



Destination Green

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The Carbon Pricing Mechanism in Australia

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Australia Clean Energy Legislation



- Carbon Pricing Mechanism introduced on 1 July 2012.
- Economic incentive to reduce pollution
- Covers large domestic businesses and industrial facilities (> 25 000 tonnes of CO₂-e per year)
- Does not apply to international aviation or shipping
- Captures approximately 60% of Australia's carbon emissions
- The price is fixed each year for the first three years, and transition to market pricing from 2015–16.
- The mechanism does not directly cover transport emissions - applied through fuel tax credits or excises.



Current Carbon Pricing for Australia's Domestic Aviation



Excise rates for domestic aviation fuels (cents per litre)

Fuel type	From 1 July 2012	From 1 July 2013	From 1 July 2014
Fixed Price of Carbon	\$23/tonne	\$24.15/tonne	\$25.40/tonne
Aviation kerosene	9.536c/L (3.556 + 5.98)	9.835c/L (3.556 + 6.279)	10.16c/L (3.556 + 6.604)
Aviation gasoline	8.616c/L (3.556 + 5.06)	8.869c/L (3.556 + 5.313)	9.144c/L (3.556 + 5.588)

existing fuel excise (funds aviation safety)
carbon price component



Domestic Liquid Fuel Opt-In Scheme July 2013



- Australian domestic aviation may apply to participate in carbon pricing mechanism from 01 July 2013
- Covers aviation fuel and fuel for airport service vehicles
- Entitled to a tax credit equal to the carbon component in excise
- Report carbon emissions annually and submit carbon units for every tonne of emitted
- This will not apply to international airlines



How will the carbon pricing mechanism work?



Fixed Price	Flexible
01 July 2012 – 30 June 2015	From 01 July 2015
Price set by government	Flexible price, set by market * Price ceiling for first three years of the flexible-price period to avoid price spikes
Government sells an unlimited number of Australian carbon units at the specified fixed price for the relevant year	Government will auction and issue Australian carbon units up to the quantity of the pollution cap.
Unit shortfall charge 130% of fixed price	Unit shortfall charge 200% of the benchmark average auction price.
No international linking	International linking (up to 50%)
Purchased units cannot be traded or banked.	Unlimited banking of carbon units.
	Limited borrowing of carbon units (up to five % cent of current year's liability)



Fuel excise v/s Carbon Price Mechanism



Fuel Excise	Carbon Pricing Mechanism
Simplicity	Flexibility to manage carbon liability
Minimize administrative costs for businesses	Opportunity to access international carbon markets (once in flexible price period) and domestic offsets
Gives stability and predictability (especially during fixed price period to 2015)	ability to trade across markets



Thank you