

The impact of regulatory greenhouse gas emissions trading schemes: a genuine incentive for clean energy development or a new way to keep old habits?

Author:

Ashley Stafford

Senior Associate

Baker & McKenzie, Sydney, Australia

Abstract:

It is not unusual for the law behind greenhouse gas emissions trading schemes to count among its objectives a reduction in emissions associated with electricity generation or other stationary energy sources. There is good reason why regulatory market-based responses to climate change should target the stationary energy sector, accounting as it does for the largest proportion of greenhouse gas emissions in many countries. However, schemes that aim to reduce or offset greenhouse gas emissions in the stationary energy sector will not always provide a strong market incentive to develop and use clean energy. Under an emissions trading scheme, the additional revenue gained from offsets or the relative costs savings that come from not having to buy emissions allowances (or as many allowances) might still not make a clean energy project as viable or as competitive as other energy projects. Such regulatory responses, if they do not provide a sufficient price signal for clean energy development, can have the effect of overlooking clean energy and instead favouring more efficient energy consumption, the lowering of process-based emissions or more cost-effective sequestration activities. This effect is considered in light of the legislation behind the New South Wales Greenhouse Gas Abatement Scheme (GGAS), operating in Australia since 1 January 2003, and the policy behind the National Emissions Trading Scheme (NETS) proposed by Australia's State and Territory Governments.