

IPS/NZCCRI Seminar

Emissions Trading – Harmonisation with Australia: Issues and Options

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Question

**To harmonise or not
to harmonise?**

Should that be the question?

Outline

- Levels of harmonisation – options
- Achieving harmonisation
 - Specifying the parties harmonisation commitments
 - Institutional and operational structures required to support harmonisation
- Issues with harmonisation
- Conclusions

Options for levels of harmonisation

- Level 1:** Voluntary adoption of key design features, but no mutual recognition of domestic units
- Level 2:** Mutual recognition of domestic units, enabling trading between the schemes
- Level 3:** Full harmonisation (effectively one scheme)

*(Senator Penny Wong and Hon Dr Nick Smith,
19 March 2009)*

Making harmonisation commitments

- **Bilateral treaty**

- Advantages (legally binding, provides certainty)
- Disadvantages (time consuming to negotiate, difficult to amend or withdraw from)

- **Political agreements**

- Advantages (flexible, carries political weight)
- Disadvantages (not legally binding, uncertain outcomes)

- **Mutual domestic commitments**

- Advantages (flexible)
 - Disadvantages (subject to unilateral change)
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Institutional and operational support

- Co-management / joint governance
- Joint regulatory body
- Consultations, e.g. regular meetings of ministers and/or officials
- Amendments and reviews

Possible frameworks

	TEXT	SUPPORT
LEVEL 3: Full harmonisation (one scheme)	Treaty	Joint regulation (political and operational)
LEVEL 2: Mutual trade of domestic units	Treaty Political cooperation agreement	Joint regulation Consultation
LEVEL 1: Voluntary adoption of key design features	Political cooperation agreement (but not essential)	Ongoing consultation likely

Issues

- Control
- Flexibility
- Transparency
- Legitimacy



Conclusion – to harmonise or not to harmonise?

- Not just a question of the economic costs and benefits
- Also important to consider broader issues presented by harmonisation
- Better to focus on getting our own scheme right first?



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