

Submission to House of Representatives Economic Committee: EU Linking

Climate Bridge welcomes the announcement that the Australian and European carbon markets will be linked.

A global problem requires a global solution: The European Emissions Trading Scheme (EU ETS) is a fairly mature market. Carbon assets have traded on liquid exchanges since 2005 and an ecosystem of carbon expertise now exists in Europe.

Climate change is a global phenomenon with global causes and global effects. Dangerous climate change can only be avoided by a coordinated global effort to reduce emissions. This linkage announcement is more than just about Australian domestic politics - it is a major step towards a global carbon market. Australia becomes the 31st country to join the largest carbon market in the world.

Kyoto units retain an important role: The Clean Development Mechanism has been a huge driver of emissions reductions in developing and emerging economies. It is one of the most cost effective ways to reduce global greenhouse gas emissions. Given the scale of the climate change challenge, the global community needs to reduce emissions at the lowest possible cost, and the CDM is currently the world's primary mechanism for achieving least-cost abatement. Consequently, Climate Bridge was disappointed at the government's decision to reduce the Kyoto units allowance from 50% to 12.5%. However, we are pleased that Kyoto units have retained a role in the Australian Carbon Price Mechanism. In particular, we are pleased to note that the 12.5% allowance for Kyoto Units is enshrined until 2020. Certainty for the first five years of the scheme will provide confidence to companies wishing to invest in underlying projects, which typically take 2-3 years to develop.

Regulatory certainty enables Australian market to start trading. Up until now, uncertainty on the floor price regulations has prevented Australian liable entities from starting to trade carbon. The new rules have largely resolved this uncertainty. Once the change is passed into law, we expect activity in the Australian carbon market to increase substantially. For liable entities, this means they can start hedging their cost of carbon (and therefore of power) for 2015. For project developers like Climate Bridge, the new rules mean we can start to secure carbon offtake contracts with liable entities that will allow us to invest in new projects.

We strongly encourage parliament to push through these amendments swiftly, so that the Australian carbon market can move from talk into action as soon as possible.

About Climate Bridge

Climate Bridge is a carbon project developer, with a portfolio of more than 180 emission reduction projects in both the voluntary and compliance carbon markets.

As a project developer, Climate Bridge's primary activity is to get emission reduction projects (such as wind farms, biomass projects, energy efficiency installations etc.) registered with the UN (or other international standard) and carbon credits issued. This requires extensive documentation to prove that the project would not occur without carbon finance and to calculate emissions actually reduced. Climate Bridge sells the emission reductions from these projects on a wholesale basis to major corporations and retailers in Europe, Australasia, Asia and North America.

Climate Bridge was founded out of a desire to make a high-impact contribution to modern society's efforts to combat climate change. Both inside and outside the carbon markets, Climate Bridge continues to explore new opportunities to support the transition to a low-carbon global economy. A truly international company, Climate Bridge has regional headquarters in Melbourne, Shanghai, and London.

About the Clean Development Mechanism (CDM)

The Clean Development Mechanism was established under the Kyoto Protocol as a way of financing reduction in emissions in developing economies. It has been very successful to date – over 4000 projects worldwide have been registered with the

United Nations to date. Between them, these projects reduce emissions by more than 600 million tonnes CO₂ equivalent – greater than the annual emissions of Australia. Climate Bridge has around 100 CDM projects, of which 53 are registered.

A typical CDM project takes 2-3 years to achieve registration with the United Nations. The CDM registration and issuance processes are extremely thorough, requiring extensive documentation. Applications must show that the project is “additional” – i.e. would not have happened without CDM finance – as well as providing detailed and conservative calculations of the emissions reductions achieved. At least four different government/intergovernmental bodies assess and approve projects before any credits are generated – the host country (e.g. China), the buyer country (e.g. Australia), a United Nations appointed auditor, and the United Nations Framework Convention on Climate Change.

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