



Australian Government

cleanenergyfuture

An overview of the **Clean Energy Legislative Package**



Carbon price

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Renewable energy

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Energy efficiency

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Land use

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Key elements of the Clean Energy Future legislation

CARBON PRICING MECHANISM	
Carbon price: a two-stage approach:	<p>1. Fixed price period—The carbon pricing mechanism will commence on 1 July 2012, with a price that will be fixed for the first three years. The price will start at \$23 per tonne and will rise at 2.5 per cent each year in real terms.</p> <p>2. Emissions trading scheme—On 1 July 2015, the carbon price will transition to a fully flexible price under an emissions trading scheme, with the price determined by the market.</p>
Coverage	<p>Broad coverage from commencement, encompassing the stationary energy sector, transport (as described below), industrial processes, non-legacy waste, and fugitive emissions. Only landfill facilities with direct emissions of 25,000 tonnes CO₂-e a year or more will be liable under the carbon price.</p> <p>A carbon price will not apply to household transport fuels, light vehicle business transport and off-road fuel use by the agriculture, forestry and fishing industries. An effective carbon price will be applied to domestic aviation, domestic shipping, rail transport, and non-transport use of fuels. Users of these fuels can opt-in to the mechanism under the Opt-in Scheme.</p>
International linking	International linking to credible international carbon markets and emissions trading schemes from the commencement of the flexible price period. At least half of a liable party's compliance obligation must be met through the use of domestic permits or credits.
Price ceiling and floor	Price ceiling and floor will apply for the first three years of the flexible carbon price period. The price ceiling will be set at \$20 above the expected international price and will rise by 5 per cent in real terms each year. The price floor will be \$15, rising by 4 per cent each year in real terms.
Industry assistance	The \$8.6 billion Jobs and Competitiveness Program will provide significant support for jobs and protects the competitiveness of these emissions-intensive trade-exposed industries. The Program also ensures that industry, local communities and workers have a smooth transition to a clean energy future and that these industries have a strong incentive to reduce their carbon pollution.
Energy Security	<p>An Energy Security Fund will be established to ensure there is a smooth transition which preserves energy security. The Energy Security Fund comprises two elements:</p> <ol style="list-style-type: none"> 1. An allocation of free carbon units and cash payments to strongly affected coal-fired electricity generators. These allocations will be conditional on electricity generators strongly affected by a carbon price publishing Clean Energy Investment Plans, which show how they will reduce their pollution, and by meeting power system reliability standards. 2. The Government will seek to negotiate the closure of around 2,000 megawatts (MW) of highly polluting generation capacity by 2020. Closing down some of our highest polluting coal-fired generation capacity makes room for investment in lower pollution plants—and kick starts the transformation of our energy industry in a managed way.
Household Assistance	Assistance for Australian households, through tax cuts and increased payments, to help them with increased living costs as a result of the introduction of a carbon price.

CARBON PRICING MECHANISM (continued)

Governance

Climate Change Authority—will advise on pollution caps, track Australia's pollution levels and progress towards meeting targets and undertake reviews of the carbon pricing mechanism.

Clean Energy Regulator—will administer the carbon pricing mechanism, the existing regulatory functions for the National Greenhouse and Energy Reporting Scheme, the Renewable Energy Target and the Carbon Farming Initiative.

Productivity Commission—will undertake reviews relating to industry assistance, and carbon pollution reduction activities in other countries.

Land Sector Carbon and Biodiversity Advisory Board—will review and oversee land sector initiatives, providing advice to Government and ensuring the effectiveness of assistance.

Energy Security Council—will advise the Government on any emerging risks to energy security and may offer loans to coal-fired electricity generators for the refinancing of existing debt.

RELATED CLEAN ENERGY FUTURE PROGRAMS

Assisting manufacturing and energy efficiency

A range of new and existing measures to encourage energy efficiency are targeted at households, businesses, communities, Government, buildings and transport.

The Government is delivering the \$1.2 billion **Clean Technology Program**, over and above the Jobs and Competitiveness Program, to help directly improve energy efficiency and reduce carbon pollution in manufacturing industries and support research and development in low pollution technologies.

