

Tabled document no: 2

By: *Senator Back*

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Hi

You asked about a recent quote from Mr Ross Garnaut about the failure of overseas emissions trading schemes.

I believe that this recent speech in China ('The design and development of cost-effective market mechanisms for carbon emissions reductions in China: Economic modelling and international experience', National Development and Reform Commission-State Information Centre Carbon Market Beijing International Workshop, Beijing, 31 January 2013) is the source of recent media reports on Mr Garnaut's call for higher emissions reduction targets.

1 this speech Mr Garnaut notes that (my bolding):

We should acknowledge that trade in emissions entitlements has struck some large practical problems. Within the European emissions trading system, the many regulatory and fiscal interventions are forcing much larger reductions in emissions than carbon pricing. These together with slow growth in economic activity and the realisation of unexpected opportunities for low-cost abatement have caused permit prices to fall to levels that are well below the economic cost of emissions and the value of abatement.

The low prices raise questions about the effectiveness of the emissions trading system. Although controlled in quantum, use of offsets at very low prices from the Clean Development Mechanism (CDM) has pushed prices even lower. Low European and CDM prices would, if uncorrected, introduce low prices into other emissions trading systems with which Europe is linked, notably Australia from 2015. Already New Zealand's emissions trading scheme has prices close to zero through allowing unlimited access to credits from the Clean Development Mechanism.

Media reports of this speech was mainly the article below:

- M Priest, Calls for bigger emissions cuts, Australian Financial Review, 1 February 2013, <http://www.rossgarnaut.com.au/Documents/CNDRCNational%20Contributions%20to%20the%20GI>