



*Carbon price*

+



*Renewable energy*

+



*Energy efficiency*

+



*Land use*

# Pricing Carbon

## A Price on GHG Emissions

*29 February 2012*



Office of  
Environment  
& Heritage

Preferred provider for the  
NSW Government

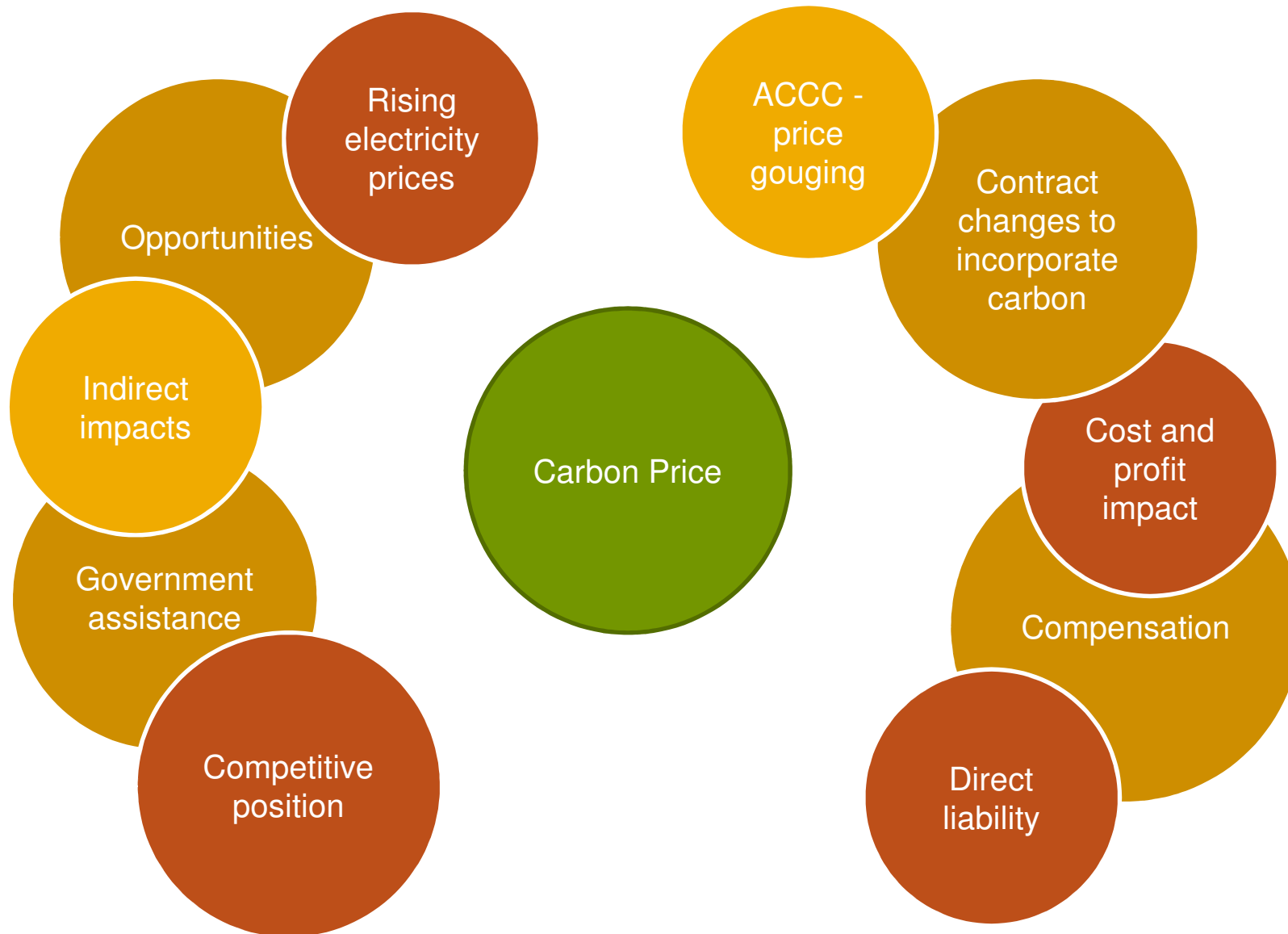


**SustainableBusiness**  
CONSULTING

Sustainable Business Consulting Pty Ltd  
Level 32, 101 Miller Street, North Sydney 2060  
P: 1300 102 195 | F: +61 2 8079 6101  
[www.sustainablebizconsulting.com.au](http://www.sustainablebizconsulting.com.au)  
ACN 140 233 932 | ABN 46 506 219 241

