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## **MEDIA RELEASE**

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### **Environment lawyers warn on aspects of Emission Reduction Fund**

Aspects of the government's Emissions Reduction Fund have been criticized by the National Environmental Law Association, with some being labeled as dangerous.

The Association's submission to the Emissions Reduction Fund Green paper today says, 'there is a risk in developing the 'crediting' baselines before the 'compliance' baselines have been determined, or even before the entities who will be covered by these compliance baselines have been finalised'.

NELA says the plan is very dangerous. It recommends that the government delay funding of facility based methods until the details of the compliance mechanism have been finalised or at least, clarified.

NELA's submission also strongly opposes the proposal in the Green Paper to keep the benchmark price for auctions confidential.

'It will be extremely difficult for possible project participants to develop their business cases if they have no idea whether their bid price will be in the right range. Whether a project could be viable at \$5 per carbon credit unit is completely different to a project which is viable at \$12,' the submission says.

NELA says the five year contract term will prove to be a significant inhibitor to participation in the ERF because the big banks won't finance them. Projects will need to obtain costly higher risk finance or fund the projects themselves.

The Association is most concerned about the proposal for a one year delay in implementing the "safeguard mechanism". It says a one year delay will only intensify the scale of the challenge of achieving the target particularly if the current target of 5% is no longer adequate and a higher target (of 10% or 15%) is deemed to be appropriate.

NELA also has concerns about the resources required to set the compliance baselines and the amount of 'rent seeking' that is likely to take place on the part of the covered sectors. It says measures should be implemented to minimise both of these aspects.

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