

TERMS OF REFERENCE FOR THE INTER-JURISDICTIONAL WORKING GROUP ON EMISSIONS TRADING

An emissions trading scheme offers flexible and cost effective options to meet greenhouse targets. Its potential has been recognised in the Kyoto Protocol, through which participating countries will be able to buy or sell part of their assigned emission allocation. The European Union has already established an emissions trading scheme to utilise this opportunity for emissions reductions.

In the absence of national leadership on greenhouse policy, State and Territory Governments have agreed to establish a working group to develop a multi-jurisdictional emissions trading scheme driven by State and Territory governments.

The task of the working group is to develop an agreed model for such a scheme which will:

- Provide a framework for Australian States and Territories to reduce greenhouse gas emissions and assist in meeting Australia's Kyoto Protocol target;
- Position Australia for a carbon constrained future and emission reductions beyond 2012;
- Allow for consistency with international developments;
- Most likely focus initially on the stationary energy sector, but allow expansion to other sectors or an economy-wide scheme; and
- Minimise the cost of compliance and administration for participants and the Regulator.

In developing an agreed model the working group will:

- Identify options for a scheme, including the extension of the NSW greenhouse benchmarks scheme or the adoption of a cap and trade system;
- Assess whether pre-existing schemes can be successfully harmonised with the scheme, including the Commonwealth Mandatory Renewable Energy Target;
- Focus on the use of Kyoto eligible greenhouse gas reduction activities;
- Assess and consider economic, social and environmental impacts of each option within each jurisdiction;
- Advise on adjustment measures where there are significant adverse impacts;
- Present the working group's preferred model to relevant Ministers in each jurisdiction for approval; and
- Provide Ministers with information regarding implementation issues and timelines as a basis for progressing activity.

The working group will report to relevant Ministers by December 2004.