CHAMBER OF COMMERCE & INDUSTRY QUEENSLAND

Blueprint for Harnessing Queensland's Green Productivity Potential

A Chamber of Commerce and Industry Queensland Business Position Statement on Government's Carbon Pricing Mechanism

August 2011

www.cciq.com.au

Contents

"There is a minimal profit margin in an already competitive market. We already do this for love and not money. With increased electricity costs and customers willing to part with even less money, we might as well not be in business at all! We'll be practically running on a negative. The increased fuel costs over the last half decade or so have been bad enough."

Queensland Business Operator

1.0 Introduction

1.1 The Chamber of Commerce and Industry Queensland (CCIQ) is the peak business organisation in Queensland, representing the interests of 25,000 businesses and 135 chambers of commerce across the State. All of these businesses will be impacted to some extent, either directly or indirectly, by a Carbon Pricing Mechanism (CPM) and other measures which may be adopted to address climate change.

1.2 The Queensland business community acknowledges that it has a social responsibility to minimise the impact that its activities have on the environment. It is also aware that it needs to work co-operatively with all levels of government and the wider community to address important environmental issues such as climate change.

1.3 However, overwhelmingly the majority of Queensland businesses do not support the introduction of a CPM, especially in the absence of international agreement and unilateral action to address climate change.

1.4 Queensland faces the greatest impacts from the introduction of a carbon price with key industries heavily impacted by the proposed CPM and a decentralised economy with high transportation costs. CCIQ notes that these industries are key employers in regional and rural areas in Queensland and also make an important contribution to the State's economy and Australia's exports.

1.5 In addition, these industries directly and indirectly support a large number of small and medium-sized businesses which in turn make important contributions to their local economies and provide employment opportunities for local residents. The impact of a CPM on Queensland's communities and businesses can therefore not be understated.

1.6 It is imperative that the introduction of any major greenhouse gas reduction measures such as the proposed CPM is timed to coincide with the introduction of comparable measures by Australia's major international competitors.

1.7 There is a very real risk that Australia will damage the international competitiveness of its businesses if it implements this more wide-reaching CPM before major overseas countries adopt similar measures. Results from a major CCIQ Survey demonstrate that Queensland businesses overwhelmingly believe that the Federal Government should hold off until such time as there is international action taken on Climate Change.

1.8 When asked about the impact of resultant rises in energy prices from a CPM, the majority of businesses indicate that the impact would range between having a moderate to critical impact on their business in the areas of profitability, employment and investment. Alarmingly a significant number of businesses believe forthcoming increases in energy prices will threaten the viability of their business.

1.9 Furthermore if implemented too soon a CPM will achieve very little, if anything, in terms of global emissions reductions as the relevant emissions will simply be shifted from Australia to another country. Indeed, there is a real risk that this outcome may actually be detrimental to the global environment as the production processes in the alternative location may be more emissions-intensive than those employed in Australia. This outcome would be entirely inconsistent with the stated aim of reducing global emissions.

1.10 In summary key points drawn from this Blueprint include:

- Significant negative impact that a CPM will have on small and medium sized Queensland businesses;
- Limited to no support by Queensland businesses for a CPM;

- Minimal commensurate international action on climate change compared to Australia's proposed CPM;
- Forthcoming loss of international competitiveness if a CPM is introduced;
- Poor trading conditions at present for Queensland businesses with virtually no prospect at passing on associated cost increases;
- Small and medium sized businesses have been missed out in proposed compensation arrangements;
- Poor consultation contrary to best practise principles for the proposed CPM's implementation;
- Significant need for information about the CPM for business: and
- Queensland businesses believe direct assistance to provide alternatives to the CPM that addresses climate change but at the same time sure up economic competitiveness.

1.11 Accordingly CCIQ urges the Federal Government to delay any implementation of a CPM until such time as other countries with similar industrial profiles as Australia agree to and implement their own substantive emissions trading arrangements. CCIQ instead maintains that Australia should adhere to the following principles when addressing issues on climate change:

- strike a responsible balance between environmental protection, energy security and affordability and sustainable economic growth;
- place Australia on an equal competitive footing with the rest of the world and in particular its major trading partners; and
- acknowledge that climate change mitigation policy is not simply about putting a cap on carbon emissions, instead it is about low-carbon economy development.

1.12 These principles will ensure that Australia and Queensland maintains its international competitiveness whilst also making a meaningful contribution to global efforts to address environmental responsibility.

"This tax will cost our business approx $80,000 per annum just for the use of gas and electricity. This does not include any costs passed on from our suppliers. This will have a huge impact on our profitability and competitiveness with imported products, but the Labour Govts around the country obviously don't want manufacturers to remain in business".

"Our business is already running a lean as possible to survive in the current economic environment. This tax could be the last straw."

"I don't believe the gov'ts estimates on the cost of living - I expect they will be much higher as the tax affects everyone , not just the companies been taxed."

"Costs will increase in all areas as a carbon tax will impact on fuel costs and energy costs and these increases will be felt by all suppliers who use fuel and/or energy. Increases will be passed on by our (all) suppliers and these will need to be passed onto our (all) customers. Customers are workers who will then seek higher wages to compensate for increased costs, etc ad infinitum"

"I expect freight and electricity to increase and as I am a pharmacy selling mostly prescriptions where the price is set by medicare, I will be unable to pass on the increased costs. so it will be my profitability and my staff wages that will suffer."

"Not a good decision for business at this time. If the rest of the world seemed remotely interested...then maybe"

Queensland Business Operators

2.0 Australia's Proposed Carbon Pricing Mechanism

Carbon Pricing Plan Elements	CCIQ Comments and Issues
Revenue and Costs	
• Revenue from the sale of emissions credits (as well as other measures and fuel taxes) is estimated to be over $27 billion in the first three years of operation of the scheme. • However the implementation and delivery of this scheme (including household and industry assistance measures and government administration) is expected to cost the government over $31 billion in the first three years. • The plan involves a net cost to the budget of $3.8 billion over the four years to 2014-15.	
Design and Structure	
• The carbon pricing mechanism is essentially an emissions trading scheme (ETS) which will start with a fixed price period from 1 July 2012, operating for three years, before moving to a flexible market based price from 1 July 2015. • The scheme will operate in both phases through the allocation/purchase of emission permits. • The price will start at $23 per tonne in 2012 and will increase each year by 2.5% net to $24.15/tonne in 2013-14 and $25.40/tonne in 2014-15. • Emission caps will commence in 2015 and will influence the number of permits available for purchase in the market under the ETS.	CCIQ is uncomfortable with the limited timeframe for the commencement of scheme fearing that there is insufficient time for the government to develop full details, implement required legislation and support business and the community understand and transition. This will only result in poor design and rushed implementation.
Applicability • Emissions from stationary energy, waste, rail, domestic aviation and shipping, industrial processes and fugitive emissions will be covered under the scheme. • Household and light commercial vehicles will be exempt. Heavy on-road transport vehicle emissions will not be covered until 1 July 2014 (refer to below). • Farming and other land-based activities are not covered. Nor are the emissions from agricultural off-road fuel use. • The emissions price will apply to four of the six greenhouse gases counted under the Kyoto protocol – CO2, methane, nitrous oxide, and perfluorocarbon. The remaining two gases (hydrofluorocarbons and sulphur hexafluoride) will face an equivalent carbon price applied through other regulation. • Facilities that have direct emissions of 25,000 tonnes a year or greater will be covered (with a lower threshold of > 10,000 tonnes for certain landfill facilities).	Australia is commencing with a much higher comparable starting price and broader base of applicability than other countries with similar carbon pricing schemes in place. This increases the transitional costs for business and the community.

Transport • In relation to transport, a carbon price will apply to fuels used in domestic aviation, marine and rail transport; as well as when transport fuels are used for other purposes such as running diesel generators on mine sites. • However the carbon pricing mechanism will be applied not through the allocation/purchase of emission permits, but through a reduction in fuel tax credits. • For on-road use of CNG, LNG and LPG (in activities such as freight transport) there will be an imposition of a Road User Charge.	Treatment of transport emissions is significantly complex. Will increase red tape and complexity of taxation system from a business perspective. Business feedback in the June Qtr Pulse suggested that even though the carbon price on transport fuels is exempt for the first 12 month period, that industry would still need to factor this into current pricing/forward quotes and contracts and other business planning processes.
Industry Obligations/Compliance	
For each compliance year, liable entities will be required to purchase (or make a case/request for allocation for those in the EITE category) permits from the government for the expected emissions for the year ahead. Liable entities will then be required to surrender permits for each tonne of emissions during the compliance period. Permits will be required to be discharged in two parts: A progressive surrender obligation of 75 per cent no later than 15 June for the relevant compliance year A final surrender for the remainder of their obligation by 1 February of the following compliance year (following confirmation of their total emissions for that year). Confirmation of total annual emissions will be based on annual emissions reports compiled and submitted to the Clean Energy Regulator for assessment. <u>Penalties</u> If emissions are found to be higher than the original value of permits purchased then liable entities will be required to pay an additional emissions charge. This will be applied at a rate of 1.3 times the fixed price for permits (that is $29.90 in 2012-13; $31.40 in 2013-14; and $33.00 in 2014-15. Following transition to the flexible price period, the emissions charge will be double the average price of permits for that year.	Limited detail currently available regarding the compliance requirements for businesses with direct carbon price liability. Reporting requirements are not yet detailed. Key questions to be answered: • Process for purchasing permits • What transaction costs will be involved • At what point is financial obligation imposed on business/payment required for annual obligation (may have cash-flow implications) Compliance burden and red tape impost. Essentially requires liable entities to submit annual returns similar to Taxation and BAS. CCIQ would suspect this would require the engagement of consultations and environmental accountants. This is relevant in the context that from 2015 when the flexible price period commences, annual caps will be applied to economy wide emissions and the number of available permits will be limited meaning that liable entities may face greater risk of exceeding their allocated/purchased permits.
Industry Assistance Measures	
Jobs and Competitiveness Program ($9.2 billion over 3 years) <u>Eligibility:</u> • Emissions-intensive trade exposed companies in	The reported $9.2 billion is not a direct financial support but a costing of the value of the "free" permit allocation. It represents lost revenue for the government from sale/purchase of permits

