

Abatement Solutions – Asia Pacific

Australia's Readiness to Participate in the International Carbon Market

3rd AustralAsian Cleantech Forum,
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Topics covered in this presentation

- Scenario 1: Australia ratifies the KP
- Scenario 2: Australia maintains its current policy position
- Institutions & infrastructure
- Technology transfer to other economies

Abatement Solutions – Asia Pacific

- Based in Sydney, Australia
- Provides specialised advisory services
 - Climate change policy, project-based abatement, emissions trading, carbon strategy
 - Services both government and private sector
 - Meth expert for UNFCCC, GGAS projects, Australian NETS offsets design, CER broker
 - Verification strategy for EU ETS
 - Partners with leading international firms
 - Provides clients with a combination of local knowledge and deep international experience

What is the CDM?

- Project-based mechanism
- Driven by compliance requirements
 - EU ETS
 - Kyoto Protocol national targets
 - NETS, RGGI, JVETS, etc
- Regulated and managed by UNFCCC
- Catalyst for particular types of development
 - Technology transfer, sustainable development
 - Energy, waste, forests, agriculture, transport

How does it work?

- Links investors/credit buyers to dispersed project developers/technology providers
- Extremely robust administration and requirements for creation of the CERs
 - “Hard currency” of the global carbon market
 - Took some time to develop, now ramping up
- Various roles in the process
 - Validators & verifiers, CDM EB, panels/experts
 - Project developers (consultants, aggregators)
 - Financiers (CER buyers, project investors, banks and intermediaries)

Scenario 1: Australia ratifies

- Ratification by the Australian Government is possible at any time
 - Domestic approval processes for international treaties / agreements
- Federal Labor has committed to ratify
 - Federal election likely in October 2007
- Current Federal government is moving towards more substantial engagement
 - How does the current government view the risks of ratifying the Kyoto Protocol?

Potential policy structures

International Obligations

**108% of 1990 emissions levels
(using Kyoto Protocol accounting)**

Driving domestic abatement

National Emissions Trading Scheme (including offsets)

Renewable Energy Initiatives

Energy Efficiency Initiatives

Regulatory Mechanisms

Commercialisation Assistance

RD&D Assistance

Trading of international compliance instruments

- Australian Federal Government has primary responsibility for Kyoto Protocol targets
 - Must comply with KP institutional arrangements
 - Registry, inventory, reports, etc
- Transfer of units under the KP is at the discretion of the Australian Government
 - Government is issued with AAUs by UN
 - Can convert to ERUs with project mechanisms
 - No obligation to use the international compliance units in domestic policy structures

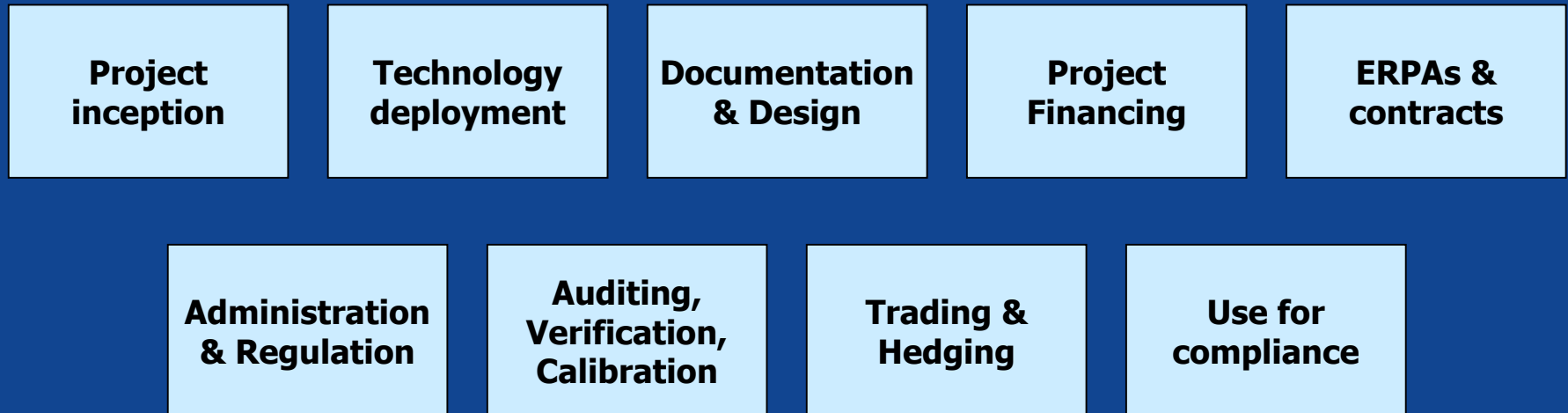
Trading of domestic compliance instruments

- National Emissions Trading Scheme
 - Permits to emit in covered sectors
 - Offsets for non-covered sectors via projects
- Potential to accept international credits as equivalent to domestic compliance units
 - CERs and ERUs from CDM and JI
 - Unlikely that AAUs would be accepted
- RECs, EECs, etc as domestic compliance units for specific incentive policies

What roles can Australian companies play internationally?

- Which Australian companies perform these roles in the “real world”?
 - Adjacent expertise quickest & easiest to mobilise

CDM & JI Project Cycle



Scenario 2: Australia doesn't ratify

- Federal Government maintains stance
 - “too risky to ratify or set targets”
 - “too early to have an emissions trading scheme”
- Focus is on “no impact” policies
 - RD&D incentives
 - Technology commercialisation incentives
 - Support of offsets via Greenhouse Friendly
 - Voluntary mechanisms for energy efficiency
 - No expansion of MRET mechanism

Institutions & infrastructure

- Australia is very well prepared
 - Thanks to the AGO (behind the scenes)
 - Potential to export these systems and skills
- Very short time required to install domestic emissions trading and project mechanisms
 - Great experience with GGAS, GH Friendly
- Design of domestic policy is critical
 - Simple solutions are not the best solutions
 - Priority must be changing behaviour/decisions

Tech transfers to other economies

- Various drivers for adoption of clean tech
 - CDM can facilitate adoption
 - Project mechanisms are frameworks of choice
 - KP is an opportunity to define rules/procedures
- Transition has commenced
 - How long will it take given the legacy issues?
 - What are the opportunities for investors?
- Key to recognise that these are compliance markets, and they are inherently political

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