

Local Abatement Projects

ABN: 95 116 578 691

11 November 2005

The Secretariat
Emissions Trading Working Group
The Cabinet Office
GPO Box 5341
Sydney NSW 2001

Dear Sir or Madam,

Thank you for the opportunity to participate in the Inter-jurisdictional Working Group on Emissions Trading stakeholder consultation process.

It is encouraging to see the work currently underway to develop a national emissions trading scheme. A well designed emissions trading scheme is internationally recognised as an economically efficient means of achieving reductions in greenhouse gas emissions.

Australian local governments participating in ICLEI A/NZ's Cities for Climate Protection (CCP) Campaign have been actively implementing greenhouse gas reduction measures for the past six years and have recently reported to ICLEI A/NZ abatement of 1.55 million tonnes CO₂e for the 2004-05 year.

The ongoing success of the CCP Campaign demonstrates the importance of engaging communities in greenhouse gas abatement action.

The Working Group identified compatibility with other emissions trading schemes as being a key desirable feature of any scheme implemented in Australia. It is noteworthy that most schemes have opted for an upstream, direct emissions model, primarily for administrative simplicity. One implication of this model is that there is limited scope for small consumers of energy to be involved, so reducing the potential for an emissions trading scheme to encourage downstream energy efficiency.

A well designed emissions trading scheme should lead to improved energy efficiency, both upstream and downstream, so that the economic benefits of a reduction in downstream energy use accrue to the residential and business sectors of local communities.

The Working Group will be aware of the Demand Side Abatement provisions of the NSW Greenhouse Gas Abatement Scheme. These provisions provide an excellent model for engaging local communities in greenhouse gas abatement action, by incorporating end use energy efficiency into the overall design of the emissions trading scheme. I encourage the Working Group to ensure that similar provisions are included in the design parameters of the national scheme currently being devised.

The Working Group's Background Paper presents a number of questions that relate to the potential impact of an emissions trading scheme on communities and it is pleasing to see that those impacts are being considered at this early design stage. Issues such as the negative impact of upstream greenhouse gas abatement costs being passed on to low income households are of paramount importance. It should be noted that allowing those households to be involved in an emissions trading scheme, through the inclusion of demand side provisions, will encourage improved energy efficiency and therefore offset any potential increase in the unit cost of energy.

It is pleasing to see the extent of consultation being undertaken by the Working Group and I urge it to ensure that the design of a national emissions trading scheme allows for the direct participation by communities.

I would be pleased to further assist the Working Group in any way it deemed desirable.

Yours sincerely,

Stephen Kenihan
Director

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Cc Wayne Wescott, Executive Director, ICLEI A/NZ