of absolute emissions reduction”, says Castellas.

There is also an opportunity in the design of a CET to link to the domestic carbon credit market. If the emissions intensity benchmark is progressively lowered and there is a shortage of clean energy certificates, a design feature could allow the fungibility of Australian Carbon Credit Units to be imported into the scheme. Under the CET it would be technically possible to allow ACCUs to be fungible by converting tonnes of CO2 to MW/h, using tools like the World Bank’s Mitigation Action Assessment Protocol (MAAP).

“It would be important to consider in the design of a CET how even coal fired generators could potentially use carbon credits from forestry to capture carbon and store it to neutralise or offset their emissions profile”, says Castellas.

“Carbon sequestration in trees is a commercially viable, efficient and low-cost way to capture and store carbon; investment in type of carbon capture and storage would then link vegetation projects under the Emissions Reductions Fund with a proposed CET”, says Castellas.

“With conventional CCS technology still being trailed and developed, capturing carbon and storing it in verified projects may be a viable pathway in the near future for the integration of coal-fired generators under a CET model”, says Castellas.

“Carbon credits created under the ERF could be fungible into the CET (converting MW/h to tonnes of CO2), creating flexible compliance options, whilst also stimulating significant private sector investment in Australia’s domestic abatement industry”, Castellas says.

“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 a pragmatic and long-term evolution of our climate and energy policies”, says Castellas.

Ends.