the manufacturing industry subject to classification of eligible activities Implementation: • Allocation of free carbon permits equivalent to 94.5 per cent of historic emissions intensity at high risk of carbon leakage; and equivalent to 66 per cent of historic emissions intensity for lower risk of carbon leakage. LNG projects will receive supplementary allocation of 50 per cent. • Assistance rates (free permit allocations) will reduce annually by 1.3 per cent.	Businesses in these sectors will still be required to purchase permits at a rate of \$23/tonne for the remaining value of their emissions (e.g. 5.5% for high risk and 33 per cent for low risk)
Clean Technology Investment Program (\$1.2 billion) • \$800 million in grants to manufacturers to support investment in energy-efficient capital equipment and low-pollution technologies, processes and products. Eligibility will be limited to those that use greater than 300megawatt hours of electricity/ 5 terajoules of natural gas per year or are covered by carbon pricing mechanism. Funding will be on a 75% co-investment basis.	This measure requires industry contribution of 75 per cent of value of the investment. CCIQ Pulse data has shown negative growth in CapEx for the past 3 year period suggesting industry may have limited capacity for such investment/co-contribution. Additionally this measure is implemented in a competitive grants basis and therefore does not guarantee any significant level of investment broadly across the sector.
• \$150 million over 6 years to the food processing industry and \$50 million over 6 years to the metal forging and foundry industry in grants for investment in energy-efficient equipment and low-pollution technologies, processes and products. Funding will be on a 75% co-investment basis.	As above, this measure requires industry contribution of 75 per cent of value of the investment. It is also a relatively low value program when implemented over a 6 year timeframe.
Clean Technology Innovation Program (\$200 million) • \$200 million over 5 years for grants to support business investment in research and development in the areas of renewable energy, low pollution technology and energy efficiency. Funding will be on a 50% co-investment basis.	Question whether this is a genuine new announcement as the government previously would back a number of R&D clean energy projects (of approx. same/similar values) in the 2010-11 mid-year fiscal review and the 2011-12 federal budget.
Small Business Energy Efficiency The government will increase the small business instant asset write-off threshold to \$6,500. Note that the threshold is proposed/already increasing from \$1000 to \$5000 from 2012-13 subject to the passage of the MRRT legislation. Eligibility will apply to small businesses with aggregate turnover of less than \$2 million/annum.	Dependent on the passage of MRRT for full effect. As is applied through taxation system essentially only provides a rebate/financial compensation to businesses up to their effective marginal tax rate (so approx. 30 per cent). This means the business is still required to make a personal investment of 70 per cent of the value of the asset. Also question the financial capacity of a small business to invest in significant energy-efficiency technologies, especially when these are often significantly costly (e.g. average solar panel unit costs >10,000). CCIQ Pulse data has shown negative growth in CapEx for the past 3 year period suggesting industry may have limited capacity for such investment/co-contribution.
Other	
Agricultural Sector • The Carbon Farming Initiative will be made available to farmers who want to generate credits for improved agricultural processes and reduced	The opportunities for carbon farming in the agricultural sector are currently still limited by technology and financial capacity limiting any benefit this sector can gain in initial years of the scheme.

emissions which can be sold in the market to generate income. • Biodiversity Fund ($946 million of existing funding) and the Carbon Farming Initiative ($429 million of existing funding) will continue to invest in R&D and technology development to support on farm carbon storage and emissions reduction . Energy Sector • Energy Security Fund (estimated $5.5billion) will provide payments for the closure of very high emissions coal fired power generation plants; and transitional assistance to high emissions coal fired power generation plants. • $10 billion Clean Energy Finance Corporation will provide financial capital to companies who wish to develop and invest in renewable energy, low pollution and energy efficiency technologies. • A new Renewable Energy Agency will administer $3.2 billion (existing funding allocation) for R &D, demonstration and commercialisation of renewable energy technologies	While the agricultural and land sectors have been excluded from the carbon price, agricultural sectors will still be affected by the pricing impact across other key business inputs such as electricity, water, fertilisers, food production and transport. This funding is essentially earmarked for Victoria's brown-coal fired power plants and a number of older inefficient black-coal power plants. Queensland is unlikely to receive much direct support to transition and improve the energy efficiency of its government-owned black-coal generation plants.

"The impost this will put on business and individuals will far outweigh any possible gain the Carbon Tax may be thought to bring. We currently have various Environmental Laws and Australia Standard Codes that dictate how we construct buildings, vehicles and equipment, extract natural resources and what impact such activity may have on the environment, e.g. what emissions (fumes/dust/liquids etc.)are allowed and how they are to be managed and treated before release into the environment. To me Carbon Tax is saying that these rules and regulations are failing and if they are failing (because compliance comes at a cost) how will a Carbon Tax succeed in particular if concessions are going to be given to certain businesses and individuals."

"A large percentage of our operational cost will increase along with the cost of goods generally. Business likely to be adversely affected unless price increases can be passed on to end user clients."

"Being in Tourism, transport and fuel cost are already killing us and this will only increase with a carbon tax. Also as North Queensland has to freight the majority of everything into our region please explain how all things will not be more expensive."

"Immediately increases in basic overheads, cost of stock and freight and after the initial stages a significant increase in salaries and staff costs."

"Electricity, steel and other metal supplies, hardware supplies, transport supplies - these increased costs will significantly reduce our competitiveness in our market place because of the increasing rate at which substitutable products are being imported from overseas nations such as China, India, Sri Lanka, Malaysia."

"All efforts have been made to re-use, and to be sustainable - to no avail. Reduced our electricity consumption by 22% - our electricity account has gone up anyway."

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3.0 How will a Carbon Pricing Mechanism Impact on Business

3.1 It is essential that a full understanding of how the carbon pricing mechanism will impact on business is captured. Accordingly in August 2011 CCIQ undertook to comprehensively survey over 750 Queensland businesses on how this initiative would impact on their business operations. The analysis of these survey results reveals concerning business expectations over the likely impacts of a CPM and is provided below.

3.2 Nearly 90% of Queensland businesses believe the implementation of the CPM will have a negative impact on their business. Only a relatively small proportion of businesses believe that it will impact positively for them. Businesses do understand the argument that the price tackling climate change will be significantly more down the track if we do nothing today.

Do you think the Carbon Pricing Mechanism will have an impact on your business?	
Yes - Positive Impact	9.5%
Yes - Negative Impact	**76.0%**
No	4.2%
Not sure	10.3%

Source: CCIQ How will the Carbon Pricing Mechanism Impact On Business Survey August 2011

3.3 However Queensland businesses are concerned that the CPM will increase the cost of running their business including their inputs and supplies; electricity costs that will in turn erode their business viability and their ability to compete internationally. Additionally businesses are concerned for their ability to maintain current employment levels. Businesses believe the concern over the effects of climate change and global warming on their business and region does not outweigh these considerations.

On a scale of 1-10, where 1 is low impact/low importance and 10 is high impact/high importance, please indicate your level of consideration and concern for following:

	1	2	3	4	5	6	7	8	9	10
Any increased cost of running your business as a result of the Carbon Tax	4.5%	3.1%	3.1%	2.3%	6.5%	3.4%	11.2%	15.2%	12.3%	**38.4%**
Any increased cost of your business inputs/supplies as a result of the Carbon Tax	3.6%	4.4%	3.1%	2.4%	5.1%	4.5%	10.2%	15.4%	12.5%	**38.8%**
Any increased cost of electricity as a result of the Carbon Tax	2.9%	3.8%	2.9%	1.8%	5.9%	2.2%	8.2%	12.1%	13.0%	**47.2%**
Any reduced business viability as a result of the Carbon Tax	8.3%	4.4%	2.9%	3.5%	9.4%	6.4%	7.0%	13.8%	9.9%	**34.5%**
Any reduced ability to maintain current employment levels as a result of the Carbon Tax	11.3%	4.2%	4.4%	4.0%	11.5%	5.5%	8.6%	10.4%	8.4%	**31.6%**

Any reduced ability to compete with national and international competitors as a result of the Carbon Tax	15.9%	7.4%	5.6%	3.4%	11.4%	4.0%	6.7%	6.3%	9.4%	**29.7%**
The effect of Climate Change and Global Warming (weather patterns, local environment, sea levels, etc) on your business and region	**29.3%**	13.3%	10.7%	6.6%	13.3%	5.6%	4.0%	4.2%	4.2%	8.7%

Source: CCIQ How will the Carbon Pricing Mechanism Impact On Business Survey August 2011

3.4 Survey results confirm that Treasury modelling of at least a 10% increase in electricity prices will have:

- a moderate impact on employment as well as competitiveness;
- major to critical impact on sales and revenue; business profitability, investment, competitiveness as well as business viability.

Of particular concern is the 21% of businesses indicating that the associated energy increases arising from the CPM would have a critical impact on their overall business viability.

The Australian Treasury has estimated that electricity prices will increase by at least 10 per cent and other goods and services by at least 1.1 per cent (plus CPI) in response to the introduction of the Carbon Pricing Mechanism. What impact are these cost increases likely to have on the following areas of your business?

