

Energy Efficiency or How I learned to stop worrying and love the CPRS

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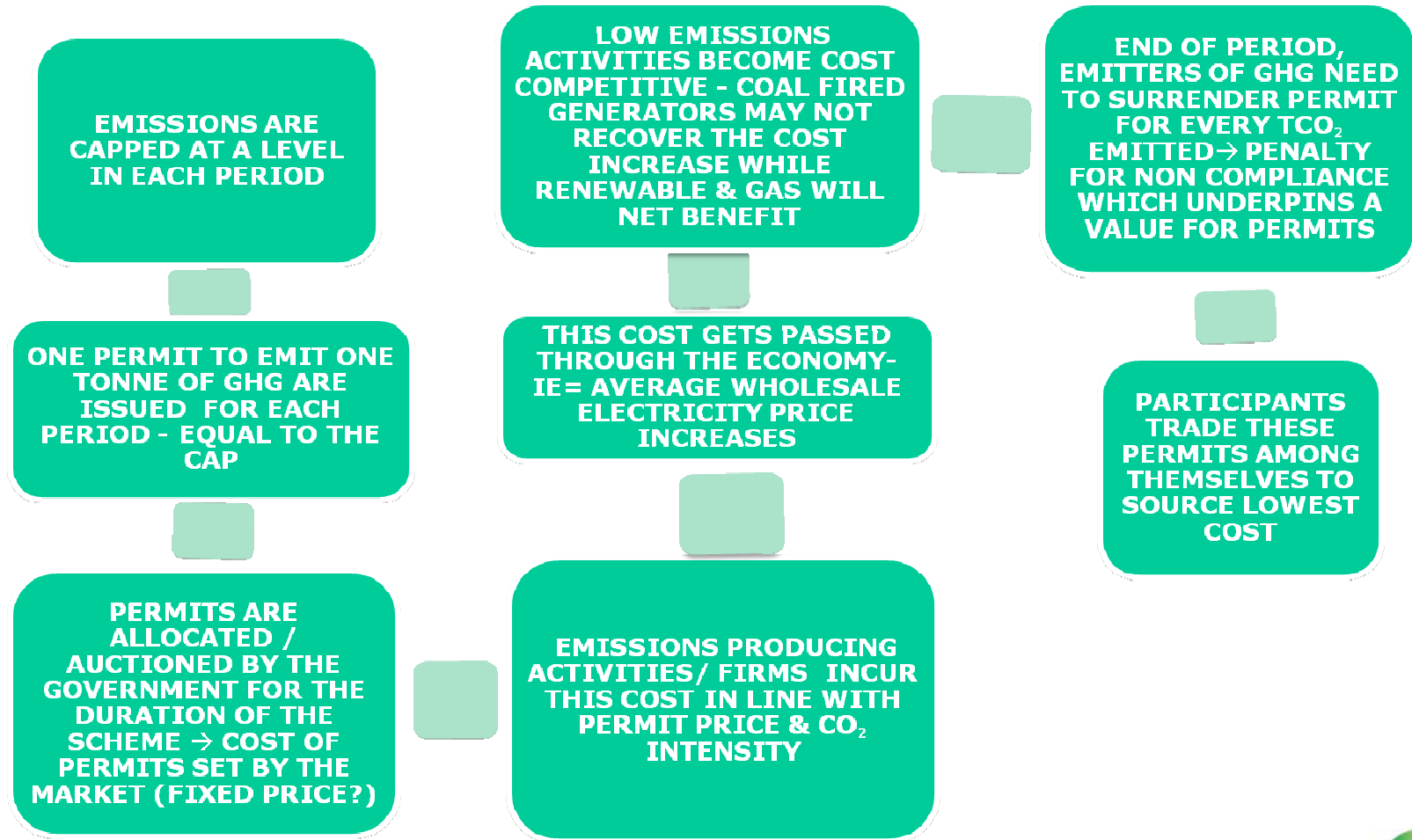
Overview

- What is CPRS
- What is happening overseas
- The opportunities of Energy Efficiency
- The latest draft Renewable Energy Target legislation





How does a Cap and Trade Scheme work





CPRS

- Broad coverage – most sectors
- No offsets for “covered sectors”
- Import of credits allowed
- Slow start
- Trajectories not set
 - Between 5% & 15% of 2000 by 2020 (25% with international agreement)
 - 60% of 2000 by 2050





