

Wednesday, 7<sup>th</sup> March, 2007



Task Group on Emissions Trading Secretariat  
c/- Department of the Prime Minister and Cabinet  
PO Box 6500  
CANBERRA ACT 2600

Email: [secretariat@emissionstrading.pmc.gov.au](mailto:secretariat@emissionstrading.pmc.gov.au)

ABN: 16 549 616 697  
Suite 5 / 18 Stirling Street  
PO Box 8078  
PERTH BC 6849  
Phone: (08) 9328 8411  
Fax: (08) 9328 8933

Dear Secretariat

**Re: Submission to the Prime Ministerial Task Group on Emissions Trading**

The Western Australian Sustainable Energy Association Inc. (WA SEA) welcomes the opportunity to provide comment on the Prime Ministerial Task Group on Emissions Trading Terms of Reference and Issues Paper.

WA SEA is recognised as the peak body for the sustainable energy industry in Western Australia and works on behalf of members to ensure that the Government acts in a sustainable way, is committed to reducing greenhouse gas emissions, and is actively adopting practical measures to adapt to climate change.

WA SEA members are fully supportive of the Federal Government implementing an emissions trading scheme. Business and the wider community are looking for a mechanism to deal with climate change, and WA SEA believes that Australia's industries will ultimately be economically disadvantaged if an emissions trading scheme is not established.

The emission trading scheme, if properly constructed, implemented and administered, will provide a fair, open and transparent process which will mitigate Australia's greenhouse gas emissions and provide opportunities for new growth in industries geared to respond to this challenge. The emission trading scheme will need also to deliver the financial security to underwrite the deployment of new and existing technologies into economically viable projects.

WA SEA members believe that for an emission trading scheme to be truly effective it must be delivered against a national target (i.e 60% of 2000 levels by 2050) and deliver a prescribed glide path to this. MRET provided a similar mechanism to this. In addition to the target the emission trading market must prescribe carbon pricing constraints by introducing a floor and ceiling price so as to moderate market volatility and to provide a floor price that can be used as a secure base for project financing.

*Mission:*

*'On behalf of the people of Western Australia, the Association will vigorously promote the development and adoption of sustainable energy so that by the end of this decade, 30% of the State's fossil fuel use is displaced by sustainable energy practices.'*

Creating a market for greenhouse gas emissions and emissions reductions, through an emissions trading scheme underwritten by a set of nation based targets, will first deliver flexible and low cost abatement options such as energy efficiency measures while accelerating the adoption of existing and new technologies. Such a system will send a strong signal to the market and lead to the immediate deployment of technologies that can quickly start reducing greenhouse gas emissions in Australia.

Energy efficiency and renewable energy solutions are available now and can be built today, and a market signal on the pricing of carbon will cause the immediate deployment of available technologies. Clean coal, other carbon capture and storage technologies, nuclear energy and indeed other low emissions technologies which are seen as possible solutions to reducing greenhouse are not immediately available for commercial use. While there is no doubt there is no silver bullet and a raft of low emissions technologies are required to address this problem, Australia and the world cannot afford to wait any longer to start taking action against climate change.

As Australia increasingly debates responses to global warming, the key to managing Australia's greenhouse gas emissions is getting practical solutions to reduce our carbon intense energy consumption. Australia has failed to put in place measures to reduce our reliance on imported fossil fuels for transportation.

Climate change is a result of our use of carbon based energy, and must strive to improve our energy efficiency and reduce our reliance on fossil fuels. Such measures will add to Australia's energy independence and reduce inflationary pressures on the rising costs of fuel imports, particularly as Australia's internal reserves are rapidly depleting.

Energy, like water, has always been cheap in Australia, but with increasing reliance on imported fuels we are increasing our exposure to reduced security of supply and international pricing, Australians must be prepared to be more careful with carbon based energy, just as we are now addressing a similar issue with water.

WA SEA has been supportive of the work undertaken by the State Governments in designing a National Emissions Trading Scheme and would strongly support a decision by the Federal Government to participate in this process. During the consultation process, WA SEA made the following comments in response to a possible design of an emissions trading scheme:

- WA SEA supports the development of policy that recommends Australia reduce greenhouse gas emissions by 60% by 2050 compared to 2000 levels;
- WA SEA supports the implementation of an emissions trading scheme that starts with the generation sector. The generation sector contains a small number of regulated and known point sources that contribute significantly to the greenhouse burden. For the scheme to be successfully implemented in a manageable way, it needs to be executed in a staged manner commencing with generation only and then move towards an industry wide emissions trading scheme. If we try to incorporate all industry sectors within the initial trading scheme, it seems likely this will delay and complicate implementation. The workability of a staged approach is also supported by the fact that emission trading schemes introduced in other countries have also been introduced in a staged manner;

*Mission:*

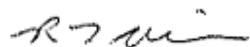
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- However, it is imperative that an emission trading scheme is broadened in scope beyond the stationary energy sector, and WA SEA supports the broadening of the scheme to ensure all important emissions are exposed to market pressures through emissions trading. A broadening of the market is essential to ensure that carbon is effectively priced to drive emissions reduction measures;
- WA SEA ultimately supports the reporting and inclusion of all six greenhouse gas emissions as liable gasses in the design of an emissions trading scheme; however in the short term to expedite implementation of the Emissions Trading Model, WASEA would prefer to focus on direct carbon based emissions (CO<sub>2</sub> & CH<sub>4</sub>) as being the initial liable gasses and offsets due to the ease of measurement and verification. Only once confidence in the system has been established and mature methods of measurement have been developed for the balance of the other greenhouse gas emissions should they be included;
- WA SEA supports the setting of firm national annual caps for the first 10 years of the scheme;
- The emissions trading scheme needs to operate in an open and transparent environment. It is preferred that the Federal Government enact legislation to be adopted by each State or Territory. While trading in carbon should be treated simply as trading as in any other commodity, a Government authority predicated on the Office of the Renewable Energy Regulator (ORER) for the administration of MRET should be established to oversee verification of an emissions trading scheme;
- WA SEA supports the proposal of a penalty for non-compliance that will create the appropriate behaviour modifier to comply, and tax deductibility of the penalty withdrawn;
- The Emissions Trading Scheme needs to work in parallel with existing schemes such as the MRET, VRET etc. and be able to link to other international trading schemes; and
- WA SEA supports the regular review of the Emissions Trading Scheme to ensure it is operating effectively and tracking within the targeted emission reductions.
- WA SEA promotes the annual publication of liable emissions and offsets created and include the balance of each carried forward in that year. This will ensure that offset providers can mitigate the market risk of oversupply accruing and dumping.
- WA SEA promotes the ability to carry forward offsets and liabilities into future years, on the basis that the liable party surrenders security to the value of the ceiling price of emissions until such time as it is arranged an offset against liabilities.

As the peak body for sustainable energy in Western Australia, WA SEA is also keen to meet with the Prime Minister's Emissions Trading Task Group while in Perth later in the month. We have contacted the Secretariat to see if such a meeting is possible and look forward to a response.

If you require any further information regarding this submission, please contact Johanna Gastevich on (08) 9328 8411 or [johanna@wasea.com.au](mailto:johanna@wasea.com.au).

Yours sincerely



Dr Ray Wills  
Chair

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