	None	Minimal	Moderate	Major	Critical
Reduced sales and revenue	7.8%	14.5%	29.3%	**31.5%**	17.0%
Reduced profitability	4.5%	11.1%	24.7%	**37.6%**	22.1%
Reduced employment	12.4%	18.0%	**28.8%**	23.9%	16.9%
Reduced investment	12.0%	14.9%	24.7%	**29.5%**	18.9%
Reduced business viability	7.5%	14.4%	27.6%	**29.1%**	21.4%
Reduced competitiveness	10.5%	19.1%	**25.0%**	24.5%	20.9%
Increased prices passed onto customers	6.0%	11.6%	17.1%	**37.3%**	28.0%

Source: CCIQ How will the Carbon Pricing Mechanism Impact On Business Survey August 2011

"As a rural business, I believe the carbon tax will not only impact on my business but those of my clients, many who are still recovering after the January floods and the global financial crisis".

3.5 Aside from the impacts on energy prices, one of the major concerns for rural and regional businesses and communities in Queensland is the impact that the CPM will have on transportation costs. Many communities in rural, regional and remote Queensland are very reliant on heavy vehicle and rail transport for the delivery of both essential and non-essential goods and services. Any increase in transportation costs is therefore likely to have a significant impact on the welfare of these communities given the substantial distances that must be travelled to reach them and the lack of public transport options in these areas.

3.6 Unfortunately businesses indicate that the likelihood of being able to minimise the impact of rising energy and transportation costs through lower usage levels and new technologies is not widely anticipated. Many business respondents commented that they have already investigated options for improving energy efficiency as a way to reduce costs and remain sustainable during the previous economic downturn. The next most common concern for Queensland businesses is that significant retrofitting of their business premises and production processes would be extremely costly and most businesses are not in any financial position to make such significant capital expenditure investments unassisted. Finally many businesses indicated that at present the technology and alternative options are unfortunately not yet available to meet their business needs.

How easy do you believe it would be to reduce your current energy (electricity, gas and transport fuels) use in response to the introduction of a carbon tax and associated energy efficiency targets?

	Easy to reduce	Moderate difficulty to reduce	High difficulty to reduce	Unable to reduce	Already reduced
Electricity	6.2%	16.8%	**36.6%**	25.1%	15.3%
Gas	11.9%	12.3%	23.7%	**31.5%**	20.7%
Transport fuels (diesel, petrol etc)	3.2%	11.9%	32.6%	**40.9%**	11.4%

Source: CCIQ How will the Carbon Pricing Mechanism Impact On Business Survey August 2011

3.7 Many other independent bodies have compiled their own analysis on how the carbon pricing mechanism will impact on their industry. These include:

Car Manufacturing Industry	• $30 million/year increase in manufacturing costs across locally produced vehicle sector representing approximately $150 per vehicle (Federal Chamber of Automotive Industries) • $15 million/year cost increase to local operations of Toyota Australia or $120 per locally produced vehicle (Toyota Australia)
Building and Construction Industry	• $5000-$6000 increase to cost of average house and land package (Housing Industry Association) • 1.2% - 1.4% increase in cost of building materials on commercial and residential construction projects (Master Builders)
Mining and Resources Industry	• Fall in Net Present Value (NPV) of up to 5% (however varies from 0% to 30% across sector depending on emissions intensity of operation)

	Queensland • Reduction in coal production of approximately 120million tonnes by 2020 • Loss of coal royalties paid to Queensland government worth $1billion • 2700 coal worker jobs lost by 2018 due to premature closure of gassy and marginal mines and additional loss of 13,000 indirect Queensland jobs.
Tourism Industry	• Facing 30% cost increase across energy, transport and input costs (on the back of high AUD and declining tourism numbers) • Regional airlines facing 157% increase in fuel costs • Reduction in fuel tax credits from 38cents/ltr down to 31cents/ltr. • e.g. large reef tour operators face additional cost of $270,000/year (Assoc. Of Marine Park Tourism Operators)
Farm and Agriculture	• Dairy Industry - Increase business costs of $5000-$7000/year • Average farm faces increase in costs (electricity, chemicals, fertilisers and transport/freight) of $1500/year which will erode net farm income by 2.4% (Australian Farm Institute) • Canegrowers Assoc. estimate increase of $20,000 in operational costs, equivalent to 4.7% of running costs over initial 5 year period.
Public Transport	• Rail industry faces increased costs of $100 million/year Australia wide (Australasian Railways Association) • Bus Transport sector faces increased costs of $300million/year • Commuters expected to face increased public transport costs of $150/year

Source: CCIQ literature search

The above table confirms fears of the general business community that the CPM is a progressive tax that will affect all businesses indirectly through increased supply and operational costs, not just those who have direct carbon tax liability.

3.8 *In summary the implementation of a price on carbon emissions confirmed for Queensland businesses will have a significantly detrimental effect to their business operations that will impact negatively on profitability, investment, employment, competitiveness and of particular concern business viability.*

"All input/production costs will increase and we are not in a position to set prices being in Horticulture to cover those increases."

"Electricity - we run a laundry and a commercial kitchen. We expect at least a 10% increase that we will find difficult to fully pass on. We have specially designed waste separation pits and pay a fee for the waste to be removed. We expect this charge to increase. We have a medium size diesel fuelled truck fleet and expect there to be increased overheads all round for vehicles."

"Electricity, but the biggest impact on us will be from increased prices from suppliers and reduced spending from consumers."

"Because we are primarily in the service industry (commercial cleaning, other services to retail, fence hire in construction, development) we are locked into long term contracts. Past experience shows our customers will not accept price increases for any reason. Increased costs will have to be absorbed. When working on Gross Margins of less than 8% a 1.1% increase in costs of goods will translate into a 6-7% decrease in profitability! That assumes Treasury modelling is correct - I agree with Alan Kohler, Treasury's record is far from perfect."

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4.0 Business Support for a Carbon Pricing Mechanism

4.1 In light of the significant anticipated negative impact on businesses from the Carbon Pricing Mechanism it is not surprising that business support for this initiative is very low.

4.2 Nearly 60 per cent of all businesses 'strongly oppose' the introduction of a price on carbon emissions. A further 15 per cent are 'opposed' to its implementation. Only 15 per cent indicate support for the introduction of a market price to reduce carbon emissions in Australia.

Does your business support the implementation of a Carbon Pricing Mechanism?	
Strongly opposes	**58.9%**
Opposes	14.6%
Supports	6.6%
Strongly supports	8.6%
Unsure/undecided	11.3%

Source: CCIQ How will the Carbon Pricing Mechanism Impact On Business Survey August 2011

4.3 As further evidence of the strong opposition to the Australian Government's plans to introduce a price on carbon:

Over 1,000 businesses have signed CCIQ's e-petition opposing the carbon tax since May 2011. The key issues arising from the comments made by those participating on the petition included:

- Business viability will be significantly affected and may lead to business closure and or workforce reduction;
- A price on carbon will affect business competitiveness. This is not only limited international competitiveness for those large export businesses with direct carbon tax liabilities but will affect small businesses competing with imports. Small businesses are also concerned that they will lose local competitiveness as they will be less able to pass on indirect cost increases than the larger businesses operating in the region.
- Increased cost of living and the cost of running a business will affect business and consumer confidence leading to depressed economic conditions.
- This is seen as yet another tax. Businesses are already struggling with ongoing increases to government fees and charges. Businesses believe they are already over-taxed and the cost of regulatory compliance is constantly eroding profitability.
- The timing of the tax announcement and its implementation is poor. Businesses in Queensland have not fully recovered following the global financial crisis, the world economy continues to struggle, and the floods/natural disasters significantly affected businesses. Many sectors important to the Queensland economy other than the resources/mining sector continue to struggle e.g. tourism, retail, building and construction.

- A strong majority of comments indicated a loss of faith in this government to implement any policy of program efficiently and effectively and a sense that this will be poorly handled especially because of the rushed timeframe. Comments suggested a lack of trust in the real motives and objectives behind the proposed pricing mechanism, and a belief that budgetary pressures, political stability, appeasing minority interests and wealth redistribution are the real underlying objectives for this policy.
- A very strong majority questioned the policy logic and the outcomes of a pricing mechanism believing the carbon tax/CPM would not achieve any environmental benefit and would result in no net change to Australia's emission reduction efforts (especially when so much compensation is being provided). Many businesses also questioned the policy when it has been admitted that Australia's efforts will have minimal effect on total world emissions and climate change.
- A key point is that very few comments were made doubting climate change science or the need for some form of action to drive energy efficiency and cleaner production (represented less than 3% of comments).

4.4 Over 70 Presidents of Local Chambers of Commerce and Industry, representing the interests of their small and medium business members signed an open letter sent to the Prime Minister and other members of the Multi-Party Committee on Climate Change in June 2011. The key concern for many of the local chambers and their members is the effect that the carbon price will have on the small business community, who have been virtually excluded from any planned industry compensation and assistance. (Attached in Appendix Three)

4.5 Furthermore in previous surveys strong opposition has also been expressed

- In the most recent Commonwealth Bank CCIQ Pulse Survey of Business Conditions, nearly forty per cent (39.2% of a total 896 respondents) of businesses voluntarily identified the implementation of a carbon price as a key factor that will influence the state and national economic outlook and the performance of their business over the coming twelve months. While the carbon pricing mechanism as currently proposed is not scheduled to commence until 1 July 2012, businesses noted that it will have an almost immediate negative impact on confidence across the economy and further restrict already depressed sales, revenue and investment by businesses and consumers unsure of the exact impact the carbon price will have on their financial positions.