Country	2020 Targets	2020 per capita reduction	2050 targets
Australia	5-15 % below 2000 levels (potential to go to 25%) (4-14% below 1990 levels)	27-34% below 2000 levels (34-41% below 1990 levels)	60% below 2000 levels (60% below 1990 levels)
European Union	20-30% below 1990 levels	24-34% below 1990 levels	60-80% below 1990 levels
United Kingdom	26-32% below 1990 levels	33-39% below 1990 levels	80% below 1990 levels
United States (proposal of President Obama)	Return to 1990 levels	25% below 1990 levels	80% below 1990 levels



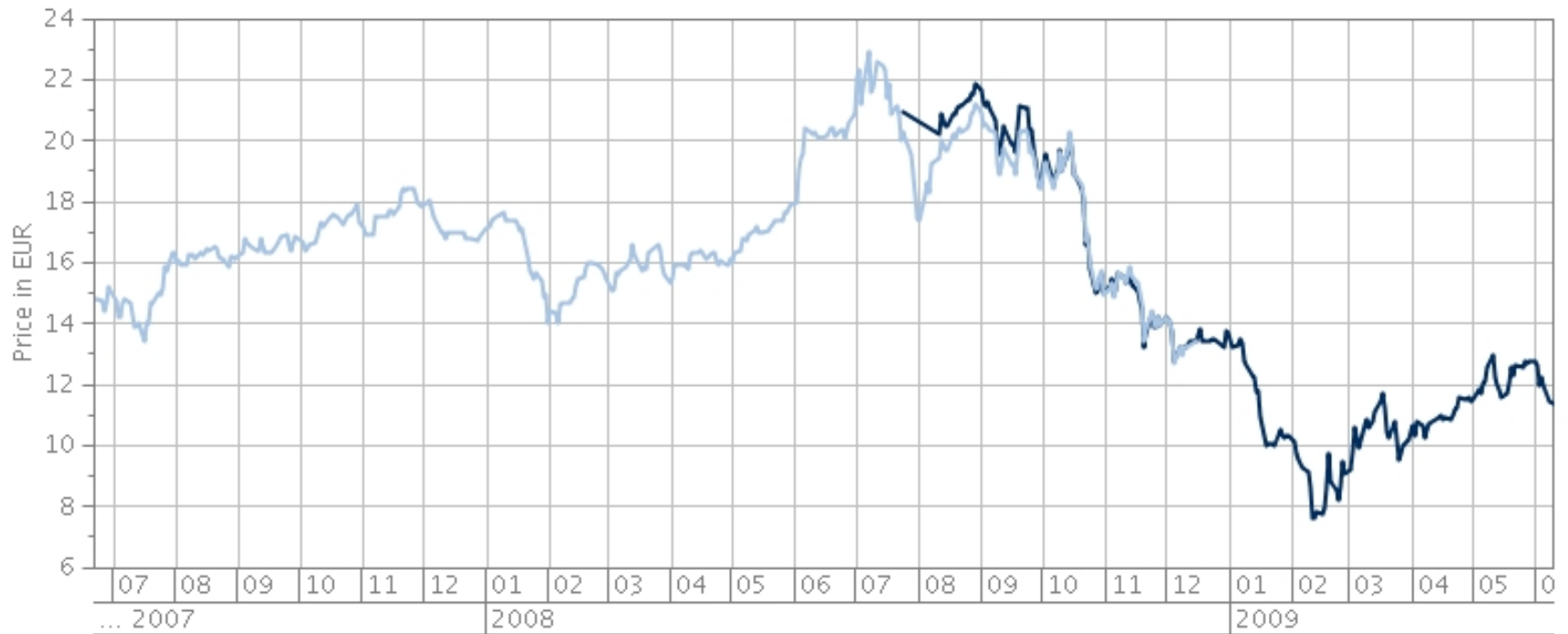


EU ETS history





CER Price History



— Dec 2009

— Dec 2008





Impact of CPRS

- Costs will go up
 - Energy
 - Both gas and electricity
 - Manufactured wholesale goods
 - Input products
 - ceramics, bricks, glass, paper, pulp, etc
- New technologies encouraged
 - Renewable energy
 - Energy efficiency



NGER

- Corporations that meet an NGER threshold must report their:
 - greenhouse gas emissions
 - energy production
 - energy consumption
 - other information specified under NGER legislation
- Use it to identify options and opportunities



