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Australian climate review should ensure alignment of policy with Paris targets

The Federal Government is committed to undertaking a major review of climate policy in 2017. The Carbon Market Institute’s annual industry survey shows that business views the alignment of domestic policy with current and future emissions reduction targets set under the Paris Agreement as core to the Australian Government’s climate policy review.

A total of 208 senior and executive-level individuals from across business nationally completed the Institute’s 2016 Australian Climate Policy Survey, which was launched today. The findings show that:

- 83% agreed or strongly agreed that baselines under the safeguard mechanism should be set to tighten over time in line with Australia’s 2030 emissions reduction target.
- 92% believe that the conditions and criteria for how emissions baselines under the safeguard mechanism will be adjusted in the post 2020 period is an essential component of the upcoming 2017 policy review.
- 73% of respondents working for GHG-emitting companies are factoring in an internal carbon price.
- 85% of respondents indicated Australia should be part of international carbon market developments under the Paris Agreement.
- 83% indicated it is important there are other sources of private sector demand for domestic abatement under the Emissions Reduction Fund.
- 77% respondents said Australia should have a stronger emissions reduction targets, in line with the Climate Change Authority’s recommended 40-60 per cent reduction below 2000 levels by 2030

“Our annual survey highlights that business want the upcoming policy review to provide clarity on how Australia’s climate and energy policies will evolve to ensure we meet our current and future emissions reduction targets under the Paris Agreement”, says Peter Castellas, Chief Executive Officer of the Carbon Market Institute.

“It is critical that in establishing the terms of reference of the review, factors are considered that will enable the review to examine the effectiveness, stability and predictability of the domestic policy framework over the long term, and outline the pathway for the economic transition to a low (or zero) carbon economy’, says Castellas.

“Key detail on how the safeguard mechanism will evolve must be central to the outcome of the review. As our survey outlines, 83% of respondents highlighted the need for baselines under the safeguard mechanism to tighten over time and 92% want clarity on the conditions and criteria for how emissions baselines will be adjusted in the pre and post-2020 period”, says Castellas.

“With the tightening of baselines will come a need for a strong viable domestic carbon offset supply to help meet carbon liabilities, so the review must ensure the continuity of credits issued under the ERF. With a finite pool of funding left for the next few ERF auctions, the review must identify the appropriate
quantum of additional funding allocations to the ERF required until the time it transitions to a market driven by demand under the safeguard mechanism."

“If declining safeguard baseline trajectories are made clear, sooner rather than later, the private sector demand will likely kick in and this may obviate the need for any significant top up ERF funding,” says Castellas.

“Business supports Australia playing an active role in internationally linked carbon markets under the Paris Agreement framework, with 79% of survey respondents of the view that it will be important for Australian businesses to be able to trade carbon across borders as international markets evolve”, says Castellas.

There is a strong interest (73% of respondents) in being able to access international units to be used under the safeguard mechanism along with domestic units.

“Howver, over 90 countries have signalled they will be using international markets to meet Paris commitments and the existing market will change after 2020. There is no guarantee that we will be able to access cheap international units as the supply and price of international credits beyond 2020 is very uncertain,” says Castellas.

“Australia may end up being a net exporter of carbon credits. Our existing domestic offsets scheme, particularly land-sector projects, has the potential to scale up abatement to meet domestic demand and, in a post-2020 environment, export our carbon credits to international markets”, says Castellas.

“The review should examine how Australia could be part of internationally linked carbon markets as they evolve under the Paris Agreement, identify the type, eligibility and likely supply of international units and examine the pathway to open up market opportunities for the export of Australian Carbon Credit Units into other markets”, says Castellas.

“We also have a chance to align our aid, trade and diplomatic objectives to deepen our support for emission reduction among developing countries in our region and create economic opportunities for exporting our Australian carbon market, project development and professional services expertise”, says Castellas.

“The 2017 review should look to provide the clarity, ambition and foresight needed to provide Australia with an effective and efficient policy suite that clearly illustrates how our climate policy is appropriately calibrated towards achieving Australia’s 2030 target,” says Castellas.

The Carbon Market Institute is proud to release today the 2016 Australian Climate Policy Survey, an annual market research piece focusing on the Australia’s climate policy.

At CMI we have used this survey and consulted widely amongst our membership base to provide a Position Statement on Factors to Consider in the setting of the terms of reference for the 2017 review of Australian domestic climate change policy.
Each year the Carbon Market Institute runs Australia’s premier business and climate change event, and in 2017 the 4th Australasian Emissions Reduction Summit will take place from 2nd – 3rd May at the MCG, Melbourne. Learn more about the 2017 Summit.

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For more information, please contact:
Brad Kerin
Carbon Market Institute
Phone: 03 8601 1142
Email: brad.kerin@carbonmarketinstitute.org
Web: www.carbonmarketinstitute.org
Twitter: @CarbonMarketIns

The Carbon Market Institute is at the centre of climate change policy and business in Australia. Independent and non-partisan, we bring business, policy makers and thought leaders together 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 helping business to seize opportunities in the transition to a low carbon economy.