

Changes to the proposed CPRS

On Monday, the Government announced it will delay the proposed Carbon Pollution Reduction Scheme (CPRS) by one year, from a start date of 1 July 2010 to 1 July 2011.

The following outlines the key differences from the White Paper and what they mean for your business. It should be noted that there currently is a limited amount of new information available. The CPRS scheme legislation will be introduced when parliament resumes in June 2009.

What are the changes?

Start date:

The start date has been delayed by one year to 1 July 2011, compared to the original start date of 1 July 2010.

Target:

The 5% reduction compared to 2000 emissions by 2020 remains the same if there is no international agreement is reached in Copenhagen. If, however, a comprehensive international agreement is reached, the upper target would increase from 15% to a 25% reduction by 2020. Such a deal would include the major developing economies and a trajectory towards 450 ppm.

Carbon Price:

Year 2011/12 will have a fixed price of \$10 per tCO₂e with the transition to full market trading from 1 July 2012. This means there will be an unlimited amount of permits available at \$10 for year 2011/12 only, compared to a previously unlimited amount of permits at \$40 (i.e. the penalty rate).

No changes to the 100% availability to import overseas permits (CER, ERU & RMU) have been identified.

EITE Assistance:

Additional assistance to Emission Intensive Trade Exposed industries will include a "Global Recession Buffer" for the first 5 years of the scheme. EITE industries which were considered in the White Paper to be eligible for 60% assistance will see an increase in assistance of 10% to 66%, while industries eligible for 90% assistance will see an increase of 5% to 94.5% assistance.

Rates of assistance will still decline at a rate of 1.3% per annum as outlined in the White Paper.

Energy Efficiency Measures:

Funding has been increased for energy efficiency projects. Eligible businesses will receive funding to undertake energy efficiency measures for 2009/10 as part of a \$200 million tranche of the Climate Change Action Fund.

The \$200 million tranche of the Climate Change Action Fund for 2009-10 will include:

- \$20 million for business information package to provide advice to businesses on how the CPRS will work and what impacts and opportunities may arise
- Up to \$100 million for Early Action Energy Efficiency Strategies for business, including energy audits and capital investments.
- \$80 million for capital investment grants for businesses and community organisations.

What are the implications?

CPRS Delay:

Whether or not an organisation has a liability under the CPRS, all organisations will face increased input costs under an Energy Trading Scheme and **now** have the opportunity to understand and manage the economic and operational implications **ahead** of the commencement of the CPRS, and to incorporate it into their Business Planning Framework. The development and implementation of an integrated **Carbon Management Strategy** aimed at reducing an organisations carbon liability and costs whilst enhancing its overall position is a most effective approach in minimising the impacts and exploiting potential opportunities.

Carbon Price & Scheme Targets:

A \$10 price cap on permits in the first year of operation will assist organisations in the transition to an Emissions Trading Scheme and the risks associated with trading commodities. Higher targets (if a comprehensive international agreement is reached) will, however, put upwards pressure on the price of Permits and the costs of other goods and services.

Energy Efficiency:

Some organisations will be in a position to take advantage of the governments **additional \$200 million** Climate Change Action Fund **ahead** of a future carbon constrained economy to assist with overcoming capital investment barriers to energy efficiency projects and reduce their carbon liability. Energy Efficiency will be a key platform in mitigating the effects of increasing energy **costs** that will result from various Federal & State Government initiatives such as the Expanded Mandatory Renewable Energy Target, NSW Energy Efficiency Scheme and the up-coming CPRS.

NGER:

The National Greenhouse and Energy Reporting (NGER) Act 2007 and the National Greenhouse and Energy Reporting (NGER) Regulations 2008 **remain unchanged**. Organisations must adhere to the previously stipulated timeframes for registering (31 August 2009) and reporting (31 October 2009) should they exceed the Corporate or Facilities thresholds.

What does this mean for you?

With the announced changes to the CPRS, it is the perfect time to better prepare for a carbon constraint, to identify and quantify the energy efficiency opportunities available in your business, prepare submissions for funding, refine your emissions inventory calculations and data collation processes and develop a strategy to manage your exposure to carbon regulation.

AGL Carbon Management Services has both the experience and expertise to assess the risks and opportunities under in a low carbon future and assist its customers in cost-effectively managing their obligations. More specifically, AGL can assist with:

- NGER Reporting
- Energy Efficiency and Funding
- On-Site generation
- Integrated Carbon Strategy Development & Implementation
- Trading & Risk Management

If you would like further information or assistance in relation to any of these matters, please contact AGL Carbon Management Services (carbonmanagementservices@agl.com.au):



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