## The carbon price - key issues for companies

---



# Agenda

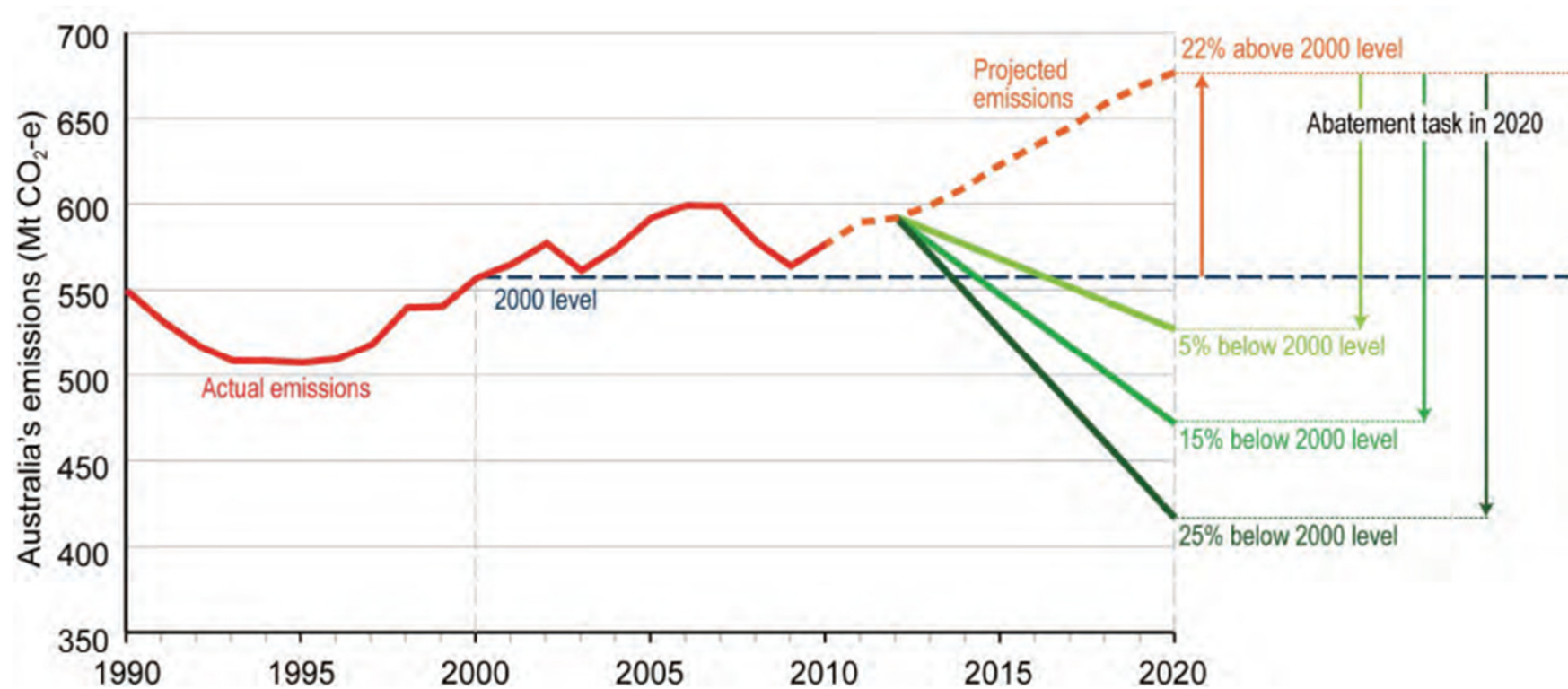
---

- ◆ Basic insights into the carbon pricing mechanism
- ◆ Impact for companies
- ◆ Opportunities for companies