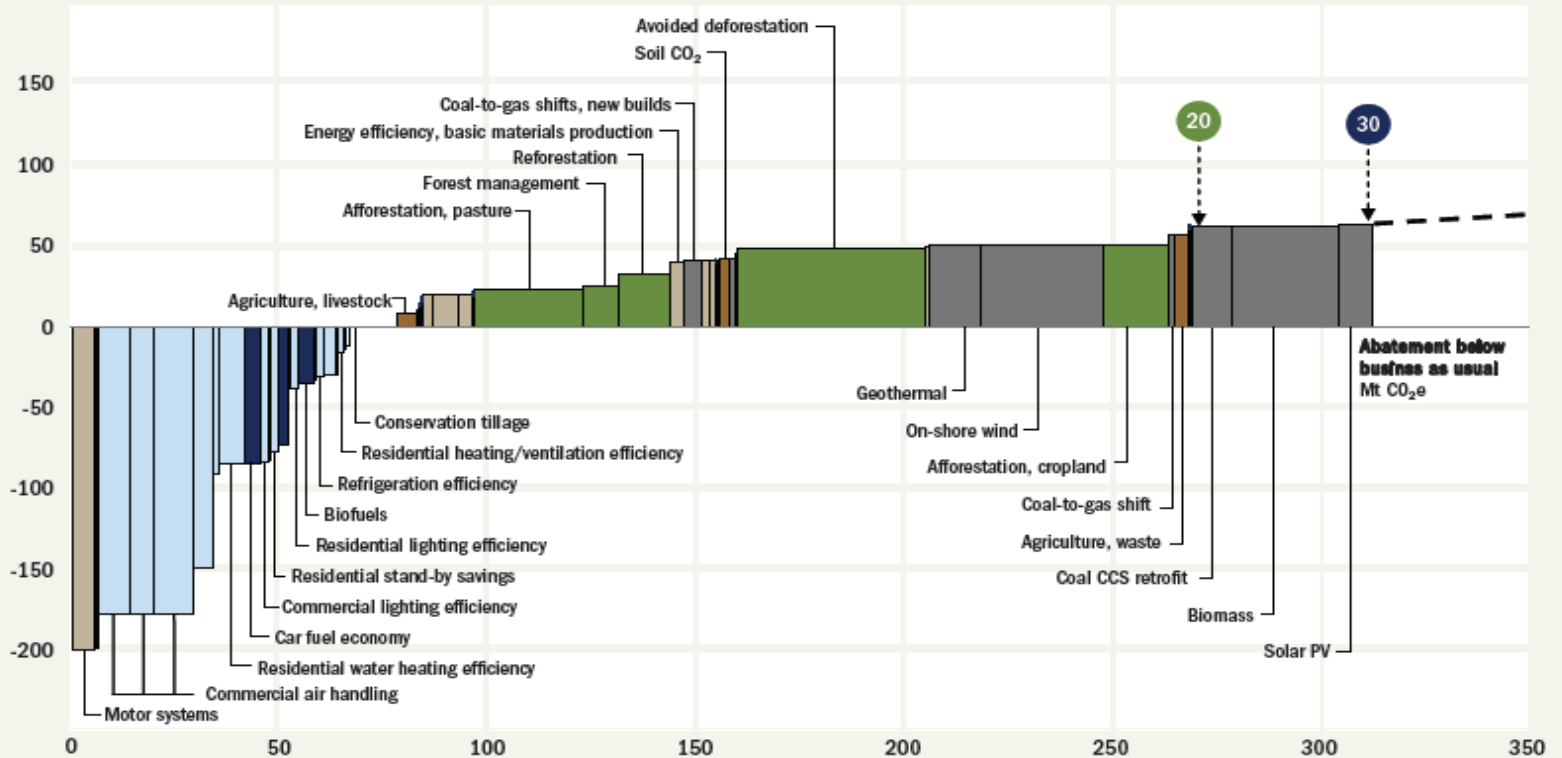


Opportunities

Australian 2020 carbon abatement cost curve

Cost of abatement
A\$/t CO₂e

- X Reduction below 1990 levels, percent
- Break-even point
- Industry
- Buildings
- Power
- Transport
- Agriculture
- Forestry



Note: Abatement opportunities are not additive to those of previous years
Source: McKinsey Australia Climate Change Initiative





RET- Latest Exposure Draft

- Basic issues unchanged from COAG
 - No change to eligible technologies
 - Penalty price set at AU\$65 per REC
 - Target continues at 45,000GWh from 2020 to 2030
 - No mechanism to top-up the target for the "phantom" Solar Credit RECs
 - The RET legislation will be reviewed in the first half of 2014
- New targets to apply from 1 Jan 2010



RET (2)

- Solar Credit scheme for generators installed on or after 9 June 2009.
 - Regulations will prevent double dipping with old rebate scheme
- No details on the calculation of exemption for trade exposed industries
 - Cross reference with CPRS legislation
- Regulator required to name those who applied for exemption, the amount of their exemption and the approximate value of the Renewable Energy Certificates (RECs).
- The transition from Victorian Renewable Energy Target (VRET) seems to be smooth.





RET Trajectories

