

## **European Union Emission Trading Scheme will become mandatory — Is this an opportunity for Australian Businesses? >>**

On 1 January 2005 the European Union Emission Trading Scheme will become mandatory.

It is anticipated that by then 12,000 facilities will have applied for permits to emit carbon dioxide. These businesses will have been allocated Allowances to emit a certain quantity of harmful gases.

At the end of each account period – 30 April in the following year and annually thereafter – each company or entity must hold sufficient Allowances to match their verified emissions.

Companies in the Scheme may buy or sell Allowances, and from 2008 they will be able to purchase or obtain ERU's (Emission Reduction Units) from CDM or JI projects.

A JI project is when one party to the Kyoto Protocol enters in to an arrangement with another country to remove carbon from the atmosphere in return for Emission Reduction Units.

A CDM project is when a party implements a project that reduces emissions of another party. The project must produce certified emission reductions and must also assist the host party in achieving sustainable development and contributing to the ultimate objectives?. These ERU's will be converted into EU Allowances.

Because the Australian government has not ratified the Kyoto protocol, any arrangement between a European company and an Australia business would need to be done as an early Joint Implementation (JI) project.

## 2.

While lack of ratification makes it more difficult and complicated for Australian business to participate in this great opportunity, it is not impossible and companies are already looking to be part of this new world of business opportunity.

As soon as Australia ratifies the Kyoto protocol, corporations in this country will be able to enter into arrangements to provide, at a fee, some of the Emission Reduction Units required by European companies to meet their assigned targets.

The risk for Australian companies is that if the Australian government does not ratify the Protocol, the work done to make a project comply with the Protocol will be for no benefit....other than a purely environmental benefit?

I hope that this information is of some interest and benefit to you, and your clients.

**Peter Jackson**

### **Where to find us >>**

Level 3, 48 Hunter Street, Sydney NSW 2000 **POST** GPO Box 3645, Sydney NSW 2000

**TEL** 02 9233 5355 **FAX** 02 9233 2839 **EMAIL** [info@jacksonsmith.com.au](mailto:info@jacksonsmith.com.au)

**WEB** [www.jacksonsmith.com.au](http://www.jacksonsmith.com.au) **DX** 10134 Sydney Stock Exchange **ABN** 12 538 715 138