# **Basic insights into the carbon pricing mechanism**



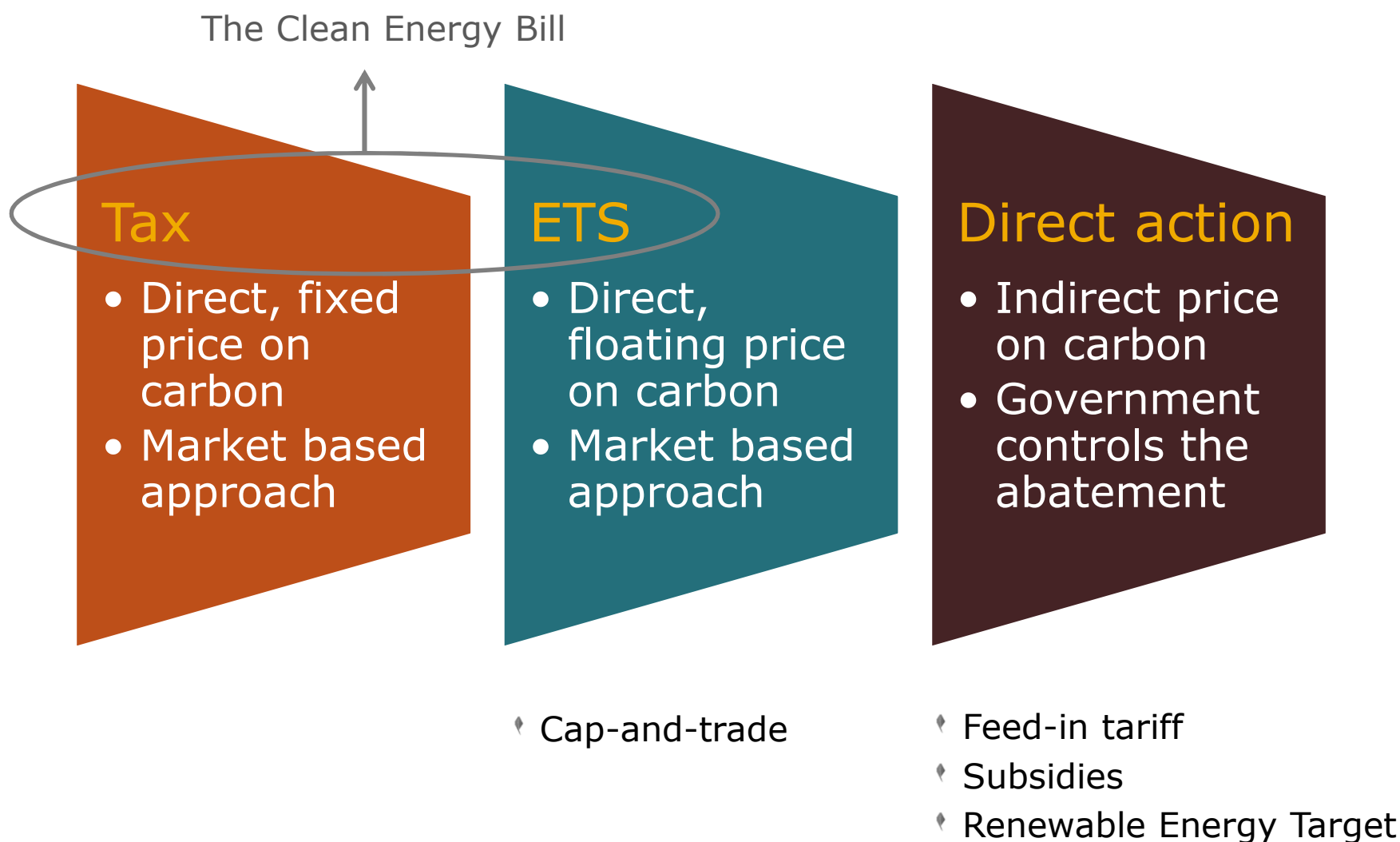
# Australia's projected growth in emissions



Source: Treasury modelling, 2011(medium global action scenario);  
graphic taken from Clean\_Energy\_Future\_Final.pdf from [www.cleanenergyfuture.gov.au](http://www.cleanenergyfuture.gov.au)

## Ways to achieve emission reduction:

---



# The basics of a market-based carbon pricing approach

---

A company faced with a price on carbon will decide whether it is cheaper to

## Pay the price

- Pay the tax - pay for the permit
- Pay for credits

## Avoid/reduce emissions

- Cheapest way to avoid
- Cheapest way to reduce

As each company behaves similarly....