The \$300 million **Steel Transformation Plan** will support and assist the industry transition to a clean energy future, and recognises the pressures currently facing this industry.

The \$1.3 billion **Coal Sector Jobs Package** will provide transitional assistance to help the coal industry to implement carbon abatement technologies for the mines that produce the most carbon pollution. The amount of carbon pollution produced by coal mines varies greatly, so the fairest way to deliver assistance is to target assistance at those mines that are most impacted by the introduction of the carbon price.

Renewable energy

Over \$13 billion will be invested in clean energy projects, including through the Clean Energy Finance Corporation. In combination with the carbon price and Renewable Energy Target, this investment will drive the biggest expansion in the clean energy sector in Australia's history.

Clean Energy Finance Corporation—will invest in the commercialisation and deployment of renewable and clean energy projects.

Australian Renewable Energy Agency—will improve the competitiveness of renewable energy and related technologies through supporting renewable energy technology innovation.

Land use

Incentives for the farming, forestry and land sectors to reduce carbon pollution and increase the amount of carbon stored on the land. Includes a range of measures such as funding for biodiverse carbon stores and policies to help farmers and land managers make the most of carbon farming opportunities. These measures will complement the **Carbon Farming Initiative**.



Households will be assisted
through tax reform and
increased payments

Moving to a clean energy future

Australia is moving to a clean energy future.

On 8 November 2011, the Australian Parliament passed laws to put a price on carbon pollution.

This reform includes the carbon pricing mechanism and delivers support for jobs and competitiveness and Australia's economic growth, while reducing pollution. Households will be assisted through tax reform and increased payments.

The changes are a significant environment and economic reform for Australia. They will ensure that Australia plays its fair part in global efforts to tackle climate change, and reduce our carbon pollution.

The reform will also let Australia take advantage of the economic and job opportunities that will come as the world tackles climate change and shifts to a clean energy future.

Australia's plan on climate change includes:

- Introducing a carbon price
- Promoting innovation and investment in renewable energy
- Encouraging energy efficiency
- Creating opportunities in the land sector to cut pollution

Why is Australia cutting its carbon pollution?

The CSIRO, the Bureau of Meteorology, and Academies of Science from around the world have all advised that the world is warming and high levels of carbon pollution risk environmental and economic damage.

In Australia and across the globe, 2001 to 2010 was the warmest decade on record. Each decade in Australia since the 1940s has been warmer than the last.

Australia faces significant environmental and economic costs in a warmer, more unstable climate. Climate scientists advise that extreme weather events, such as droughts, heatwaves and bushfires, are likely to become more frequent and severe.

This threatens our homes, businesses and communities, and vital industries such as agriculture. Scientists agree that the worst effects of climate change can largely be avoided if we reduce carbon pollution to an acceptable level.

Australia will cut at least 159 million tonnes of carbon pollution in the year 2020, which is the equivalent of taking 45 million cars off the road.

The carbon price

Australia will have a price on carbon from 1 July 2012. It will be effective from 1 July 2012 through a cap-and-trade emissions trading scheme.

It will trigger the transformation of our economy and will create incentives to reduce pollution and invest in clean energy.

A carbon price is not a tax on households. Around 500 of the biggest polluters in Australia will pay for the pollution they emit, under a carbon pricing mechanism.

Many businesses and other entities already report their carbon pollution through the National Greenhouse and Energy Reporting Scheme. This will be the basis on which they will work out their liabilities under the carbon pricing mechanism.

Under the mechanism, a liable entity will pay for each tonne of carbon pollution that it emits. At the end of each year, the entity will surrender the number of carbon units which represents its total emissions to the Clean Energy Regulator or pay a charge. Liable entities will either buy units or acquire them through industry assistance measures, like the Jobs and Competitiveness Program, or the Energy Security Package.

The carbon pricing mechanism will start on 1 July 2012. In the first three years, the carbon price will be fixed. From 1 July 2015, the price will be set by the market.

