

## Break Through the Carbon Jargon

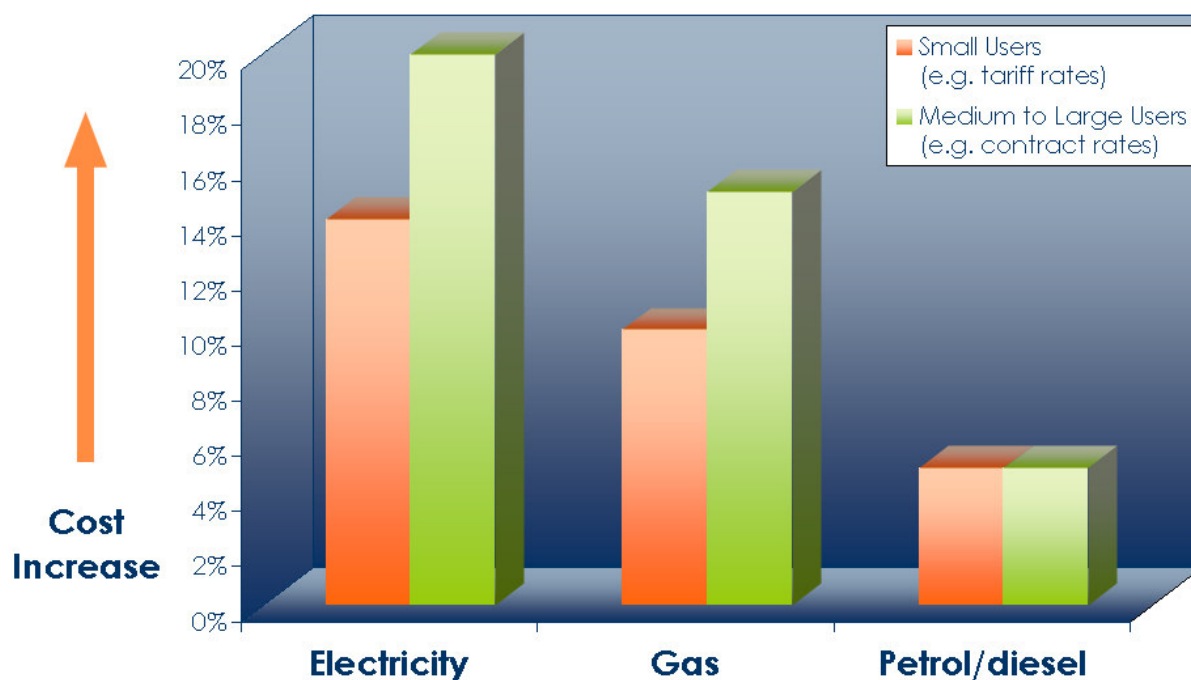
In less than a year Australia will be likely to have a **Carbon Pollution Reduction Scheme (CPRS)** in place. The Scheme employs a 'cap and trade' emissions trading mechanism to limit carbon pollution. Emissions are capped at a level consistent with the nation's environmental objectives, and the number of tradable carbon pollution credits will be equal to the Scheme cap. For example, if the cap were to limit emissions to 100 million tonnes of carbon dioxide equivalent (CO<sub>2-e</sub>) in a particular year, 100 million emission permits would be issued for the year.

### How Will You Be Affected?

The CPRS works by mandating that every organisation with a facility emitting 25 kilotonnes of CO<sub>2-e</sub> or more per year must report and purchase a carbon pollution permit for every tonne of CO<sub>2-e</sub> it releases. The Scheme will directly affect around 1000 facilities, including most electricity generators, mining companies, large property trusts and other ASX 200 companies.

Carbon pollution permits will enter the market either by auction or administrative allocation. The permits will be tradeable and the price of the permits determined by the market. Companies are free to emit at whatever level they choose under the Scheme as long as they surrender an eligible permit for every tonne of CO<sub>2-e</sub> at the end of the compliance period.

Ultimately, the costs associated with the CPRS will be passed down to other businesses and consumers – resulting in increases in cost for fuel, electricity and energy intensive products and services. At \$23 per tonne of CO<sub>2-e</sub>, estimated energy price increases for small and large energy users are shown in the graph below.



## Preparing for the CPRS

The Scheme will directly and indirectly affect every organisation in Australia and it therefore makes good business sense to start preparing now. Companies that are well prepared will mitigate the financial costs of the Scheme and become more price competitive.

### How You Can Prepare:

#### 1. Calculate your carbon footprint

This is the starting point for understanding what the impact of the CPRS will be on your business, how much it will cost and any direct obligations under the Scheme.

Preparing a National Greenhouse and Energy Report (NGER) is a great starting point for understanding your energy use and emissions, regardless of whether you exceed the reporting threshold.

#### 2. Understand the impact on your business

Can you pass the costs onto your customers? Will contracts allow full pass through? How will the Scheme effect your competitive position in Australian and overseas?

#### 3. Consider reducing your carbon footprint and hence the impact of the Scheme

Large emitters should consider initiating abatement projects prior to the commencement of the Scheme to reduce their emissions and exposure to carbon liability. All other businesses can reduce their carbon footprint and mitigate price increases by good energy management. For both groups the key is identifying energy reduction opportunities e.g. a detailed energy audit and then commitment to an ongoing energy management program.

#### 4. Identify opportunities under the Scheme

Funding opportunities exist for Emission Intensive Trade Exposed Industries (EITEs), emission-intensive electricity generators and other businesses affected directly and indirectly by the Scheme.

## Case Study

Advitech recently assisted a large emitter reduce their energy usage in preparation for the introduction of the CPRS. The facility used substantial amounts of energy for the production of iron and steel components for the mineral processing market in Australia and overseas. [Click here to view the case study details](#)

## How Advitech Can Help

Early action will be rewarded. Advitech can help companies prepare for the introduction of the CPRS by reducing the number of permits that a business will be required to surrender to the government, and for smaller businesses, the associated carbon cost passed on by your energy supplier.

For more information please contact Jim Kelty, Senior Consultant, on 4961 6544 or [jim.kelty@advitech.com.au](mailto:jim.kelty@advitech.com.au).

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