



# *Australian Carbon Market Opportunities*

Carbon Farming Conference,  
Dubbo

Wednesday 28<sup>th</sup> September 2011

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# Overview

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## *Problem*

- Why is action necessary?

## *Solution*

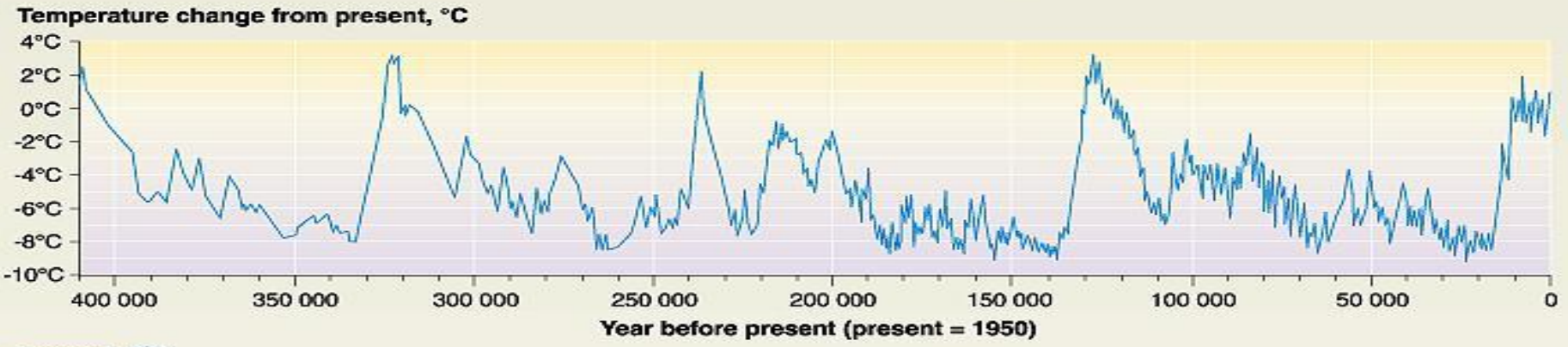
- What are carbon markets – compliance and voluntary?
- How will it work in Australia – CFI and CPM?

## *Opportunity*

- Generating domestic land-based carbon credits
- How will you find customers and sell your credits?

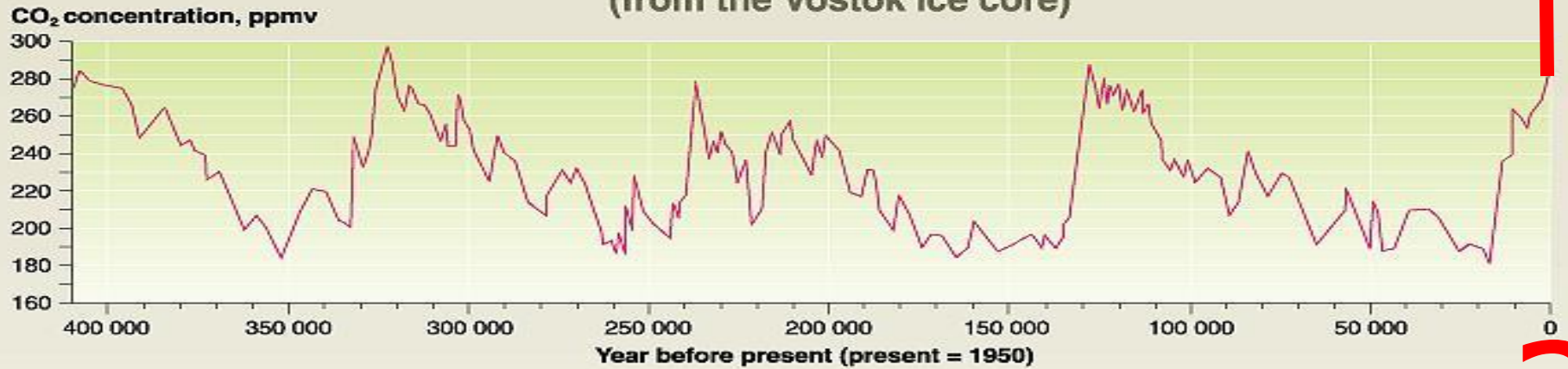
# Why act on climate change?

