



Australia's Low Pollution Future Fact Sheet

Emission prices

Under the Carbon Pollution Reduction Scheme, the market will set the emission price, not the Government. The price will depend on a number of factors, including the scheme cap, the national emission trajectory, links to international emission markets, and the cost of opportunities to reduce emissions.

Emission prices in Australia

Under a cap-and-trade scheme like the Carbon Pollution Reduction Scheme, the Government sets the scheme cap. This sets the upper limit on the number of permits available in the market.

The price for permits will be set in the market. The price for permits will depend on a number of factors, including the national emission trajectory, scheme coverage and international linking, and the costs of emission reduction opportunities.

The modelling focuses on the medium to long-term economic impacts of policies to reduce emissions. It does not attempt to predict short-term international emission prices.

If there are no restrictions on international emissions trade, Australia's emission price will be determined by the global price. In the scenarios the Treasury has modelled, Australia's emission price is equal to the global price, with an allowance for changes in the exchange rate.

The Treasury modelling suggests that, in the context of efficient market-based global action to stabilise greenhouse gas concentrations at 550 ppm, the initial emission price in 2010 could be around A\$23/t CO₂-e in nominal terms. Stabilising at lower concentration levels requires faster cuts in global emissions and higher emission prices. The starting price is 40 per cent higher to achieve 510 ppm and 110 per cent higher to achieve 450 ppm.

These emission prices are lower than prices currently observed in some emission markets, particularly the European Union Emission Trading Scheme. Higher current prices in the EU market reflect its more limited coverage and restricted access to international trade as compared to the modelled scenarios. The modelling assumes broad coverage of regions and sectors, allowing far more low-cost mitigation opportunities to be captured than in the EU scheme.