... the least costly abatement measures are adopted Australia-wide

Avoid/reduce emissions



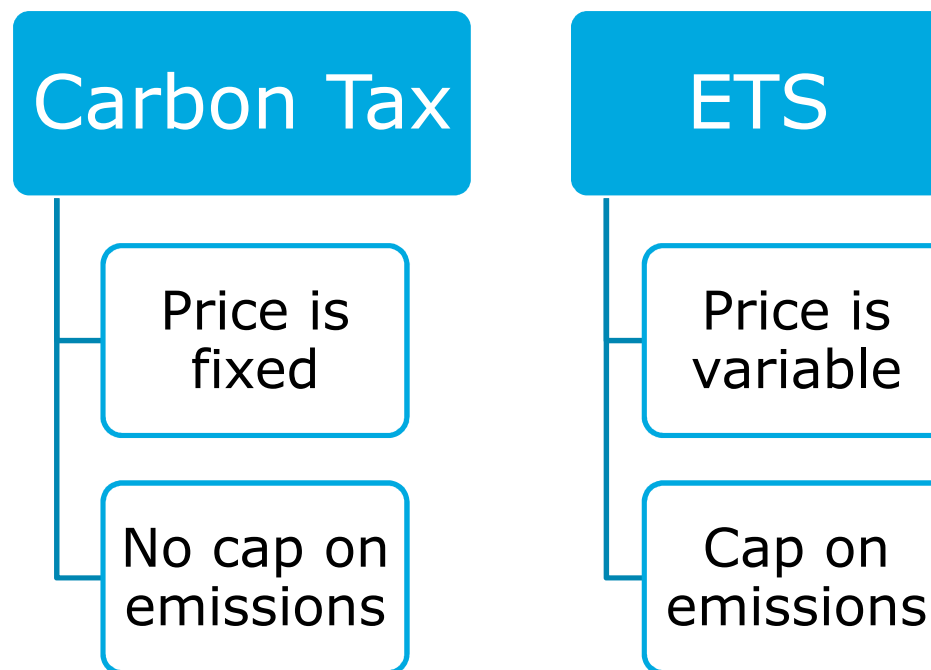


## Carbon Tax versus the ETS

---

### Carbon Tax:

- ♦ Fixed price of \$23 / t of CO<sub>2</sub>-e
- ♦ Unlimited number of permits available for purchase during fixed price period



**Did you know  
that we have had a  
GHG legislation  
in Australia since 2007?**



# Existing Greenhouse Gas Legislation: NGERs

Facility thresholds				
Corporate group thresholds				
	FIRST REPORTING YEAR 2008-09	SECOND REPORTING YEAR 2009-10	THIRD REPORTING YEAR 2010-11	FOURTH 2011-12
Corporations to apply for registration by	31 August 2009	31 August 2010	31 August 2011	31 Aug 2012
Corporations to provide data report by	31 October 2009	31 October 2010	31 October 2011	31 Oct 2012
Government to publish data by	28 February 2010	28 February 2011	28 February 2012	28 Feb 2013

Notes: TJ = terajoule ( $10^{12}$  joules) of energy consumed or produced; kt = kilotonne ( $10^6$  kilograms)  $\text{CO}_2$ -e equivalent of greenhouse gases emitted. Conversion factors: Energy—1 terajoule = 1000 gigajoules, 1 gigajoule = 1000 megajoules, 1 megajoule = 1000 kilojoules, 1 kilojoule = 1000 joules;  $\text{CO}_2$ -e emissions—1 kilotonne = 1000 tonnes, 1 tonne = 1000 kilograms.

# The Carbon Pricing Mechanism

*Part of the “Clean Energy Bill”*



## The Technicalities

---

- ♦ 500 companies ('the biggest emitters') have to pay the carbon price directly
- ♦ About 140 of these are headquartered in NSW
- ♦ Facilities with emissions of > 25,000 tonnes of carbon
- ♦ Only **direct** emissions of greenhouse gases into the atmosphere
- ♦ All other companies will only see increased input costs
- ♦ Costs will increase as the price of carbon is internalised