Do you believe the Australian Government should take this policy proposal to a public vote/referendum before proceeding with its implementation?	
Yes	**78.2%**
No	17.6%
Unsure/undecided	4.3%

Source: CCIQ How will the Carbon Pricing Mechanism Impact On Business Survey August 2011

4.6 In summary the Queensland Business Community is strongly opposed to the implementation of a Carbon Pricing Mechanism

"We are in a high rise building, wind turbines and solar panels are out as we have no room. We have to just grin and bear or turn off the air conditioning and hot water. We have already reduced our power usage to its bear minimum."

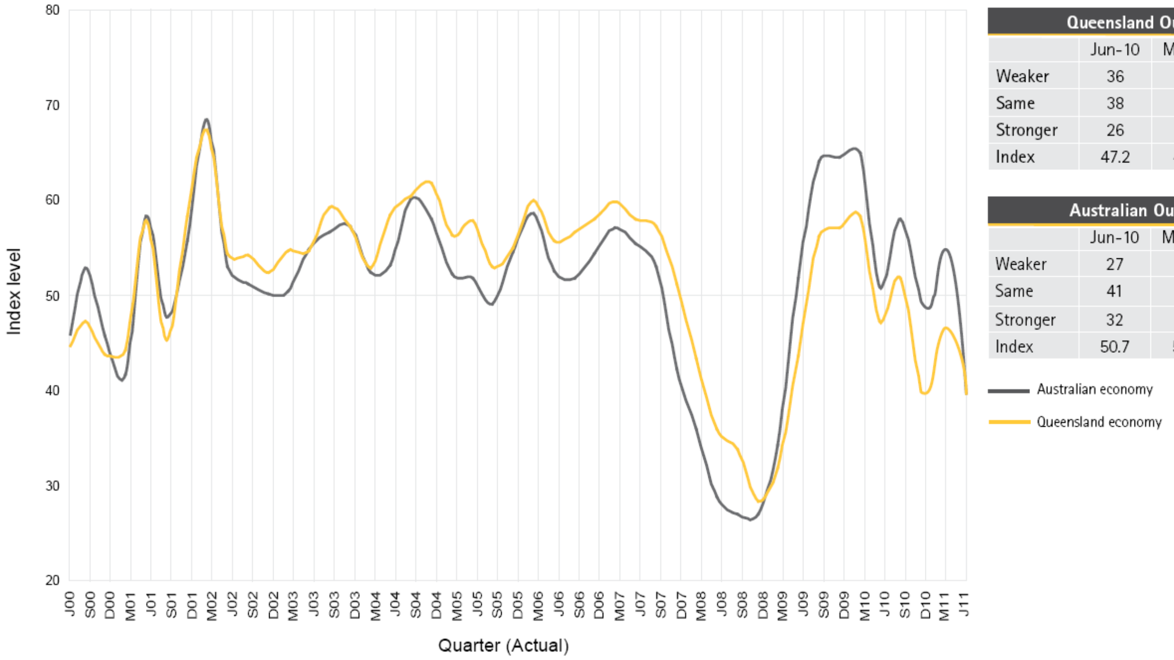
"The technologies simply aren't available. Low emissions equipment doesn't exist for our industry, and minimally more power economical equipment is an unaffordable and unviable expense."

5.0 Queensland Economy – An Appropriate Commencement Date

5.1 The current depressed economic conditions, especially in Queensland following the natural disasters in early 2011 strengthens the argument in favour of delaying the commencement of a carbon pricing mechanism.

5.2 The CCIQ Pulse Survey of Business Conditions for the June Quarter 2011 indicates a broadening weakening of the Queensland and Australian economies with businesses reporting poor sales and profitability outcomes, increasing cost pressures, and declining business and consumer confidence and spending.

> 12 Month Outlook: Australian & Qld Economies



Queensland Outlook	Jun-10	Mar-11	Jun-11
Weaker	36	42	47
Same	38	31	32
Stronger	26	28	21
Index	47.2	46.8	41.0

Australian Outlook	Jun-10	Mar-11	Jun-11
Weaker	27	31	46
Same	41	36	36
Stronger	32	33	19
Index	50.7	53.5	40.8

Source: Commonwealth Bank CCIQ Pulse Survey of Business Expectations – June Quarter 2011

5.3 This tough economic climate is placing significant pressure on Queensland businesses, with many struggling to maintain employment levels and to remain viable. The very last thing that businesses (especially those which are small and medium-sized) need in these challenging circumstances is additional cost imposts; in particular, increases in the cost of a wide range of products and services as a result of the introduction of a carbon price.

5.4 The below table confirms that business profit margins, competitive pressures both domestically and internationally, and any ability to pass on costs to the customer are all conspiring to place business at an extremely poor position to withstand the implementation of a price on carbon emissions within Australia. The Federal Government's argument that business can simply pass on the any cost increase flies in the face of the evidence presented below.

Thinking about your business currently (prior to the introduction of the carbon tax) please indicate your level of business performance in the following areas:						
	Very High	High	Average	Low	Very Low	Negativ e
Business margins and profitability	1.8%	18.1%	**53.5%**	17.6%	7.8%	1.1%
Competitive pressures from local and national businesses	15.3%	35.3%	**37.7%**	6.6%	3.9%	1.3%
Competitive pressures from international businesses	12.7%	18.2%	**21.5%**	17.6%	19.6%	10.5%
Ability to pass on higher costs to your customers	1.6%	9.6%	**36.3%**	26.1%	21.2%	5.1%

Source: CCIQ How will the Carbon Pricing Mechanism Impact On Business Survey August 2011

5.5 Any such costs increases will simply place unwelcome and unnecessary additional pressure on many businesses which will delay any eventual economic recovery within Queensland. In CCIQ's view, these downside risks are simply too great to continue with the proposed starting date of 2012.

5.6 Accordingly, CCIQ considers that the Australian Government should not introduce any major climate change measures that will add significantly to business costs until the economy and individual businesses have recovered from the current downturn.

5.7 Aside from our in-principle objection to the carbon pricing mechanism itself, CCIQ further opposes the proposed 1 July 2012 commencement date on the basis that it provides insufficient time for structural adjustment and believes that it will result in a rushed and poor policy development process. CCIQ highlights that in all other cases, when carbon pricing mechanisms have been introduced, it has been done so in a phased and/or trial approach where the carbon price has been low, or its implementation limited to select regions and/or businesses and industry sectors. As a particularly relevant example, China, one of Australia's largest export markets, is planning to conduct trials of a carbon pricing mechanism in a select number of provinces from 2012-13 (see next section for further detail).

5.8 CCIQ therefore recommends that if we are to eventually price carbon in Australia then it should be implemented initially as a trial/phased approach in order to assess the impacts and outcomes and limit the initial shock to the economy and our industries.

5.9 CCIQ has significant concerns for the timeframe for implementation of this policy. Policy of such national significance and potential economic impact should follow best practice guidelines for policy and legislative development. It is our belief that, despite commitments made during the last election, there has not been any robust or public debate or discussion on all the options for climate change abatement. Businesses express concern over the limited window of opportunity available for the development of legislation, stakeholder consultation and passage of legislation through parliament to meet the 1 July 2012 commencement date. Business, the community and households equally need sufficient time and opportunity to be adequately informed of requirements and make required adjustments for the commencement of this policy.

5.10 CCIQ recommends a reassessment of the current implementation and commencement timeframes for a proposed carbon pricing mechanism.

6.0 Maintaining International Competitiveness

6.1 It is imperative that the introduction of any major greenhouse gas reduction measures such as the proposed CPM is timed to coincide with the introduction of comparable measures by Australia's major international competitors (particularly in key export industries/sectors such as agriculture, mining and minerals processing). Businesses are overwhelmingly of the view that the Federal Government should delay introduction of a carbon pricing policy until there is a global agreement reached on targets, actions and policies to mitigate climate change and reduce emissions.

Should the Federal Government delay introduction of a carbon pricing policy until there is a global agreement reached on targets, actions and policies to mitigate climate change and reduce emissions?	
Yes	**75.2%**
No	18.6%
Undecided	6.2%

Source: CCIQ How will the Carbon Pricing Mechanism Impact On Business Survey August 2011

6.2 An example of the need to be internationally competitive is evidenced in the following statement:

In June 2011, Golden Circle made 160 Brisbane employees redundant with its plans to move much of its processing offshore to New Zealand. Heinz Australia CEO Nigel Comer said the decision was made after an extensive review of the company's manufacturing operations. "Our decision to consolidate manufacturing is a critical step in our plan to become more competitive in a challenging environment and to accelerate future growth in both markets". Heinz Watties was forecast to pay a $1.8 million carbon bill next year.

The harsh realities of business is also evidenced by the following table clearly indicating that businesses are prepared to source overseas if it means minimising cost increases.

Would you look to overseas suppliers (where a carbon tax is not imposed) to replace your existing Australian suppliers to keep costs down?	
Yes	**46.6%**
No	35.8%
Not Sure	17.7%

Source: CCIQ How will the Carbon Pricing Mechanism Impact On Business Survey August 2011

6.3 There is a very real risk that Australia will damage the international competitiveness of its businesses (both import-competing and exporting) if it implements a more wide-reaching carbon pricing mechanism before major overseas countries adopt similar measures. This is because there will be considerable financial incentives for businesses to shift their production or purchasing to countries which do not impose a price on carbon. The loss of this production and purchasing would have a serious impact on Australia's terms of trade as well as the availability of employment in businesses across the country.

