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3 December 2007

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**RE: ABATEMENT INCENTIVES PRIOR TO THE COMMENCEMENT OF THE
AUSTRALIAN EMISSIONS TRADING SCHEME DISCUSSION PAPER:
APPEA SUBMISSION**

INTERNET
www.appea.com.au

I refer to the above discussion paper, released on 24 September 2007 for comment by 1 December 2007. The Australian Petroleum Production & Exploration Association (APPEA) welcomes the opportunity to provide comment on this paper.

EMAIL
appea@appea.com.au

APPEA is the peak national body representing the Australian upstream oil and gas industry. APPEA member companies collectively produce around 98 per cent of Australia's oil and gas. APPEA has been an active participant in the greenhouse debate in Australia for well over a decade.

APPEA is a member of the Australian Industry Greenhouse Network (AIGN), a network of industry associations and individual businesses which contribute to the climate change policy debate and see value in joint industry action on climate change policy issues in order to promote sustainable industry development. APPEA has contributed to the AIGN submission on the discussion paper.

A number of APPEA member companies have also made submissions on the discussion paper and APPEA would refer you to those submissions for further upstream oil and gas industry comment.

In summary:

- APPEA has since at least 1999 supported the concept of ensuring previous abatement action taken by firms does not disadvantage them when greenhouse policies are introduced (the 'no disadvantage' principle). Specifically, APPEA has since that time regarded as a key commitment an undertaking to avoid greenhouse gas abatement policies that disadvantage 'early movers' in Australian industry who have previously implemented greenhouse gas abatement measures. Thus it is essential that, when the Australian emissions trading system is adopted, the initial

allocation of permits imposes no disadvantage on firms which undertake early abatement action compared with those that do not;

- APPEA has also noted that 'credit for early' action is a separate and more contentious consideration. While the government may wish to offer credits as a stimulus to early action to meet a public policy objective (and APPEA acknowledges the incoming government has not made a commitment in this area), the crediting arrangements must not be allowed to create disadvantage for others, that is, ensuring the no disadvantage principle is met must remain paramount throughout any abatement incentives (credit for early action) considerations. Unless carefully designed – a task very challenging in light of the timeframe for the development of this initiative – this may be a difficult principle to meet in many circumstances; and
- APPEA member companies have long recognised that there is significant potential to capture large cost savings from investment in energy efficiency measures. As such, APPEA agrees with the observation in the discussion paper that improving energy efficiency through abatement activities has been (and continues to be) pursued by industry (the upstream oil and gas industry key amongst them) voluntarily.

With this in mind, APPEA's comments in the attached submission are designed to ensure that any abatement incentives that may be put in place are efficient and effective, meet the no disadvantage principle and do not compromise the broader development of the Australian emissions trading scheme.

We would be pleased to discuss these comments with you at any stage. Should you have any queries, please feel free to contact Mr Damian Dwyer, Director Economic and Trade via telephone on 6267 0902 or via e-mail at ddwyer@appea.com.au.

Yours sincerely



Belinda Robinson
CHIEF EXECUTIVE

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