



4 October 2012

Mr Tim Bryant
The Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Email: economics.sen@aph.gov.au

Dear Mr Bryant

Inquiry into the Clean Energy Amendment (International Emissions Trading and Other Measures) Bill 2012 and related bills

Qantas welcomes the opportunity to participate in the inquiry into the Clean Energy Amendment (International Emissions Trading and Other Measures) Bill 2012 and related bills, which propose to give legislative effect to linking Australia's emissions trading scheme (the Australian scheme) and the European Union Emissions Trading System (EU ETS).

As aviation is included in both the Australian scheme established by the *Clean Energy Act 2011* and the EU ETS, Qantas participates in both schemes. As a general principle, Qantas supports measures which provide additional flexibility to meet liabilities under emissions trading schemes, including the ability to access a larger market for cost-effective emission reductions.

While we note there are potential benefits from linking the Australian scheme to the EU ETS, Qantas maintains its concerns regarding the extra-territorial inclusion of aviation in the EU ETS.

Qantas' comments on various aspects of the draft legislation are provided below.

Designated limits

The draft legislation reflects the introduction of a new, reduced sub-limit which will be applied to the use of eligible Kyoto units and the removal of the price floor to facilitate linking of the Australian scheme and EU ETS. Qantas understands that restricting the use of Kyoto credits will assist in linking the arrangements however, the limit reduces our flexibility to meet our liabilities under the schemes and artificially increases our cost of compliance.



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In addition, the Australian Government has acknowledged that the quantitative restriction of 12.5 per cent on the use of Kyoto units will result in the Australian carbon price converging with the EU carbon price when a full link between the emissions trading schemes is established. Of concern to Qantas is that the EU will have the ability to artificially control the price of carbon in Australia and the impact on Australian industries through the EU carbon price.

Use of European Aviation Allowance Units

A key principle of an effective market based measure is open access to markets and credits and, on this basis, we support the inclusion of European Union Allowances (EUAs) under the Australian scheme. However, we note that the draft legislation does not allow the use of European Aviation Allowance Units (EUAAUs).

While EUAAUs can be bought and sold by anyone, they can only be used by airlines to meet their compliance obligations. In Qantas' view, EUAAUs should have the same fungibility as European Union Allowances (EUAs).

We would be happy to provide any further information that might be of assistance.

Yours sincerely

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