



ANZ Investment Bank
Level 14, 530 Collins Street
Melbourne Vic 3000

Phone +61 3 9095 0014
email jennifer.patterson@anz.com
www.anz.com

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Dr Martin Parkinson
Deputy Secretary
Climate Change Group
Department of Primate Minister and Cabinet
PO Box 6500
CANBERRA ACT 2600

By e-mail: emissionstrading@pmc.gov.au

Dear Dr Martin

**Re: Abatement Incentives Prior to the Commencement of the
Australian Emissions Trading Scheme**

Thank you for the opportunity to provide comment on the *Early Abatement Incentives Discussion Paper—September 2007* (Discussion Paper).

ANZ has significant experience in Australian carbon and renewable markets, including the Mandatory Renewable Energy Target (MRET), Greenhouse Gas Abatement Scheme (GGAS) and the Greenhouse Friendly Scheme. We also offer a range of other products and services specifically designed to help our customers adapt to voluntary or mandated limits on carbon emissions.

ANZ believes that recognition of early action prior to the commencement of the scheme is not just important from an environmental point of view, through encouraging business to reduce their greenhouse gas emissions now, but also from an economic perspective.

The Task Group's May 2007 report on emissions trading suggested that there are benefits, which outweigh the costs, in the early adoption of an appropriate emissions constraint. It suggested that it would enhance investment certainty and provide a long-term platform for responding to carbon constraints.

However, it is important that early abatement incentives are appropriately structured to ensure that they achieve their full potential and abatement projects are not delayed until the introduction of the emissions trading scheme.

The Discussion Paper is broad ranging in the issues which it covers and this submission addresses only those issues in which ANZ has a particular interest.

Establishing Clear Procedures for Early Abatement Incentive Requirements

ANZ believes it will be important to establish the guidelines and procedures necessary for early abatement incentives to ensure accreditation is achievable. Companies that wish to take early action will be disadvantaged if the process does not allow accreditation within a reasonable amount of time.

As such, ANZ believes it is important that the procedures for assessment of projects is streamlined while maintaining the rigour of early action credits:

- Having appropriate resources dedicated to the assessment of projects—the Greenhouse Friendly programme will need to be appropriately equipped to handle any potential upsurge in applications
- Clearly outlining the documentation that will be required for assessment of early abatement projects
- Providing a defined timeframe in which projects will be assessed to provide project certainty to applicants

'Business-as-Usual' versus 'Additional' Abatement

The Discussion Paper suggests that only abatement projects which are additional to business-as-usual would be eligible for early abatement incentives.

While the Paper provides the example that additional abatement would be those measures taken which would not be cost effective without the additional benefit of early action credits, ANZ recommends that the Government will need to clearly define this to provide business with certainty.

In adopting a definition ANZ would caution the Government against setting the cut off as only allowing those projects which require early action credits to be cost effective to be eligible. ANZ understands that some businesses may have the ability to implement cost effective abatement measures, such as energy efficiency improvements, but choose not to because of other organisational priorities.

ANZ believes it is important to recognise that further incentives, such as early abatement credits, in addition to resulting cost savings, will increase

the appeal, and priority of projects such as energy efficiency improvements.

National Register

ANZ would like to reinforce the importance of developing an offset and early action credit register to ensure ownership of credits and remove the possibility for double counting.

It is also important to incorporate the ability to voluntarily retire carbon credits and this should be externally audited to ensure that credits sold have been retired.

Ineligibility of Some Participants in Covered Sectors

Under the recommended emissions trading scheme direct emissions of large emitters would be covered, with upstream coverage of fuel suppliers. The Discussion Paper suggests a scheme which would afford those included in an emissions trading scheme access to early action credits. Similarly, those in non-covered sectors would be able to obtain offset credits.

However, businesses in covered sectors which are not eligible for the emissions trading scheme because of the size of their emissions appear to be excluded from eligibility for either type of credit. While their greenhouse gas emissions may not be of sufficient size to warrant their inclusion in the emissions trading scheme ANZ believes any abatement measures should still be rewarded with credits able to be sold to and used by participants in the scheme.

ANZ would be pleased to provide further information on this issue and I can be contacted on 03 9095 0014.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Jennifer Patterson".

Jennifer Patterson
Director—Energy, Renewables and Emissions