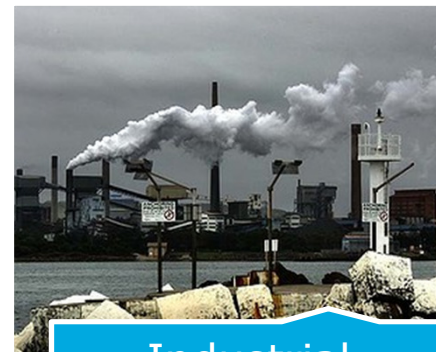
## Coverage of carbon tax – sectors

---

- ♦ Stationary energy
- ♦ Industrial processes
- ♦ Fugitive processes (other than decommissioned coal mines)
- ♦ Non-legacy waste
- ♦ Rail
- ♦ Domestic aviation and shipping



Stationary  
energy



Industrial  
processes



Waste



Fugitive  
emissions

Agriculture and land-use sectors are excluded

# Main sectors and companies impacted by the carbon price

---

## ♦ Steel

BlueScope and OneSteel

## ♦ Oil and gas

Woodside, Santos, Origin

## ♦ Mining

BHP Billiton, Rio Tinto, Iluka, Newcrest

## ♦ Construction

Boral, James Hardie

## ♦ Transport

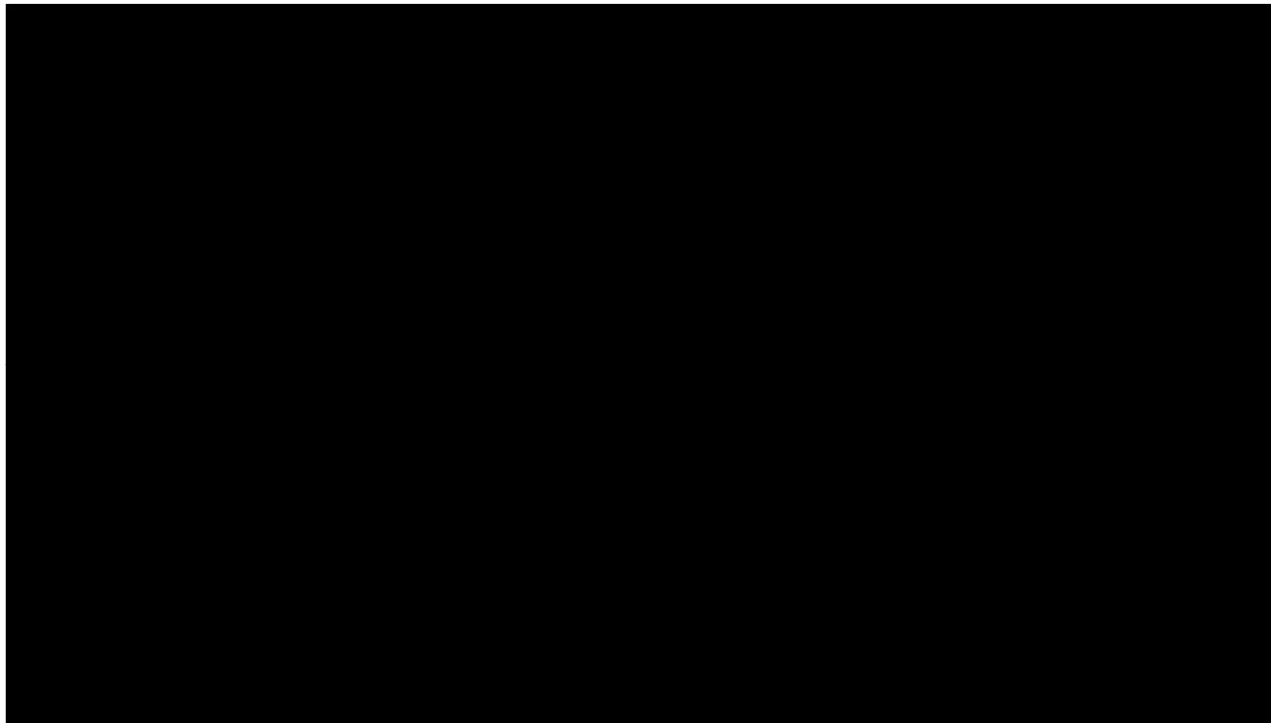
Asciano, QR National

## ♦ Commercial and Retail

Dexus Property Group, GPT

## How does the proposed carbon pricing work, video

---

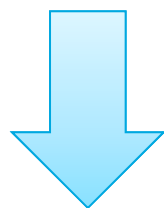


Video, source: [http://www.youtube.com/watch?v=fQd\\_DlkQ1w&feature=player\\_embedded](http://www.youtube.com/watch?v=fQd_DlkQ1w&feature=player_embedded)

