An effective market mechanism is needed to meet UN emissions targets

A stable, enduring market-based mechanism to limit emissions growth across the economy is critical to meet Australia's increasing emissions reduction task says the Carbon Market Institute.

“While the government’s target of 26% (to 28%) below 2005 levels by 2030 may not seem to be aligned with the ambitions of key trading partners, the task to develop and implement effective domestic policies to meet even moderate targets should not be underestimated,” says Peter Castellas, CEO of the Carbon Market Institute.

“We now need the focus to be on an effective, comprehensive domestic policy response and central to that is a market mechanism that effectively prices carbon,” says Castellas.

“With the announcement of this target, the goal posts for emissions reduction are now 2030.”

“For the Government, the key is how the rules of the safeguard mechanism can be set over the next few months so that from the outset so they ensure a long-term, stable and predictable policy landscape for business” said Castellas.

“A critical design feature is to implement the safeguard mechanism with baselines over covered entities that decline over time in line with increasing emissions reductions goals”, he continues.

“Under the Government’s policy settings, the safeguard mechanism should become the primary means to limit emissions growth across the Australian economy and the framework to transition from predominantly public sector to private sector funding of emissions abatement,” Castellas says.

“Ruling out market-based approaches that price carbon will put significant pressure on the public cost of meeting emission reduction targets,” according to Castellas.

“We need the Government’s domestic policy response to provide an incentive for the discovery and deployment of least-cost abatement opportunities,” Castellas said.

“For the opposition Labor party, the question will be how their plans for an Emissions Trading Scheme will effectively cap emissions and keep open opportunities to link and trade with other international markets,” he continues.

“If Australia is to be competitive and harness economic growth opportunities in a low carbon world, we need to align our targets with key trading partners and implement the most efficient cost effective market mechanisms as part of our policy suite,” said Castellas.

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The Carbon Market Institute is an independent membership-based not-for-profit organisation. Our aim is to assist Australian businesses in meeting the challenges and opportunities associated with market-based approaches to emissions reduction and the transition to a low carbon economy.

As the peak body for carbon market participants, CMI has established an important role in the evolution of the carbon market in Australia. The Institute facilitates the networks, knowledge exchange and commercial interaction amongst key government policy makers and regulators, industry, financiers and investors, professional services companies and technology solution providers.

CMI membership represents a broad range of professionals, organisations and industry. Our members include leading professional service providers, NGERs reporting entities, secondary market participants, offset providers, academia and international organisations. Individuals within the CMI membership base are some of Australia’s most respected carbon market innovators and leaders.