



AUSTRALIAN BANKERS' ASSOCIATION INC.

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Mr Tas Sakellaris
Assistant Secretary
Carbon Crediting Team
Climate Change Group
Department of the Prime Minister and Cabinet
PO Box 6500
CANBERRA ACT 2600
emissionstrading@pmc.gov.au

Dear Mr Sakellaris,

Australia's Emissions Trading Scheme (AETS)

The Australian Bankers' Association (ABA) welcomes the opportunity to provide comments on the discussion paper *Abatement Incentives Prior to the Commencement of the Australian Emissions Trading Scheme*.

Climate change is a global problem that requires a global solution. We believe that it is important to support the development of a global carbon market, initially through the introduction of the Australian Emissions Trading Scheme (AETS). The AETS should form part of Australia's policy response to address climate change and achieve sustainable reductions in greenhouse gas (GHG) emissions, along with practical strategies to develop and deploy low emissions technologies, renewable energy technologies and adaptation responses to assist businesses and the community transition to a future carbon constrained world.

It is the ABA's view that:

- Recognising 'early movers' and actions taken by companies prior to the implementation of the AETS will be an important driver and incentive to start this transition. We support the early abatement initiatives as outlined in the discussion paper, in particular fair, equitable and transparent permit allocations and the development of robust market mechanisms that promote the credibility and integrity of the AETS.
- Supplementing NGER data with other verifiable data is important for the integrity and credibility of the AETS. We support capturing emissions and energy data early, so long as it is accurate and verified and contributes to the early action of companies without disadvantage.
- Encouraging companies to take early action and maintain their efforts and activities to deliver additional abatement will be important prior to the commencement of the AETS. We support the transparent and consistent recognition of assets eligible for compensation and the introduction of 'early action

credits' and 'offset credits' for abatement efforts and activities that have actually occurred, are additional (i.e. beyond business as usual), and are permanent, measurable and verifiable. Administrative mechanisms must be operationally equivalent and credits must be fully tradeable. Uniformity of credits will be essential to ensuring that credits can be compared like-with-like.

- Developing a single, national register will be important for encouraging trading before the commencement of the AETS. We support the tracking of credits from creation to retirement. Managing credits like other commodities will be essential for managing tradeable rights and third parties' interests.
- Developing robust mechanisms for the exchange of credits for permits will be important for minimising artificial impacts on the price of carbon. We support early abatement being taken into account when setting the emissions caps in the initial years of the AETS.
- Finalising the criteria for additional abatement as soon as possible will be important to enable companies to take advantage of the opportunity that exists to abate now and the commencement of the AETS. For example, using the *Greenhouse Friendly* initiative as an initial administrative mechanism for approving credits should be adopted in the short-term. However, this mechanism will need to be supplemented with additional work with regard to offset methodologies specific to Australia that are not currently covered by *Greenhouse Friendly* – this is particularly applicable to the agricultural sector (aside from forestry).

The Australian banking sector will be pivotal in facilitating the transition of businesses and the community to a future carbon constrained world. Not only are banks already developing products and services to assist their customers respond to climate change risks, opportunities and challenges, banks are trading carbon credits to assist their customers (businesses and individuals) undertake abatement activities now. Going forward, banks will be intermediaries between buyers and sellers of carbon credits on the AETS. It is important, as far as possible, for the various voluntary and mandatory schemes to complement each other, and support the convergence of various schemes into a global carbon market.

The ABA and ABA member banks are pleased to engage with the Government on the development of climate change policies and the introduction of the AETS. We are keen to interact with the Government on the design of the market mechanics and the implementation of the AETS. We look forward to providing the Government with more specific comments on the AETS over the coming months.

If you have any queries regarding the issues raised in the letter, please do not hesitate to contact me.

Yours sincerely



Diane Tate