Top companies to bear carbon bill

Prices calculated @ $20/tonne
(Company FY 2009/10 profits where publicly available in brackCPM.)
1. Macquarie Generation – $472m ($196.5m)
2. Delta Electricity – $414m ($55.8m)
3. Great Energy Alliance Corporation – $401m
4. International Power (Australia) Holdings – $351m (£233m GBP)
5. Rio Tinto – $347m ($15,184m USD)
6. CS Energy – $338m ($47.6m)
7. Alcoa Australian Holdings – $331m
8. TRUenergy Holdings – $317m
9. BlueScope Steel – $244m ($126m)
10. Eraring Energy – $242m ($70.3m)
11. OzGen Holdings – $202m
12. Loy Hang Holdings – $204 m
13. Woodside Petroleum – $169m ($1,491m)
14. Electricity Generation Corporation (Verve) – $168m ($97.5m)
15. Tarong Energy – $167m ($91.6m)
16. Alinta Energy – $160m ($319m)
17. Pechiney Consolidated Australia – $158m
18. Stanwell Corporation – $149m ($95.2m)
19. NRG Victoria 1 – $141m
20. BHP Billiton – $139m ($12,018m consolidated group)
21. AZSA Holdings (Xstrata NSW and Qld operations) – $133m
22. Wesfarmers – $103m ($1,565m)
23. Anglo American Australia – $93m ($9,800m)
24. Queensland Alumina – $86m
25. Qantas Airways – $84m ($377m)
26. OneSteel – $78m ($258m)
27. Xstrata Holdings – $76m ($4,955m USD)
28. Santos – $72m ($500m)
29. BM Alliance Coal Operations – $71m
30. Adelaide Brighton Ltd - $67.7m ($151m)
31. Boral Ltd - $57.4m ($132m)
32. Woolworths Ltd - $56.6m ($2,038m)

6.4 Even an amended version of the current CPM will be the toughest international cap and trade' regime. CPM will generate additional costs that will erode business profitability. A decision to go ahead unilaterally is a risk to Australian competitiveness in the midst of one of the most serious economic downturns in Queensland in generations.

6.5 Obviously a key component of protecting these businesses is to ensure that they are not disadvantaged against overseas businesses. Accordingly global agreement on placing a price on carbon is essential before we implement any Aussie version. CCIQ has researched which countries in particular should be given emphasis in aligning our climate change mitigation measures:

If you answered yes to the above question, which countries in particular do you believe Australia should align our climate change and emissions reduction policies with?	
Major trading partners	**56.4%**
Major resource countries	33.4%
Major manufacturing countries	30.8%
Major agricultural countries	15.6%
Emerging growth economies such as China, India and South America	45.6%
USA	24.5%
Major carbon emitters/polluters	38.0%

Source: CCIQ How will the Carbon Pricing Mechanism Impact On Business Survey August 2011

6.6 CCIQ has compared the carbon pricing policies of a number of Australia's key competitors and export markets. The scope of this analysis was based on the initial proposal/transitionary phase of each scheme. This analysis confirms the assessment made by the Productivity Commissions in its review of Carbon Emissions Policies in Key Economies (May 2011) that

> "However, no country currently imposes an economy-wide tax on greenhouse gas emissions or has in place an economy-wide CPM." *Productivity Commission Research Report "Carbon Emissions Policies in Key Economies" May 2001, pg 50*
>
> It follows…. Of the study countries, the United Kingdom, Germany, some parts of the United States and New Zealand have emissions trading schemes operating — but these apply only to particular sectors, such as electricity generation. In some cases too the imposition of generous caps, combined with the impacts of economic recession, have meant that, at least in the early years, the caps have not been binding to any great extent and prices of emission permits have been low (for example, the Regional Greenhouse Gas Initiative in the United States).

6.7 CCIQ has researched the following statuses in each of the following countries:

- The European Union introduced its carbon tax as a trial or phased approach in 2005. Initial coverage included carbon emissions from power stations, combustion plants, oil refineries, iron and steel works, and factories making cement, glass, lime, bricks, ceramics, pulp and paper. Transport fuels, agriculture and forestry are not covered. This represents approximately 40 per cent of European emissions. The initial phase of the scheme also only applied to carbon dioxide emissions with other major GHGs not progressively introduced until 2008. Additionally in the initial phase of the program the majority of emission permits (up to approximately 95 per cent with the remaining traded on the market) were allocated to liable companies for free.

- New Zealand's ETS commenced in 2008. It is still considered to be in transition phase and there is currently no binding cap on total emissions. The NZ ETS covers a range of sectors accounting for 45 per cent of the country's emissions. Sectors included in initial coverage include forestry, electricity generation, transport fuels and industrial processes (although waste is scheduled for inclusion from 2013 and agriculture from 2015). Firms with ETS obligations must surrender one permit purchased at $25 for every two tonnes of carbon they emit effectively making the per tonne price $12.50 (AU$10). While stationary energy is included in the NZ ETS scheme, it is important to note that its inclusion results in a comparatively low cost of abatement on business and the community as New Zealand has a low use of fossil fuels. In 2010, around 74 per cent of electricity in New Zealand was generated using renewables, in fact New Zealand only has one coal-fired power plant in the whole country and this was already planned for closure by around 2021 (even prior to the commencement of their ETS).

International Climate Change Policies

	Australia	EU ETS	New Zealand	UK#	United States*	*China*	Japan#	Canada*	India#
EMISSIONS INCLUDED									
CO2	✓	✓	✓						
Other GHGs	✓	×	×						
SECTORAL COVERAGE									
Stationary Energy	✓	✓	✓	✓	×	×	✓	✓	✓
Industrial processes	✓	✓	✓	×	×	×	×	✓	×
Fugitive emissions	✓	×	×	×	×	×	×	×	×
Waste emissions	✓	×	×	×	×	×	×	×	×
Domestic transport fuels	×	×	×	×	×	×	×	×	×
Business and Industrial Transport Fuels	✓	×	✓	×	×	×	×	×	×
Aviation Fuels	✓	×	✓	×	×	×	×	×	×
Agricultural Industries	×	×	✓	×	×	×	×	×	×

✓Included in Scheme × Not included in scheme

** Refers to regional program only*

 # Refers to non-climate change specific taxation policy assessed as having possible emission reduction potential

- While the UK is a member of the EU ETS scheme. In addition, the UK has in place a Climate Change Levy which was introduced in 2001 and is a tax on energy used by business and the public sector (including electricity, gas and coal). Whether this policy can be assessed as a climate change response however is open to interpretation as certainly when first introduced it had government budgetary implications (i.e. it was introduced as a source of government revenue similar to fuel excises and tobacco/gambling taxes in Australia).

- At a national level there is no climate change or carbon pricing scheme in place in the United States and a number of successive governments have attempted but failed to gain consensus and abandoned plans for any such national action. However ten US states are party to a regional cap and trade ETS (the Regional Greenhouse Gas Initiative) that applies solely to electricity generation. It commenced in 2009 and requires large electricity generators to purchase permits for each tonne of CO_2 emissions. The permit price is currently US2.05/t CO_2 (or equivalent to AU$2.20).

- Canada abandoned plans for a national carbon pricing scheme, however a number of provincial governments have implemented carbon tax policies including British Columbia and Quebec where a tax is applied to the combustion of fossil fuels. However, in comparing Canada and its provincial economies to the Australian case it is worth noting that they have a very different industrial base and very different emissions profiles. In fact currently only 2 per cent of emissions come from electricity, 4 per cent from agriculture and only 14 per cent from industrial processes. The largest share of emissions (36 per cent) comes from the domestic and industrial transport sector and fossil fuel production/refinery (21 per cent). Accordingly the impact of these carbon tax regimes is not easily comparable to Australia's proposed carbon pricing mechanism.

- China does not currently impose any price on carbon nor have any binding mandatory emissions reduction requirements. The Australian Government regularly claims that the Chinese government intends to implement a carbon pricing mechanism, however these actions are far from comparable to Australia's planned carbon pricing mechanism. The fact remains that China believes that the rest of the developed world, having achieved prosperity by a carbon-intensive path, cannot now deny the same aspirations of the developing world including China. China has proposed a pilot emissions trading scheme (ETS) in 2013 (in a limited number of small regions), aimed at emitting 950 million fewer tonnes of carbon by 2020 but China's explicit growth plans still involve a doubling of carbon dioxide output by 2025.

- Japan imposes a Petroleum and Coal Tax. As for the UK Climate Change Levy, Japan originally introduced this tax as a source of government tax revenue. In 2010 the Japanese government did announce plans to progressively lift the tax rates as a measure to incentivise reductions in emissions from fossil fuels, however the natural and nuclear disasters at the start of 2011 have since resulted in these plans being placed under question, especially when the only real option available to the Japanese government for reducing carbon emissions is by increasing nuclear generation capacity.

- Finally, in India, the Clean Energy Tax imposes a levy equivalent to AU$1.20 per tonne of coal, lignite or peat which is domestically produced or imported.

6.8 What this research shows is that the preferred approach adopted by other countries/nations when initially implementing their carbon pricing schemes and policies was one of low impact and slow transition. In all cases the initial approach/priority was placed on ensuring minimal industry and economic impact and supporting transition and industry preparedness over a price and coverage that was linked to demonstrable carbon reduction outcomes. Carbon reduction priorities are only now gradually being introduced in through progressively broader coverage, emissions caps and planned carbon price increases which follow initial transitionary periods.

6.9 CCIQ therefore considers that it is essential that Australian action on climate change, including the implementation of a CPM, mirrors that undertaken by our major international competitors. This will ensure that Australia maintains its international competitiveness whilst also making a meaningful contribution to global efforts to address climate change.

"Basically our major raw materials sourced in Australia will rise by between 20 & 50% .It will be cheaper to source finished product from Indonesia"

"We are a high infrastructure business, the only way we can reduce our own emissions is to have our products manufactured overseas - this in turn will increase emissions overseas. In addition, we cannot simply replace our infrastructure for low emission alternatives, because these alternatives are either not available - or are prohibitively expensive to implement."