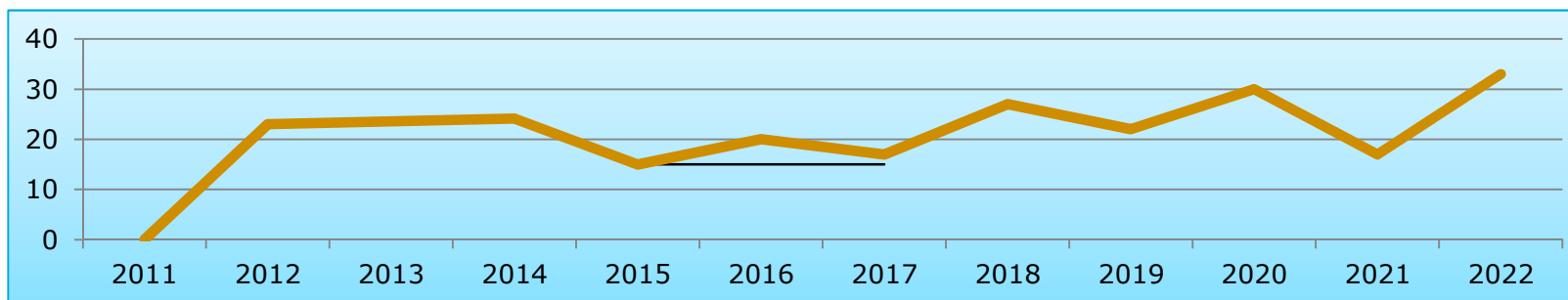
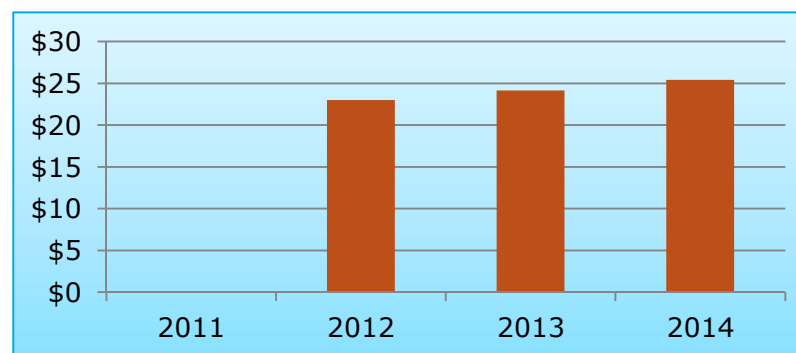


## Important Dates for the Carbon Pricing

- ♦ 1 July 2012: Start carbon tax \$23
- ♦ 1 July 2013: CPI increase \$24.15
- ♦ 1 July 2014: CPI increase \$25.40



- ♦ 1 July 2015: price will be floating  
(Cap-and-trade emissions trading scheme)



# International Linkage

---



- ♦ Use of international emissions units will not be allowed
- ♦ Kyoto compliant credits from the CFI (ACCU) will be eligible for compliance purposes – limited to 5%
- ♦ International emissions units will be accepted
- ♦ International permits will be allowed to offset an entity's carbon liability with a 50% limit until 2020
- ♦ Kyoto compliant credits from the CFI (ACCU) will be eligible for compliance purposes – no limit