**Temperature and CO<sub>2</sub> concentration in the atmosphere over the past 400 000 years (from the Vostok ice core)**



# Why act on climate change?

## Temperature and CO<sub>2</sub> concentration in the atmosphere over the past 400 000 years (from the Vostok ice core)



# There are many policy options to reduce emissions.

## Emissions trading

- Market-based
- Set the volume
- Final cost not known

## Carbon taxes

- Price-based
- Set the price (cost)
- Final volume not known

## Offset schemes

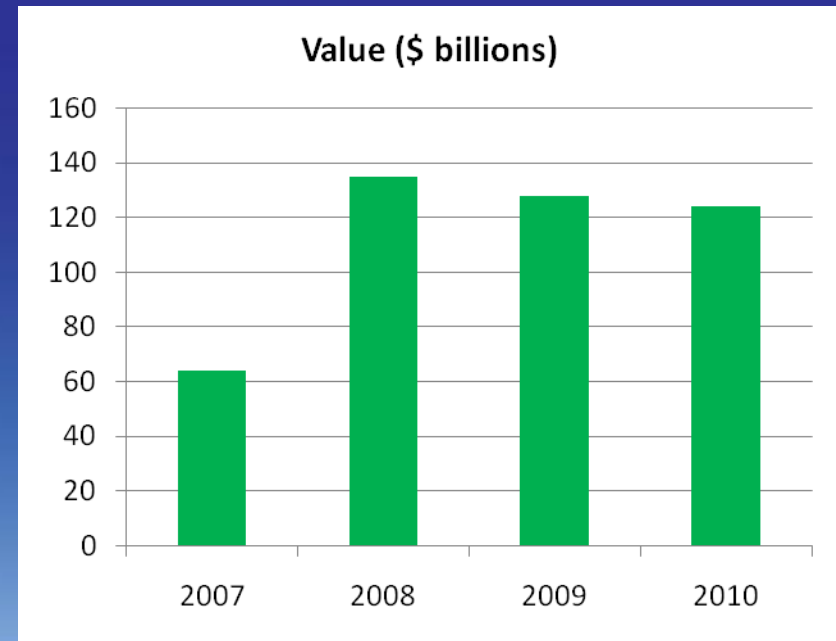
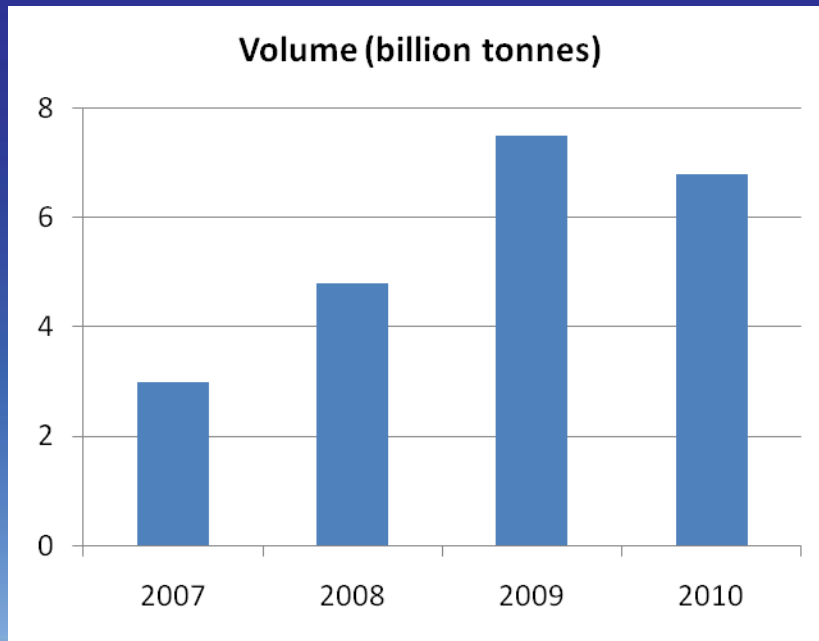
- Project-based
- Credits for abatement/sequestration
- Validation & verification required