Queensland Business Operators

7.0 Protecting Small and Medium Sized Businesses

7.1 CCIQ expresses concern that small and medium business and the unique circumstances of regional Queensland business communities have received little attention to date in this debate. CCIQ believes that the Australian Government has taken a narrow approach to its policy development, engagement and consultation, and progressive announcements regarding the policy architecture have been primarily focused on big business/big polluters and households. As such the possible impacts on small and medium enterprises and the regional business community across Australia have been neglected.

7.2 It is important to note that the vast majority of businesses in Queensland (and Australia for that matter) are small and medium-sized businesses. Indeed, over 95 per cent of Queensland businesses are regarded as small (employ less than twenty people), with a further 4 per cent classified as medium-sized (employ between twenty and two hundred people). Furthermore small and medium-sized businesses provide employment to over 90 per cent of all Queenslanders.

7.3 Queensland businesses face a greater impact from the introduction of a carbon price due to the intensity of coal mining and minerals processing in this state. CCIQ notes that these industries are key employers in regional and rural areas in Queensland and also make an important contribution to the State's economy and Australia's exports. In addition, these industries directly and indirectly support a large number of small and medium-sized businesses which in turn make important contributions to their local economies and provide employment opportunities for local residents.

7.4 Given those demographics, it is imperative that the impact of a carbon pricing mechanism on small and medium-sized businesses and regional communities is adequately assessed prior to its introduction. At this stage, CCIQ is deeply concerned that sufficient analysis of this issue has not been undertaken by the Australian Government. CCIQ is equally concerned that negotiations to date regarding industry compensation have also been confined to large businesses and limited industry sectors.

7.5 As already indicated a CPM will affect the price of all goods and services and increase costs for all businesses in the economy including those without a direct carbon price liability. However as seen in section 5.0 small and medium-sized businesses have limited ability to pass these costs onto their customers and as such are at greater risk of reduced business competitiveness and viability than large businesses and major carbon emitters. SMEs are not directly captured under proposed CPM arrangements and consequently will potentially only receive limited if any compensation for increased energy, transport and trade costs.

7.6 The Federal Government must be aware of the double-edged effect of the CPM. Queensland will see price changes in the most carbon intensive goods – such as electricity and gas – and changes in these relative prices will in turn drive household behaviour change. Accordingly not only will business costs increase and their profitability decline, but consumer spending will contract: the double-edged sword for business.

7.7 The Department of Employment Economic Development and Innovation has previously examined the impact of the Carbon Pollution Reduction Scheme on Queensland's small and medium sized businesses. Research confirms that 6 of the 50 firms that participated in the study went from being profitable to financially unviable if a CPRS was implemented. Key stakeholders must take account of these findings in framing their policy response to climate change. A similar result would be anticipated under the CPM.

7.8 CCIQ recommends that the Australian Government better engage with the small and medium sized business sector and regional businesses (across all industries given the unlikely pass-through effect of a carbon price). Given our state-wide membership base, CCIQ avails itself to support such engagement and consultation activities.

8.0 Compensation

8.1 At the outset CCIQ remains fundamentally opposed to the implementation of a CPM at this stage however if compensation is available then it must ideally flow to the majority of those businesses that are negatively affected by its implementation..

Which, if any, industries/sectors do you believe are most deserving/should receive compensation under a carbon tax/carbon pricing scheme?	
Households/consumers	50.8%
Small and medium businesses	**63.1%**
Major polluters/emissions intensive industries (e.g. energy generators, heavy manufacturers, agricultural)	15.7%
Trade-exposed industries/businesses	36.0%
No compensation should be provided to any sector/tax revenue should be used for other purposes	22.9%

Source: CCIQ How will the Carbon Pricing Mechanism Impact On Business Survey August 2011

8.2 The Australian Government has failed to deliver any meaningful compensation to the small business community most at need to transitionary support under this fundamental reform package. The package of small business assistance outlined in the Australian Government's Clean Energy Future package has not been favourably received by the business community and is not considered to provide any real benefit or opportunity. For example, any benefit provided by the Federal Government by way of an instant-asset write-off threshold (from $5,000 to $6,500) to help small–medium business invest in energy efficiency plant, equipment and assets is considered to have only marginal to no benefit at all.

As part of its carbon tax compensation package, the government proposes to increase the instant-asset write-off threshold (from $5,000 to $6,500) to help small–medium business invest in energy efficiency plant, equipment and assets. Please indicate what level of benefit this would provide to you and your business?	
High benefit	3.4%
Average benefit	9.5%
Low benefit	31.0%
No benefit	**52.3%**
Unsure	3.9%

Source: CCIQ How will the Carbon Pricing Mechanism Impact On Business Survey August 2011

This reflects the fact that businesses are not in any financial position to be making asset investments and the fact that technologies, products and assets required to make meaningful carbon emission reductions are costly and priced well above the asset threshold provided in this program.

8.3 Other programs such as the Clean Technology Investment Program and Small Business Energy Efficiency which aim to provide financial incentives to business to invest in energy and carbon efficient productive technologies and processes are also considered poorly designed and irrelevant to the majority of the business community. In particular, CCIQ notes that some smaller trade-exposed, emissions-intensive businesses may potentially lack the resources (financial and/or knowledge) to put together a satisfactory application for assistance.

8.4 Additionally the majority of these programs require 50 to 75 per cent contribution from the business themselves and as such are not a viable option for many small and medium sized businesses (especially many food manufacturers specifically targeted in the program). Accordingly, CCIQ believes that the Australian Government must ensure that it has appropriate measures in place to provide assistance to smaller businesses which may be eligible for trade-exposed, emissions-intensive compensation to prepare their applications.

8.5 While CCIQ is strongly supportive of assistance for trade-exposed industries, the Chamber notes that increasing the assistance provided to the emissions-intensive, trade-exposed sector will shift more of the emissions reduction burden onto the rest of the business community. It is therefore important that the assistance arrangements facilitate, to the greatest extent possible, an equitable sharing of the emissions reduction burden across the entire Australian community.

8.6 Finally any revenue that is raised through an introductory CPM must be quarantined for economic and industry diversification and climate change management and mitigation.

Do you believe the revenue from the proposed carbon tax should be kept separate to general government revenue and be administered and managed by an independent authority for the purposes of economic and industry diversification and climate change management and mitigation?	
Yes	**84.7%**
No	15.3%

Source: CCIQ How will the Carbon Pricing Mechanism Impact On Business Survey August 2011

8.6 In summary CCIQ notes there is significant justification for compensation to business yet this essentially unwinds the motivator for less carbon emissions and the purpose of the CPM. On this basis CCIQ believes that a better solution is to not introduce and instead postpone any implementation of a CPM effectively negating the need for compensation in the first instance.

" I have heard plenty said about how Australians will be compensated for the additional costs that the carbon tax will generate, but as an hotelier I ask two important questions that seem to have been over looked by both sides of government. 1) How will our increasingly essential international visitors be compensated? 2) How will we stop Australians using their compensation to travel overseas to Resorts that will effectively become even cheaper than they are now, when our domestic resorts pass on the increased costs? The carbon tax could quite conceivably be the nail in the coffin for tourism".

"Solar is just too expensive. Changes to the solar rebate scheme and electricity feed-in meant I could not afford to go ahead with the planned change to solar electricity in the pharmacy. I support the carbon tax but feel that there needs to be more assistance not less to help businesses to reduce emissions."

"We operate small aircraft, we cannot reduce the usage of fuel any further, this increase in cost is going to be critical. We cannot increase our prices as tourism in this area is already too price sensitive, and a reduction in tourism numbers - this will likely result in major losses being incurred and the possibility of having to close and make people redundant as it will not be sustainable."

Queensland Business Operators

9.0 Transition Arrangements

9.1 While CCIQ considers that introduction of any major measure should be delayed, it is however critically important that the Australian Government provides the business community with sufficient certainty regarding Australia's climate change response.

9.2 Businesses need certainty on this issue so that they can assess the likely impacts of that policy response and respond accordingly. In particular, the cost implications of the policy response are integral to the major long-term planning, financing and investment decisions of many businesses. There is no doubt that some of these decisions are almost certainly being delayed at the moment until a firm, binding decision on Australia's climate change policy has been made.

9.3 However it is important to note that certainty is not contingent on a carbon pricing mechanism coming into force without delay. It simply requires the Australian Government to provide transparency in its decision making processes, put the relevant legislative and administrative framework in place as soon as possible and to clearly articulate a policy position and commitment as to the commencement date for any major greenhouse gas reduction measures. Once that occurs, business will have sufficient certainty to plan for the future regardless of whether the start date for a carbon pricing mechanism is 1 July 2012 or following significant international agreement and action. As noted previously, CCIQ is firmly of the view that a carbon reduction and/or pricing mechanism start date should be aligned with the implementation of equivalent measures by Australia's major international competitors.

9.4 With the above issues in mind, CCIQ recommends the Australian Government reconsider the implementation of an initial carbon tax mechanism in favour of a long-term commitment to a market based solution following greater international agreement and action. This approach would allow a full assessment of the implications of such policy, comprehensive policy development and greater structural adjustment by industry in advance of an implementation of a carbon price or alternative.

The Federal Government has indicated they are strongly committed to the introduction of a carbon pricing mechanism. If they continue with implementation of this policy, what changes might you support in order to ease the transitional pain on the economy?

