



Express law fast track information for clients

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Government releases clean energy legislation exposure drafts

The Government released the exposure draft of the clean energy legislation on 28 July 2011. The legislation will implement the policy announced on 10 July 2011 and set out in [Securing a clean energy future: The Australian Government's climate change plan](#).

The package includes exposure drafts of, and commentary on, 13 bills.

Carbon pricing mechanism

The main bill is the Clean Energy Bill 2011, which 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. Retailers of natural gas will also be liable for carbon pollution from the use of the fuels they supply to customers. Additional provisions apply to natural gas not supplied by a retailer.
- Some credits generated under the Carbon Credits (Carbon Farming Initiative) Bill 2011 can be used to meet obligations under the carbon price mechanism.
- Assistance will be provided to emissions-intensive, trade-exposed industries and coal-fired electricity generators in the form of free carbon units.

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.

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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