ERF Auction results highlight need for climate policy reboot

The Carbon Market Institute, Australia’s peak industry group for business and climate change, said today’s release of surprisingly small results from the 9th Emissions Reduction Fund (ERF) Auction presented an opportunity for the Government.

“This auction will see the additional investment of $840,000 into climate action, with most of this going into regional communities, but it highlights the need for a reboot of Australia’s climate policies of the Government,” said CEO John Connor.

The Auction, conducted by the independent Clean Energy Regulator, has resulted in 3 contracts and 3 projects which will see the purchase of 59 thousand tonnes of abatement at an average carbon price per tonne of $14.17. Compared with the last auction in December 2018, this is a 2 percentage increase on the average price and a 3.2 million tonne decrease on emissions abatement purchased in the previous auction.

Figure 1 below highlights the emissions abatement purchased and average carbon price changes per tonne since the first auction in April 2015 after the termination of the Carbon Pricing Mechanism.

“This is a surprisingly small result even with the uncertainty around ERF methodologies and expectations of change of government and policy preceding the Auction,” said Connor.

“The Government does recognise there are challenges with supply for the Australian carbon market. It is looking to improve processes and expand viable methodologies as it implements the additional $2 billion from their Climate Solutions Package over the next fifteen years, CMI is working constructively with them on this.”

“However, as the Government moves to enhance the ERF and unlock supply, they should also take this opportunity to better leverage market mechanisms through their climate policy more broadly. They can do so by strengthening post 2020 carbon emission baselines for business covered under the Safeguard Mechanism which legislates obligations of large emitters to measure, report and manage their emissions. “

“This would help deliver a clearer market signal to businesses and boost project development in the carbon market that is already providing opportunities for Australian farmers, businesses and indigenous communities. It could also remove the need for reliance on the controversial proposed carryover of pre 2020 Kyoto credits seen by many, including Pacific leaders, as against the spirit of the Paris Agreement and credible climate action.
“Australia, with its independent regulator, emissions registries and auction processes, has a robust and internationally respected system of emissions reporting and accountability. This supports the largest land-based climate action and offsets system in the world. We can build on this for stronger and more successful market outcomes and climate action ahead,” concluded Connor.

CMI’s corporate members have over 70% of emissions contracted under the ERF and over 50% of compliance liability under the Safeguard Mechanism.

Figure 1: Average Price & Volume of Abatement Contracted: ERF Auctions 1-9

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*Full contact details over the page*
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.