Significant opportunity  
for the land use and  
agricultural sectors

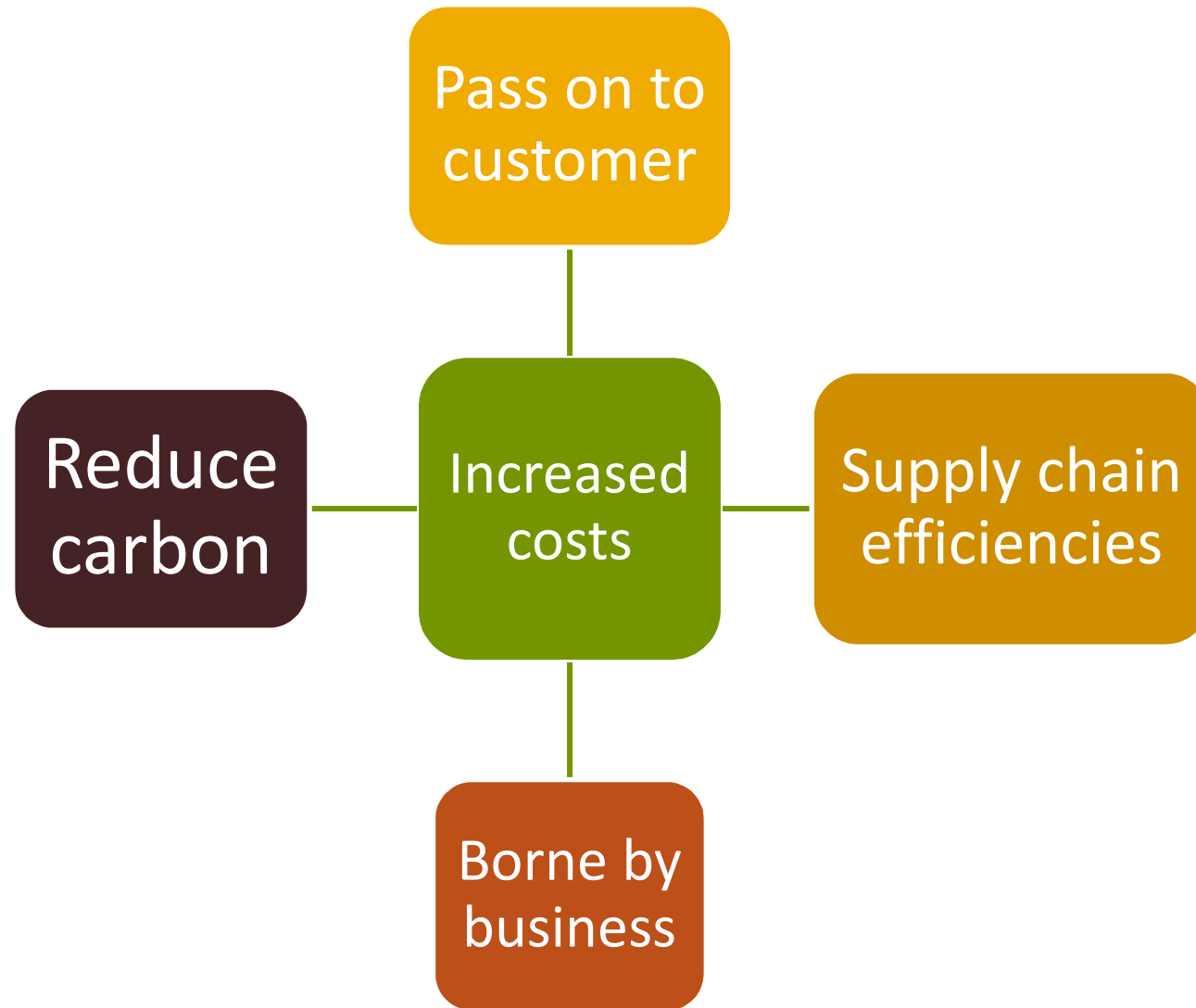
A blue arrow points from the text "Significant opportunity for the land use and agricultural sectors" to the bullet point "♦ Kyoto compliant credits from the CFI (ACCU) will be eligible for compliance purposes – no limit".

**How are  
companies impacted?**



## What to do with the increased costs?

---



## Careful with raising prices...

---

- ♦ The carbon price is not a license to profiteer, warns ACCC
- ♦ Any business that blames rising prices on the carbon price has to justify the increase
- ♦ ACCC will scrutinise increases with the same rigour it did when the GST was introduced in 2000
- ♦ Court-imposed penalties of up to \$1.1 million and infringement notices (\$1320 for individuals, \$66,000 for public companies, \$6,600 for other companies)

### Claims about the impact of a carbon price

You should ensure your claims:

- are truthful and accurate
- do not mislead consumers (whether individuals or other businesses)
- are based on reasonable grounds, and
- can be substantiated.

These are not new requirements – if you make a claim, you need to be sure it is right.

If in doubt, don't make the claim.