	Strongly support	Support	Oppose	Strongly Oppose	Unsure
Phased gradual introduction: starting with limited sector/industry coverage and increasing coverage progressively over a longer time frame (Approach implemented in the European Union)	19.6%	**40.0%**	14.1%	14.9%	11.4%
Trail of carbon pricing limited to a small region or limited industries/businesses before making permanent policy decision (Currently proposed in China)	11.3%	**29.0%**	22.3%	24.3%	13.1%

The Federal Government has indicated they are strongly committed to the introduction of a carbon pricing mechanism. If they continue with implementation of this policy, what changes might you support in order to ease the transitional pain on the economy?					
Voluntary Trial limited to an industry sector/businesses (Approach implemented in Japan)	13.9%	**30.6%**	23.1%	20.5%	11.9%
Lower starting price e.g. $5 - $10/tonne (as per EU and New Zealand)	21.7%	**34.4%**	15.0%	18.3%	10.7%
Deferral of the initial fixed price period and a move directly to the market based ETS approach from 2015 or later	11.0%	22.3%	22.3%	**25.2%**	19.1%
Do Nothing. Await global agreement and action on climate change	**48.7%**	15.7%	10.6%	16.8%	8.2%

Source: CCIQ How will the Carbon Pricing Mechanism Impact On Business Survey August 2011

"The only way we can reduce carbon emissions as a business is to invest in new technology, and or move operations off shore. New technology will cost us in excess of $2m"

"As a small business the manpower cost of monitoring and analysis of reduction of energy would probably outweigh the actual cost of the energy saved i.e. manpower & technology costs v. energy costs resulting in lower profit margin to the business"

"To reduce energy consumption will require capital investment. This investment will not increase sales or business productivity and as such will put increased pressure on capital available to invest into business growth and development."

Queensland Business Operators

10.0 Consultation, Education and Awareness

10.1 CCIQ highlights concern over the process by which consultation has been conducted. The lack of modelling and detail released limits any ability to analyse possible impacts on business in Queensland and up until now provide constructive and informed comment. Furthermore, the limited timeframes provided for consultation is inadequate and disappointing given the national significance and potential economic impact of this policy agenda. CCIQ believes that the failure to release detailed policy information and provide adequate timeframes for consultation is contrary to best practice policy and legislative design principles.

10.2 Businesses are very supportive of public information campaign on the proposed carbon tax. Queensland and the Australian Government must take responsibility for providing information to business on climate change mitigation measures and their impact on the business operating environment.

Do you think there is enough information available on the proposed carbon tax proposal?	
Yes	26.6%
No	**73.4%**

Source: CCIQ How will the Carbon Pricing Mechanism Impact On Business Survey August 2011

Do you support the need for a public information campaign on the proposed carbon tax?	
Yes – funded by public revenue	23.3%
Yes – but NOT funded by public revenue	**50.4%**
No	22.0%
Unsure	4.3%

Source: CCIQ How will the Carbon Pricing Mechanism Impact On Business Survey August 2011

10.3 Queensland businesses must also act themselves to manage potential risks. The best means for this to occur is for business to urgently seek out information on how a CPM will impact on their business. Industry needs significantly more detail about the proposed CPM. To date the only information has been advertising highlighting the policy with minimal detail. It is of grave concern that 75% of businesses have little or no understanding of how a CPM will impact on them. Businesses are desperate for information from Government on how a CPM will impact on them. As any implementation is imminent, businesses must be able to assess any implications and plan for them. Quite simply there is insufficient information available from Government to determine how climate change will affect business and the best way for businesses to respond to climate change.

10.4 CCIQ recommends there be significant further consultation and information materials such that stakeholders can provide detailed comment and feedback.

11.0 An Alternative Approach

11.1 It is not enough to oppose a Carbon Tax. Sensible policy must propose quality alternatives not yet broached by either side of the political spectrum. The business community is not averse to taking action to limit the effect of carbon emissions on our environment, but are simply adverse to measures such as carbon pricing and emissions trading schemes that will inflate business costs and affect consumer confidence and spending. A Carbon Tax/Price and emissions trading scheme received the least support as options for reducing carbon emissions, compared to research and development into low emissions energy sources and direct assistance to businesses for investment in efficient production and energy use technologies which receive the most support.

Which of the following policy options for reducing carbon emissions and meeting future low carbon economy targets would you most support (in order of preference – rank in order from 1 (most preferred) to 5 (least preferred))?

	1	2	3	4	5
Carbon tax/price on carbon emissions	13.6%	4.2%	3.9%	13.4%	**64.8%**
Carbon trading scheme	6.2%	10.1%	9.6%	**50.9%**	23.3%
National policy approach and regulation to achieve desired carbon reduction targets	14.5%	19.5%	**45.7%**	11.7%	8.6%
Direct assistance for businesses to embrace low carbon technologies	25.4%	**36.6%**	19.7%	11.9%	6.5%
Research and Development for alternative 'lower' emission energy sources	**44.4%**	23.4%	16.6%	5.3%	10.3%

Source: CCIQ How will the Carbon Pricing Mechanism Impact On Business Survey August 2011

11.2 The greatest challenge presenting Australia is how to reduce our emissions while maintaining our position as global leaders in innovation, productivity and economic growth. Additionally how do we position our economy and our businesses to best capture the opportunities presented by global growth in markets for green technologies and products.

11.3 Specifically, it's time we thought in terms of pursuing policies that support the growth of Australian industries that are globally efficient in terms of their carbon emissions and which offer potential to provide a net positive reduction of global emissions. For example our cement and steel manufacturing have the lowest carbon footprint worldwide making it sense to manufacture as much as possible here with a resultant minimal global carbon output.

11.4 The heart of Australia's strategy needs to be increasing production and exports of goods and services which are less polluting to the global environment than other nations' products. Ethically, this is a win-win scenario, benefitting both Australia and the world environment, which is of prime importance in the current debate. In contrast, the current political debate ignores the appropriate global question and when considered in isolation is likely to result in not only poor investment, and job outcomes for Australia but, in fact, higher emissions globally – a lose-lose scenario.

11.5 CCIQ believes industries should be approached to demonstrate that they are globally carbon emission efficient as they can in turn be prioritised for support. This support could entail prioritised green productivity infrastructure investment or focused export assistance. This resultantly turns the conundrum of ‘carbon leakage’ in a world with no global agreement into a position of ‘carbon soakage’. Thereby moving Australian Industry as a solution to reducing global emissions through displacement of otherwise higher emission products in the global marketplace. An extension of this measure may be for Australia to push for advertising globally on all goods a CO2 emission per unit, so consumers can choose products that have a lower carbon footprint. This will drive industry pursuit of carbon reduction measures in itself. Furthermore firms should come forward and take advantage of tax offsets. Businesses undertaking relevant and rigorous R&D activities in production and processing efficiency, improving energy efficient technologies and exploring new “green’’ export opportunities would be eligible. A new system for the accelerated depreciation/write-off of other/old plant and equipment were replaced with newer, more environmentally productive equipment could be an option.

11.6 CCIQ’s ‘green productivity’ concept is about strategies that enhance our economy’s productivity that simultaneously reduces the negative impacts on the environment through doing more with the same or doing the same with less. This ultimately will result in lower carbon emissions. Direct action and incentive based programs that focus on technology, adaption and diversification rate most highly when assessed on an economic and environmental cost-benefit basis. A Carbon Tax approach rates most poorly against the suite of approaches assessed (see above table).

11.7 The aim of these programs would be to help Australian industries reduce their environmental footprint and expand into low-carbon export markets. Achieving this outcome would position Australian firms as world leaders in low-carbon production and would make a significant contribution to reducing world emissions.

Supporting Research and Development

Provide real incentives for Australian businesses to innovate and improve production processes in a way that reduces their emissions while improving productivity. Through:

- Research and Development Tax Offset : Provide a 50% refundable tax offset to businesses that undertake R&D activities in the area of production and process efficiency, emerging energy efficiency technologies, and explore new “green” export market opportunities.
- Research and Development Grant Program: Provide grants to directly fund industry/sectoral “trails” or “demonstration projects” of productivity improving and emissions reducing technologies, processes and tools.

Examples:
Japan – Top Runner Program – mandated energy efficiency performance targets for categories of machinery and equipment domestically manufactured and supported R&D into energy efficiency improvement. Improved energy efficiency across domestically produced commodities (e.g. 21.1% for diesel freight vehicles and 99.1% for computers) and also stimulated international demand for domestic goods. Secondary benefit was stimulation of international energy efficiency standards.

China – 1000 Enterprises Program – government requires 1000 most energy intensive industrial companies to achieve 20% energy-intensity reduction goal and in return the government provides incentives for the amount of energy saved. Emissions saved in 2006 and 2007 was approx. 48 Mt CO2. Led to over 8000 energy-efficient technology transformation projects.

Driving Investment in Infrastructure and Industry Diversification
Provide incentives for Australian businesses to invest (and upgrade) in plant and equipment and re-engineer production processes to drive improvements in productive efficiency (productivity) and emissions reduction. This may also include large-scale structural/systemic infrastructure investment projects at a regional, state and national level. • Green Infrastructure Tax Offset: Provide a tax offset for the expenditure in new productive infrastructure and production diversification into new production lines. ?? New system for the depreciation/write-off of other/old plant and equipment • Green Infrastructure Loans Scheme: Provide/negotiate low interest loans to industries/businesses who invest in new productive infrastructure Examples: *USA – Renewable Energy Production Tax Credit* – provides 2.1 cent per kWh benefit to companies producing energy from wind, solar, geothermal and bio-energy generation. Avoided 10Mt CO2 emissions per year and led to a 47% increase in renewable energy generation capacity. *Mexico – Rapid Transit System* – to replace private vehicles and other high-emission public transport. Successfully reduced GHG emissions by 107,000 tonnes between 2008-09 and saved over 2 million hours of travel time each year on one avenue alone during peak hour.
Grass Roots Business Emissions Reduction
Support investment by business in process improvements and smaller scale energy and emission efficiency to improve the output to emissions ratio. This program would support projects that improve energy and water efficiency, reduce waste and/or reduce direct emissions such as small scale co-generation plants, onsite electricity generation, storm-water capture, improving insulation, recover waste • Grant Programs: Provide direct grants to businesses of up to 50,000 for plant and equipment upgrades • Rebates and Subsidies: Provide rebate and/or subsidies on investment and purchase of plant and equipment and energy efficiency/emissions reduction technologies • Consultancy/Business Experts: Examples: *Germany – Energy Efficient Building Program* – integrated package of building standards, subsidies, loans, grants and retrofit programmes to reduce energy consumption and improve efficiency in buildings. Emissions saved through the programmes are estimated at 1.2 Mt CO2/year and created approximately 203,000 jobs and significantly increased investment. *India – CNG Fuel in Commercial Vehicles Programme* – requirement to use CNG fuel in commercial vehicles with the government providing subsidies and tax incentives for private sector for implementing CNG. Since implementing the programme, carbon emissions were reduced by 72% from transport sector between 2000 and 2008 and close to 10,000 CNG stations/businesses have been established providing jobs and business growth with flow-on effects to building services/sector also.

