



Express law *fast track information for clients*

14 September 2011

Government introduces clean energy legislation into Parliament

Yesterday the Government introduced the clean energy legislation into the Parliament to implement the policy set out in *Securing a clean energy future: The Australian Government's climate change plan*, announced on 10 July 2011.

The package comprises 18 Bills, including the Clean Energy Bill 2011 and a number of associated charging Bills, Bills establishing the Clean Energy Regulator and the Climate Change Authority, a consequential amendments Bill, various taxation amendment Bills and a household assistance Bill.

Carbon pricing mechanism

The Clean Energy Bill contains detailed provisions on the carbon pricing mechanism. It includes the following features:

- For the first three years, commencing on 1 July 2012, the entities that are covered by the mechanism will pay a fixed charge for each tonne of carbon pollution covered by the mechanism.
- From 1 July 2015, the mechanism will automatically transition to a 'cap and trade' emissions trading scheme. The Government will set the cap by issuing a fixed number of carbon units each year and the price of units will be set by the market.
- If an entity does not surrender sufficient carbon units to meet its liability, it will be liable to pay a shortfall charge.
- The carbon price mechanism will cover emissions from stationary energy, industrial processes, fugitive emissions and waste.
- Generally, only facilities that emit more than 25,000 tonnes of carbon pollution will be covered. Suppliers of natural gas will also be liable for carbon pollution embodied in the fuels they supply to customers.
- Some credits generated under the Carbon Credits (Carbon Farming Initiative) Bill 2011 (which is awaiting Royal Assent) can be used to meet obligations under the carbon price mechanism.
- Assistance in the form of free carbon units will be provided to emissions-intensive, trade-exposed industries and coal-fired electricity generators.

Liable entities must report the carbon pollution for which they are responsible under the *National Greenhouse and Energy Reporting Act 2007*, which will be amended by the Clean Energy (Consequential Amendments) Bill 2011.

Transport fuels and synthetic greenhouse gases

Fuel tax legislation will be amended to apply an equivalent carbon price to some business transport emissions (such as domestic aviation, domestic shipping and rail) and also to non-transport uses of certain fuels. There is a power to make regulations to allow a person to opt in to the carbon pricing mechanism from 1 July 2013 so that the carbon price is paid under the mechanism and not under the fuel tax legislation.

An equivalent carbon price will also apply to synthetic greenhouse gases through amendments to existing legislation applying to the import and manufacture of synthetic greenhouse gases.

Clean Energy Regulator and Climate Change Authority

The Clean Energy Regulator Bill 2011 sets up a regulator to administer and enforce the carbon price mechanism.

The Climate Change Authority Bill 2011 sets up a new authority to provide expert advice to Government on key aspects of the carbon price mechanism, including on progress in meeting Australia's 2050 target.

AGS has been assisting the Department of Climate Change and Energy Efficiency with the development of the legislation.

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