## Other policy measures

- Regulations & standards
- Grants/rebates/subsidies
- Incentives/penalties

# Globally, carbon is a major, mature commodity.

## *Global Carbon Volumes and Values: 2007 - 2010<sup>1</sup>*



*Note (1): Voluntary market is approx 1-2% by volume and <1% by value*

*Sources: Ecosystem Marketplace, Bloomberg New Energy Finance, 2009 & 2010*

# Compliance vs voluntary action (ie demand)

## **Compliance Action**

- CPM directly impacts only the 500 biggest polluters
- Costs passed through to consumers (eg “\$3.50 per domestic flight”)
- Reduction targets are not enough to meet science goals
- No CSR benefits from simply complying with the law

## **Voluntary Action**

- Allows any business/individual to take a leadership role
- Drives rapid and deep emission reductions beyond government targets
- Supports real, innovative projects and local communities
- CSR and related benefits

# Domestic supply of CFI credits (ACCUs)

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*Supply has been addressed by the CFI legislation:*

☐ **Compliance (Kyoto) ACCUs eg:**

- reforestation
- landfill gas
- livestock and fertiliser emissions
- savannah fire management

☐ **Voluntary (Non-Kyoto) ACCUs eg:**

- forest management
- soil carbon
- revegetation
- biochar
- feral animal management

# Domestic demand for CFI credits

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*Demand is dependent upon passage of CPM through Parliament:*

- ❑ **Compliance market:**
  - 500 liable businesses
  - offsets capped at 5% of emissions for first 3 years
  - approx 17.5 Mt per annum for 3 years
  - uncapped thereafter
  - *current supply is very limited*
  
- ❑ **Voluntary market:**
  - corporates, SMEs, retail buyers
  - NCOS eligibility
  - new govt fund of A\$250 million over 6 years
  - up to 8 Mt per annum
  - *2 or 3 times size of current voluntary market*
  
- ❑ **International:**
  - compliance markets (acceptance eg EU, NZ?)
  - voluntary markets (additionality?)

# Generating ACCUs: what do you need?

## *Process<sup>1</sup>*



## *Requirements*

- Skills
- Methodologies
- Capital

*Note (1): Design of the Carbon Farming Initiative, Consultation Paper, DCCEE, 2010*

# Generating ACCUs: how do you do it?

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- **DIY:**
  - Obtain methodology approvals
  - Become a Recognised Offset Entity
  - Manage, audit and report on projects
  - Own and sell the carbon credits
- **Engage service providers:**
  - Use specialists to assist with process on fee-for-service basis
  - Retain ownership and right to sell the credits
- **Use aggregators:**
  - Sell carbon property rights to offset aggregator
  - Aggregator manages all aspects of project and owns the credits
  - Aggregator may “roll up” other land parcels under larger project

# Selling ACCUs: issues and options

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- **Australian National Registry of Emission Units (ANREU):**
  - issue, transfer and cancel credits
  - unique identifier for each credit
  - specify Kyoto or non-Kyoto
- **Credits (and permits) will be treated as “financial products”:**
  - need AFSL if eg providing advice, dealing, making a market or otherwise carrying on a business of providing financial services
- **Range of mechanisms to sell ACCUs:**
  - Direct to liable companies (*volume vs price vs compliance costs*)
  - Direct to voluntary buyers (*story, marketing support, portfolios*)
  - Sale of carbon property rights (*timing & value*)
  - Exchanges and OTC trades (*price vs compliance*)
  - Brokers & retailers (*reach vs mark-up*)

# This is very exciting!

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- MAJOR problem
- MANY solutions
- MULTIPLE opportunities



Thank you and questions...

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