- In the 2012–13 financial year the carbon price will be \$23 per tonne. It will then increase by 2.5 per cent a year in real terms.
- From 1 July 2015, a cap will be placed on Australia's total emissions and the carbon price will be determined by the market.

All revenue from the carbon price will be used by the Government to:

- assist households
- support jobs and competitiveness
- invest in clean energy and climate change programs

How will the carbon price reduce pollution?

Until now, emitting carbon has been free, so there's no incentive for businesses to reduce carbon pollution.

Carbon will be more expensive to release into the atmosphere under a carbon price. This means that businesses will want to find ways to emit less carbon and save money.

They'll do this by either becoming more efficient, or changing to less-polluting types of energy.

Economic experts around the world recognise that putting a price on carbon is the most environmentally effective and cheapest way to cut pollution.



Helping households

Modest price impacts

The impact of the carbon price will be modest.

The carbon price will increase consumer prices by 0.7 per cent over 2012–13, as measured by the consumer price index (CPI). This is much smaller than the:

- 2.5 per cent increase from the GST and related tax changes
- 2.9 per cent average annual inflation between 2001–02 and 2009–10.

Assistance to those who need it

The Government will ensure that those Australians that need help the most will get assistance for cost of living impacts. Around 8 million households will soon receive some assistance through tax cuts, payment increases or both. Assistance will focus particularly on pensioners and low-and middle-income households.

Average weekly household spending will go up around \$9.90, including \$3.30 a week on the average electricity bill and \$1.50 a week on the average gas bill. On average, households will receive \$10.10 a week in assistance.

There are two ways that households will receive assistance:

- increases in pensions, allowances and family payments, and
- income tax cuts.

The assistance will mean:

- pensioners and self-funded retirees will get up to \$338 extra per year if they are single and up to \$510 per year for couples, combined
- families receiving Family Tax Benefit Part A will get up to an extra \$110 per child
- eligible families will get up to an extra \$69 in Family Tax Benefit Part B
- allowance recipients will get up to \$218 extra per year for singles, \$234 per year for single parents and \$390 per year for couples combined
- taxpayers with annual income of under \$80,000 will all get a tax cut, with most receiving at least \$300 per year

These extra payments and tax cuts are permanent.



Saving money and reducing pollution at home

Households that improve their energy efficiency can help the environment and save money. Because households that do use less energy will still get to keep all of their tax cuts and payment increases, households have a financial incentive to do their bit for the environment.

Supporting our jobs and businesses

Australian jobs will be supported through assistance to those businesses most affected by a carbon price. The Government has allocated around 40 per cent of carbon price revenue to help businesses and support jobs.

Industry assistance will support jobs and keep Australian industry strong, while creating incentives to invest in clean energy and energy efficiency. This will ensure the Australian economy remains competitive in a world which is moving to reduce carbon pollution.

The Jobs and Competitiveness Program will provide \$8.6 billion in assistance between 2012 and 2015 to safeguard jobs in industries that face international competition and emit a lot of carbon pollution. This assistance is ongoing.

The Government is also delivering a \$1.2 billion Clean Technology Program to help directly improve energy efficiency and reduce carbon pollution in manufacturing industries and support research and development in low pollution technologies.

The Coal Sector Jobs Package will support Australian coal mining jobs through \$1.3 billion in assistance.

The carbon pricing mechanism will impose no red tape on small businesses—they will have no reporting or compliance obligations. The Government is delivering new measures to help small businesses improve energy efficiency and lower their costs. The instant asset write off for small businesses with turnover of less than \$2 million per year will be increased to \$6,500.

The Government will inject an extra \$5 million to improve delivery of clean technology advice and other non-grant support programs for Australia's small and medium businesses. These include the Industry Capability Network, Supplier Advocates and Enterprise Connect.

The \$40 million Energy Efficiency Information Grants program will empower small and medium businesses and community organisations to improve their energy efficiency through targeted, industry specific advice how to reduce energy use.

How is fuel covered by the carbon price mechanism?

Households, on-road business users of light vehicles and the agriculture, forestry and fishery industries will not face a carbon price on the fuel they use for transport.