Excerpt taken from  
[ACCC Carbon price claims - Guide for business](#)

## Impact for large emitters

---

- ♦ Understand current carbon emissions - potential carbon liability?
- ♦ Estimate future emissions profile
- ♦ Supply chain emissions – price pass through
- ♦ How much of the carbon cost can be passed on?
- ♦ Need to assess new and existing investments in terms of the carbon tax
- ♦ Need to put governance processes in place to be able to deal with the 1 July 2012 start date
- ♦ Is the company eligible for government assistance?
- ♦ What abatement opportunities are there to reduce carbon?

Passing the cost of carbon on is not simple and requires extensive review of contract and pricing arrangements

## Impact for SMEs

---

- ◆ No direct liability to pay the price on carbon
- ◆ SMEs need a basic understanding of their emissions – are they under the threshold for direct carbon tax liability?
- ◆ SMEs need to understand the emissions of their suppliers – how energy intensive are the products they are buying?
- ◆ How much of the carbon cost that suppliers pass on to the company can be passed on to customers?
- ◆ What proportion of the carbon footprint is electricity and natural gas?
- ◆ Is the company eligible for government assistance?
- ◆ Tax change:
  - ◆ Small businesses can immediately write off capital purchases to \$6,500
  - ◆ Small businesses eligible to access a \$240m fund to reduce energy consumption

# Opportunities for your company





## Risk or opportunity?

---

Some of the most carbon intensive industries have seen the writing on the wall and are pouring billions of dollars into renewable energy

*"A carbon tax provides business with the certainty they need to continue trading in a modern economy, while creating a revenue stream that can be directed at investment into supporting other industries that are crying out for assistance, such as the renewable energy sector, an area of growth which has the potential to create thousands of jobs in this country."*

Marius Kloppers, CEO BHP


### Origin Energy boosts renewables with Wind Power buy

The Australian May 07, 2009 12:00AM

A<sup>+</sup> A<sup>-</sup>   Share

 Recommend

 Send

 Sign Up to see what your friends recommend.

0  tweet

 Share

ORIGIN Energy, Australia's second biggest electricity and gas retailer, has acquired Wind Power, more than tripling its potential wind capacity to benefit from regulations supporting renewable energy.

## New opportunities – how carbon competitive are you?

---

- ♦ Ability for land owners to generate carbon offsets under the CFI
- ♦ Energy-efficiency products and services will be in higher demand
- ♦ Carbon management products and services will be in higher demand
- ♦ Consumers may shift towards low-emission products because such products become more cost-competitive
- ♦ Renewable energy projects will receive funding
- ♦ Companies that reduce their carbon footprint will have a better competitive standing
- ♦ Lots of opportunity for the law sector to help their clients with contract management in light of the new regulations
  - ♦ review of current contracts for cost-pass-through provisions
  - ♦ Negotiation of new contracts to take into account the impacts of the carbon price

## Key take-away messages

---

- ◆ Direct liability versus indirect impact
  - ◆ How will your company be affected by the carbon price?
    - ◆ Know the carbon footprint of your organisation
    - ◆ Talk to your supply chain
  - ◆ What are you going to do with the increased cost?
  - ◆ Consider carbon in risk or financial decisions
  - ◆ Are there any opportunities for your company?
- 
- ◆ Calculate your carbon footprint and prepare your business now for a **LOW CARBON ECONOMY**

**Be a part of the future!**

---



# Thanks For Attending This Presentation

## **Sustainable Business Consulting**

We are happy to help you further with your  
Carbon Management needs

# Appendix



## Offset markets: Carbon Farming Initiative

---

- ♦ Landholders will be able to create **Australian Carbon Credit Units (ACCU)** by undertaking activities which comply with the Kyoto protocol
- ♦ The government will purchase the ACCUs (\$250m over 6 years)
- ♦ ACCUs can also be sold to companies wanting to become carbon neutral
- ♦ Activities under the CFI include:
  - ♦ Reforestation
  - ♦ Avoided deforestation
  - ♦ Controlled savannah burning
  - ♦ Reducing livestock methane emissions
  - ♦ Reducing emissions from fertiliser use
- ♦ Innovations such as biochar, biofuels and new species will be supported
- ♦ Tax breaks for conservation tillage equipment will also apply
- ♦ Farmers will be rewarded for biodiversity improvements.