

## Stakeholder Feedback – Victorian Stakeholder Forum, 12 October 2006

Design Feature	Questions or comments about current design	Suggested issues to consider in next phase of work
<b>Coverage</b>	<ul style="list-style-type: none"> <li>• Taskforce should consider wider coverage as it offers environmental benefits, and will increase the efficiency of the scheme. If emissions can be accurately attributed to sources they should be covered (eg. motor vehicle emissions, gas industry).</li> <li>• There are practical difficulties associated with phasing in sectors and expanding coverage, that need to be addressed by the taskforce.</li> </ul>	<ul style="list-style-type: none"> <li>• The scheme design must avoid perverse incentives for fuel switching; coverage of substitution plants must be examined.</li> </ul>
<b>Caps</b>	<ul style="list-style-type: none"> <li>• Gateway concept strongly supported; helps financiers and investors manage risk. The gateway range must be narrow enough to provide investor certainty.</li> <li>• Setting of caps should be separated from politics.</li> <li>• 10 year firm cap too ambitious; technology developments and economic change during that period may make cap inappropriate.</li> </ul>	<ul style="list-style-type: none"> <li>• NETS provisions (eg. legislation) should ensure that firm caps are set within gateways, and set out process if they are deviated from (eg. Govt buy-back of permits if cap is below gateway).</li> <li>• The size of gateway range to be considered further in modelling.</li> <li>• Process for setting caps to be agreed.</li> </ul>
<b>Indicative caps modelled</b>	<ul style="list-style-type: none"> <li>• The NETS caps should be comparable to international targets.</li> <li>• Caps are too soft, given that CO2 is cumulative; first ten years tracks BAU.</li> <li>• Assumptions are critical, esp. those about technological development and costs to covered sectors.</li> </ul>	<ul style="list-style-type: none"> <li>• The NETT will review modelling assumptions and ensure that they are transparent.</li> </ul>
<b>Penalty</b>	No comments.	No comments
<b>Allocation to generators</b>	<ul style="list-style-type: none"> <li>• “Adversely affected” should be clearly defined.</li> <li>• The scheme should provide an incentive for early action.</li> <li>• Allocating free permits to generators may give them a perverse incentive to keep</li> </ul>	<ul style="list-style-type: none"> <li>• Further analysis is required to accurately determine impacts on generators’ profitability.</li> </ul>

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	<p>operating at high levels.</p> <ul style="list-style-type: none"> <li>Generators should not be over-compensated (eg. energy efficiency improvements by generators should not be eligible for offset credits).</li> <li>Information on free permit allocation should be publicly disclosed.</li> </ul>	<ul style="list-style-type: none"> <li>“New entrants” to be defined.</li> </ul>
<b>Allocation to trade-exposed, energy-intensive industry</b>	<ul style="list-style-type: none"> <li>Covered sectors must be decided.</li> <li>The scheme should provide an incentive for continued improvement.</li> <li>Permits must be available for new energy-intensive industries (eg. a reserve?).</li> <li>Guidelines should be developed for allocating permits for expansions.</li> <li>There should not be ‘double’ compensation (ie. free allocation must take into account wholesale users’, or other, purchase agreements).</li> </ul>	<ul style="list-style-type: none"> <li>Trade-exposed, energy intensive industries to be listed, or detailed guidelines be developed to assess which industries fit criteria.</li> <li>Further investigation to be conducted into the possibility of a permit reserve, and the frequency of allocation and auctioning.</li> </ul>
<b>Auctioned permits</b>	<ul style="list-style-type: none"> <li>Is there a need for a reserve price to be set for auctioned permits?</li> <li>Guidelines could facilitate appropriate distribution of auction revenue.</li> </ul>	<ul style="list-style-type: none"> <li>A range of auction models will be investigated.</li> </ul>
<b>Preliminary modelling</b>	<ul style="list-style-type: none"> <li>GDP under BAU should take into account the costs of climate change (eg. reduced agricultural production). The cost of inaction should be modelled.</li> <li>Assumptions for new technology deployment (eg. CCS) to be explained.</li> <li>Doubts about whether predicted permit prices will be sufficient to bring about large-scale deployment of renewable energy generation, or substantial private sector investment in R&amp;D.</li> <li>Modelling approach and indicative caps are a good start; scheme can be implemented quickly, and amended over time.</li> <li>Taskforce should provide more detail on complementary policies (eg. energy efficiency).</li> </ul>	<ul style="list-style-type: none"> <li>It is desirable to model the ‘counter-factual’ (ie. cost of inaction on climate change), but obtaining the necessary data is highly problematic.</li> <li>Modelling assumptions about the cost of renewables and other technologies to be reviewed.</li> </ul>

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<b>Offsets</b>	<ul style="list-style-type: none"> <li>• Will there be a limit to offsets?</li> <li>• There should be a range of opportunities to create offsets (eg. household level energy efficiency actions) and obtaining credit for them should be easy.</li> <li>• The scheme may act as a disincentive for voluntary reductions (ie. a cap suggests that an emissions reduction target will be achieved regardless of voluntary action).</li> <li>• Offsets should be additional to the cap, rather than used for compliance.</li> <li>• Eligibility criteria and guidelines are needed for offsets. Consistency with other Australian schemes should be a priority.</li> <li>• Forest offsets can be ineffective during drought, and can emit more than they abate.</li> </ul>	<ul style="list-style-type: none"> <li>• An offset limit will be considered.</li> </ul>
<b>Institutional arrangements</b>	<ul style="list-style-type: none"> <li>• Timelines for a decision on scheme implementation should be communicated.</li> <li>• An alternative to the NETS should be developed, in case some States do not wish to implement a NETS.</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholder feedback will influence States' commitment to implementing a NETS.</li> </ul>
<b>Monitoring, reporting and verification</b>	<ul style="list-style-type: none"> <li>• 2008 may be too soon to establish reporting arrangements.</li> </ul>	