Non-transport use of fuel and some off-road transport will face an effective carbon price, through changes to the current fuel tax regime.

Heavy on-road vehicles will not face a carbon price from the commencement of the scheme. The Government intends to apply an effective carbon price on heavy on-road vehicles from 1 July 2014, but notes this measure was not agreed to by all members of the Multi-Party Climate Change Committee.

Large users of liquid fuels will be able to voluntarily opt-in to the carbon pricing mechanism from 1 July 2013.

Due to their zero-rating for carbon emissions, renewable fuels such as ethanol, biodiesel and renewable diesel will not be subject to a carbon price.

**The carbon pricing mechanism
will impose no red tape
on small businesses**

Encouraging innovation in clean technology and the energy of the future

Australian's electricity generation will be transformed by a carbon price.

The Energy Security Fund will support a secure energy market transition to a clean energy future. The Government will seek to negotiate the closure of around 2000 megawatts of highly emissions-intensive generation capacity by 2020 and provide transitional assistance to Australia's most emissions-intensive coal-fired generators.

A smooth transition to a clean energy future is in our national interest. It will encourage the development of electricity generation technologies that emit less pollution. Over time, power stations will be replaced with new low-pollution technology, driving a shift from coal to gas and renewable generation.

This transformation of the energy sector will drive around \$100 billion in investment in renewable electricity generation over the period to 2050. The Government's plan to support this investment includes:

- commercialisation and deployment of clean technologies through the \$10 billion of investment by the Clean Energy Finance Corporation
- innovation of renewable energy technologies through the \$3.2 billion Australian Renewable Energy Agency
- research and development and its early commercialisation in the areas of clean and low emission technologies through the \$200 million Clean Technology Innovation Program
- increased use of renewable energy through the carbon price and the Renewable Energy Target.

**A smooth transition to a
clean energy future
is in our national interest**



Improving energy efficiency and reducing pollution

By improving energy efficiency, we can achieve the same level of economic output using less energy than we do now, and we can reduce carbon pollution.

We have many opportunities for improving energy efficiency throughout our economy.

Households

Australian households can take practical steps to use energy more efficiently. We can do this by using better home design and construction, changing the way we use energy and the choices we make when selecting and using household appliances.

The \$100 million Low Income Energy Efficiency Program will provide grants to consortia of local councils, community and welfare organisations, state and territory governments and energy retailers and service companies to trial and evaluate approaches to improve the energy efficiency of low income households.

The \$30 million Home Energy Savers Scheme will provide advice and information on energy efficiency and financial management to low income households.

Business

Businesses can adopt energy-efficient technologies and production systems, eliminating waste, lowering costs and reducing pollution. Australian Governments also have a role to play. For example, the Energy Efficiency in Government Operations policy has set targets to reduce the amount of energy used per person in Government office buildings.

The \$40 million Energy Efficiency Information Grants will provide grants to industry associations and nonprofit organisations to deliver information to small and medium enterprises and community organisations about the impacts of a carbon price and suggest practical steps to manage these impacts.

Communities

The \$200 million Community Energy Efficiency Program will provide grants to local councils and not-for-profit community organisations to make energy efficiency upgrades to council and community-use buildings, facilities and lighting.





New opportunities in our regions

Regional Australia will play a vital role in Australia's clean energy future. Over eight million Australians live outside our major capital cities and two-thirds of the nation's export earnings are generated in our regions.

Some regional communities with industries that emit a lot of carbon pollution may need assistance as Australia moves to a clean energy economy.

The Government will assist regions if they are strongly affected by the introduction of a carbon price. If required this assistance will be tailored to the needs of individual communities and will be delivered through a combination of additional funding for existing programs, as well as the development of new or modified programs where appropriate.

Creating opportunities on the land

Around \$1 billion will be spent over the next four years to help farmers and land managers pursue climate change action on the land and promote biodiversity.

The carbon price will not apply to agricultural emissions. Farmers will not need to pay for emissions from livestock or fertiliser use. Farmers and land managers will have the opportunity to gain rewards through the Carbon Farming Initiative.

