



8 April 2011

Committee Secretary
Senate Standing Committee on Environment and Communications
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Origin Energy's Response to the Senate Inquiry into the Carbon Farming Initiative

Carbon Credits (Carbon Farming Initiative) Bill 2011; Carbon Credits (Consequential Amendments) Bill 2011 and Australian National Registry of Emissions Units Bill 2011.

1. Background

Origin Energy Limited (Origin) welcomes the opportunity to make a submission to the Senate Inquiry in respect of the Carbon Farming Initiative.

Origin is a major integrated energy company involved in gas exploration and production, power generation and energy retailing. We are also a significant investor in renewable energy technologies; including geothermal, solar and wind, and currently have over 500,000 customer accounts with green energy products such as Government accredited GreenPower and our Green Gas (offset bundled) products.



2. Overview of Origin's Policy Position

Origin strongly supports a well designed Emissions Trading Scheme (ETS), as the primary policy measure to reduce Australia's greenhouse gas emissions. An ETS provides a price signal over the longer term for a range of climate change responses, including investment in renewable energy and transitional fuels such as gas.

We also believe that a viable voluntary market is a crucial component of Australia's efforts to address climate change.

Origin is proud to have been a major supporter of the Government's Greenhouse Friendly Program (GHF) since its inception with accreditation of some of the program's earliest abatement projects and products; and also to have actively encouraged consumers and communities to take voluntary action to reduce their own emissions.

We support the Government's development of the National Carbon Offset Standard (NCOS) to complement an ETS and the continued fostering of the NCOS and the voluntary market via the proposed Carbon Farming Initiative (CFI). We also see the CFI as an important development for providing a pre-ETS price signal for domestic abatement in lieu of the GHF Program.

Origin supports the proposed design principles of ensuring integrity, transparency and broad participation as they are paramount to ensuring market and consumer confidence and longevity of the CFI. We want to emphasise the importance of having effective and structured measures (such as permanence arrangements, reporting, auditing, crediting and monitoring) to enhance integrity and ensure the complementarity of the CFI with a future carbon pricing mechanism, particularly to facilitate the transition of land abatement into a covered sector.

Below we provide specific comments on the aspects of the CFI that are most relevant to Origin's business.

3. Interaction with Compliance Markets

The compatibility of the CFI with a future domestic carbon pricing mechanism (whether it be an ETS, fixed price tax or hybrid mechanism) is critical in ensuring the long-term success of the CFI.



The ability of the CFI to facilitate the creation of both Kyoto and non-Kyoto Australian carbon credit units (ACCUs) is a positive aspect of its design. However, after 12 June 2012, the CFI will only issue non-Kyoto ACCUs and the ability to exchange ACCUs for Kyoto units (assigned amount units, removal units or emission reduction units) for international markets will cease after 1 July 2013. We would then be in a situation where the Australian demand for offsets from CFI activities would only be in the voluntary market (which is relatively small and difficult to accurately forecast) unless there is the ability to link the CFI with a future domestic carbon pricing scheme.

Fungibility of the CFI with a carbon pricing mechanism will build strong demand for domestic abatement and provide much needed certainty to project developers to allow them to underpin longer term investments. We support the CFI as a complementary measure to a broad-based well designed carbon scheme, initially via offsets and then included as a covered sector.

It is also appropriate to consider the possible measures (as documented in the Garnaut Review Update Paper 4) to limit the proportion of ACCUs allowed to opt-into a future carbon pricing scheme.

Fungibility, either via linking or bi-lateral arrangements with other countries and compliance schemes (e.g. New Zealand ETS, EU ETS, NSW and ACT Greenhouse Gas Reduction Scheme or the regional schemes in the United States) is another scheme design consideration.

4. Interaction with Voluntary Markets

It is positive that the CFI will enable domestic activities to be recognised under the NCOS, which in-turn will foster a growing and credible voluntary market in Australia.

ACCUs will need to compete (on price, co-benefits, profile/brand and the charisma of the project) with a large range of other international offsets for voluntary buyers overseas. We encourage the Government to continue to thoroughly explore cross-certification, for example with the Voluntary Carbon Standard, in order to enhance the ACCUs' profile and appeal with buyers.



Currently, we find that our customers have very low awareness of the NCOS and the CFI. We believe that consumer perceived integrity and promotion of the CFI (once passed into law) and the NCOS are vital to the longevity and success of these schemes. We're aware that the Government will soon be initiating a review of the NCOS and we encourage the Government to make budgetary allowances to support a range of activities to market and promote the benefits of these Government schemes to both mass consumers and businesses.

Yours faithfully,

Tim O'Grady
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