The Carbon Farming Initiative is a carbon offsets scheme that creates new economic opportunities for farmers, forest growers and land managers while also helping the environment by reducing carbon pollution. Farmers and land managers will be able to generate credits that can then be sold to other businesses wanting to offset their own carbon pollution.

Carbon credits represent reductions in greenhouse gases in the atmosphere through increasing the amount of carbon stored in soil or trees. For example, by either growing a forest or reducing tillage on a farm in a way that increases soil carbon, or reducing or avoiding emissions through the capture and destruction of methane emissions from landfill or livestock manure.

Other opportunities on the land include funding for biodiverse carbon stores and policies to help farmers and land managers make the most of carbon farming opportunities.

Helping Indigenous communities towards the clean energy future

Remote indigenous communities will also be part of the transformation to a clean energy future.

The Remote Indigenous Energy Program will help Indigenous communities to access clean, affordable and reliable 24-hour power supplies.

The Indigenous carbon farming fund will help Indigenous Australians to take full advantage of the Carbon Farming Initiative.

To find out more about a **Clean Energy Future** visit
www.cleanenergyfuture.gov.au or call **1800 057 590**

For information in your language about a Clean Energy Future call the Translating and Interpreting Service (TIS) on 131 450.

Arabic

للحصول على معلومات بلغتك حول مستقبل الطاقة النظيفة (Clean Energy Future) يرجى الإتصال بخدمة الترجمة الخطية والشفهية (TIS) على الرقم 131 450.

Chinese Traditional

用英語以外的語言了解有關創造清潔能源未來(Clean Energy Future)的詳情，請致電翻譯與傳譯服務(TIS)電話：131 450。

Croatian

Za informacije na hrvatskom o Budućnosti s čistom energijom (Clean Energy Future) nazovite Službu za prevođenje i tumačenje (TIS) na 131 450.

Filipino

Para sa impormasyon ng Malinis na Enerhiya sa Hinaharap (Clean Energy Future) sa wikang Tagalog, tawagan ang Serbisyo sa Pagsasalinwika at Pag-iinterpretar (TIS) sa 131 450.

Greek

Για πληροφορίες στη γλώσσα σας σχετικά με ένα Καθαρό Ενεργειακό Μέλλον (Clean Energy Future) καλέστε την Υπηρεσία Μεταφραστών και Διερμηνέων (TIS) στο 131 450.

Hindi

स्वच्छ ऊर्जा भविष्य (Clean Energy Future) के बारे में अपनी भाषा में जानकारी प्राप्त करने के लिए अनुवाद और दुभाषिया सेवा (TIS) को 131 450 पर कॉल करें।

Italian

Per informazioni nella vostra lingua su un futuro di energia pulita (Clean Energy Future) chiamate il Servizio di traduzione e interpretariato (TIS) al numero 131 450.

Korean

깨끗한 미래 에너지(Clean Energy Future)에 대한 한국어 정보를 원하시면 통번역 서비스(TIS) 131 450번으로 전화해주시요.

Macedonian

За информации на македонски јазик за Чиста енергија за иднината (Clean Energy Future) јавете се на преведувачката служба (TIS) на 131 450.

Serbian

За информације на српском о Будućности са čistom energijom (Clean Energy Future) назовите Преводилачку службу (TIS) на 131 450.

Spanish

Para obtener información en su lengua materna acerca del Futuro a base de Energía Limpia (Clean Energy Future) comuníquese con el Servicio de Traducción e Interpretación (TIS) llamando al 131 450.

Turkish

Temiz Enerji Geleceği (Clean Energy Future) hakkında kendi dilinizde bilgi edinmek için 131 450 numaradan Yazılı ve Sözlü Tercüme Servisi'ni (TIS) arayınız.

Vietnamese

Muốn biết thông tin bằng ngôn ngữ của quý vị về Tương Lai Năng Lượng Không Gây Ô Nhiễm (Clean Energy Future), xin gọi Dịch Vụ Thông Phiên Dịch (TIS) số 131 450.



Australian Government