11.8 It is time for the debate to move beyond the stubborn inability to see that potentially Australia can make a real global difference through lowering other countries carbon output whilst at the same time priming Australian industry and jobs for the future.

12.0 Summary

12.1 In summary, the clear majority of Queensland businesses do not support the introduction of a price on carbon. Such a policy measure should only be progressed following international commitment and the implementation of equivalent measures by Australia's major international competitors.

12.2 Three over-arching realities have emerged in the quest to cut carbon emissions and to stave off climate change. Firstly, only a global approach involving the world's biggest polluting economies will be effective. Secondly, constructive co-operation remains elusive after the collapse of the Copenhagen summit. Thirdly, only solutions which maintain or enhance productivity and prosperity will be accepted by the Queensland and Australian publics and the business communities.

12.3 While businesses acknowledge it has a responsibility to minimise the environmental impact of its activities, the reality is that a price on carbon is little more than a multi billion dollar new tax that would decrease Queensland and Australian businesses' competitiveness and the incentive to invest and provide jobs.

12.4 CCIQ contends that the conclusions of CPM economic modelling does not recognise the economic environment, the existing diversity and sophistication of Queensland or Australian industry, the ability and pace by which industry and energy markets can adjust and the international context in which the Australian economy and climate change policy operates.

12.5 Accordingly CCIQ remains fundamentally opposed to a price on carbon at present because of the jobs that will be lost as competitiveness is reduced and energy costs rise. A CPM will be both environmentally ineffective and impose unacceptably high structural adjustment costs on the Australian economy, especially in the short to medium run.

12.6 Clearly, the balance of interests warrants delay in the implementation of the operational elements of the CPM scheme in Australia. In summary the carbon tax is ill-timed, poorly conceived and highly unlikely to be effective in reducing global greenhouse emissions. The Federal Government in its haste to introduce a carbon price has not adequately consulted with business – nor has it stayed in step with international action on the issues of rising global warming and the need to reduce carbon emissions.

12.7 Accordingly CCIQ urges the Federal Government to delay any implementation on placing a price on carbon until after international agreement and decisive action is taken on Climate Change.

Key Findings and Recommendations

- The implementation of a price on carbon emissions will have a significantly detrimental effect on business operations that will impact negatively on profitability, investment, employment, competitiveness and of particular concern business viability.
- Accordingly the Queensland Business Community is strongly opposed to the implementation of a Carbon Pricing Mechanism
- The Australian Government should not introduce any major climate change measures that will add significantly to business costs until the economy and individual businesses have recovered from the current downturn.
- There must be a reassessment of the current implementation and commencement timeframes for a proposed carbon pricing mechanism.

- It is essential that Australian action on climate change, including the implementation of a CPM, mirrors that undertaken by our major international competitors. This will ensure that Australia maintains its international competitiveness whilst also making a meaningful contribution to global efforts to address climate change

- If Australia is to eventually price carbon then it should be implemented initially as a trial/phased approach in order to assess the impacts and outcomes and limit the initial shock to the economy and our industries.

- The Australian Government must better engage with the small and medium sized business sector and regional businesses. CCIQ avails itself to support such engagement and consultation activities.

- There is significant justification for compensation to business yet this essentially unwinds the motivator for less carbon emissions and the very purpose of the CPM. On this basis a better solution is to not introduce or postpone a CPM effectively negating the need for compensation in the first instance.

- Australia should instead pursue policies that support the growth of Australian industries that are globally efficient in terms of their carbon emissions and which offer potential to provide a net positive reduction of global emissions.

- There must be significant further consultation and information materials such that stakeholders can provide detailed comment and feedback.

"We operate in the manufacturing sector and use steel as an input - this will affect our industry and make it even harder to compete with cheap Chinese product on the market - introducing a carbon tax will be suicide for Australian industry."

"As an employer, our employees will be asking for pay rises to help them cope with the increases in the cost of living. Then we have to put our prices up but in this ever increasing competitive market, we lose".

"I don't like the idea of a carbon tax. Would rather see energy efficiencies implemented and alternate power sources explored & implemented"

"I am very opposed to the imposition of another tax - the obligations currently on business are enormous already. The government is going to drive multiple industries off-shore in this non-stop tax introduction frenzy that we are currently observing"

"At the end of the day big business is not going to lump this tax it will forwarded onto their customers and end users by putting up prices. It will be small businesses left to pay and who will eventually go out of business".

"As a small business how much more can we keep outlaying. The fine line between making a profit and a loss is closing rapidly."

"The tourism industry is on its knees in Australia due to the high dollar, economic uncertainty and belt tightening since the GFC. This tax will cripple it completely and indefinitely as it relies on non-exempt carbon producing modes of transport".

"It will achieve the opposite of what they expect because more Australian jobs will move overseas where the environmental standards are lower. Also as proposed it will be a bureaucratic money go round where real workers will be worse off".

"The carbon tax will have a dramatic effect on my business .There has been no mention of compensation to business that are not companies . Many small business are either sole trader or partnerships not companies ".

" Instead of a tax they should be giving business better incentives to go to solar power. There are a lot of big sheds in QLD. But everything the government seems to hand out is only for households".

"Apart from the mining industry the rest of the industries are really having a hard time after global recession and floods, business has not recovered enough for more taxes and basic commodities to increase".

Queensland Business Operators

Appendix One – Advocacy Update Carbon Tax Special

Trouble reading this? View online

CCIQAdvocacy

CCIQ Chamber of Commerce & Industry Queensland

Welcome to the CCIQAdvocacy Business Update, our monthly e-newsletter. This issue is a special edition on the Carbon Tax, including a survey to explore the impact it will have on Queensland businesses. We also look at how the tax will operate, and what other countries are doing to tackle this problem.

Happy reading, **CCIQ Advocacy Team**

In this issue

Special Advocacy Update: Carbon Tax

Will it impact on Queensland businesses?

Since the announcement of the final plan in July, emissions reduction and carbon pricing have emerged as the single most important issue for Queensland businesses. We already know that an overwhelming majority (more than 80 per cent) of CCIQ members oppose the introduction of the proposed carbon pricing mechanism. The high level of uncertainty over exactly how the mechanism will flow through the economy and affect businesses is a key driver for the low level of support.

To better support our members and build a strong opposing argument to the carbon tax, CCIQAdvocacy is investigating how the carbon tax will affect Queensland businesses, how they will respond to increased business costs and their general views on this important issue.

Have your say on the Carbon Tax.

Click here to complete our survey

By completing the survey by **4pm on Friday 12 August**, you will go into the draw to win one of the following great prizes:

Australia's Carbon Pricing Mechanism - How will it operate?

The Australian Government released final details of the architecture and implementation of the carbon pricing mechanism in July 2011.

Click here to see a brief summary of the key elements of the Climate Action Plan and how the carbon pricing mechanism is proposed to operate.

Who else is pricing Carbon?

What is happening around the world?

A key area of the debate over the carbon tax is the impact it will have on trade exposed industries and sectors in Australia. Australia is heavily reliant on export markets and Australian businesses certainly already face pressure from low cost imports and international competitors which will only increase once a carbon price is introduced.

While the Australian Government is working hard to convince us that the rest of the world is moving to put a price on carbon, CCIQ believes that this assessment is overly optimistic and does not provide an accurate account of the reality of the international setting.

Click here to see CCIQ's summary assessment of what other countries are doing to reduce carbon emissions and price carbon.

Representing Queensland Businesses

What CCIQ has been doing and how you can get involved

CCIQAdvocacy are currently working on several different projects including:

- Senate Inquiry into Carbon Tax Pricing Mechanism
- E-Petition Opposing the Introduction of the Carbon Tax
- ATIA Website and Media Campaign
- Clean Energy Legislative Package Consultation
- Carbon Tax Open Letter

For more information on these, please click here.

Sustainability Support

Minimise your exposure and be prepared

The Carbon Tax has cemented its place as the future number one concern for the business community. With little thought and often very little capital investment, significant financial and environmental savings can be realised. For the majority of SME's, a focus on grass roots resource and raw material efficiency will be the best way to manage these concerns in the immediate and long-term future.

CCIQ's Sustainability Team can help businesses minimise their exposure to the Carbon Tax and be better prepared moving forward. Register now for our free WEBINAR on the 24 August or join us at one of our face to face SEMINARS in a town near you.

Appendix Two – Survey Demographics

CCIQ's 'How will the Carbon Pricing Mechanism Impact On Business Survey' was conducted during the period 8 August – 15 August 2011 receiving in excess of 750 survey responses. Demographics of survey participants are provided below.

In which industry sector is your business primarily involved?

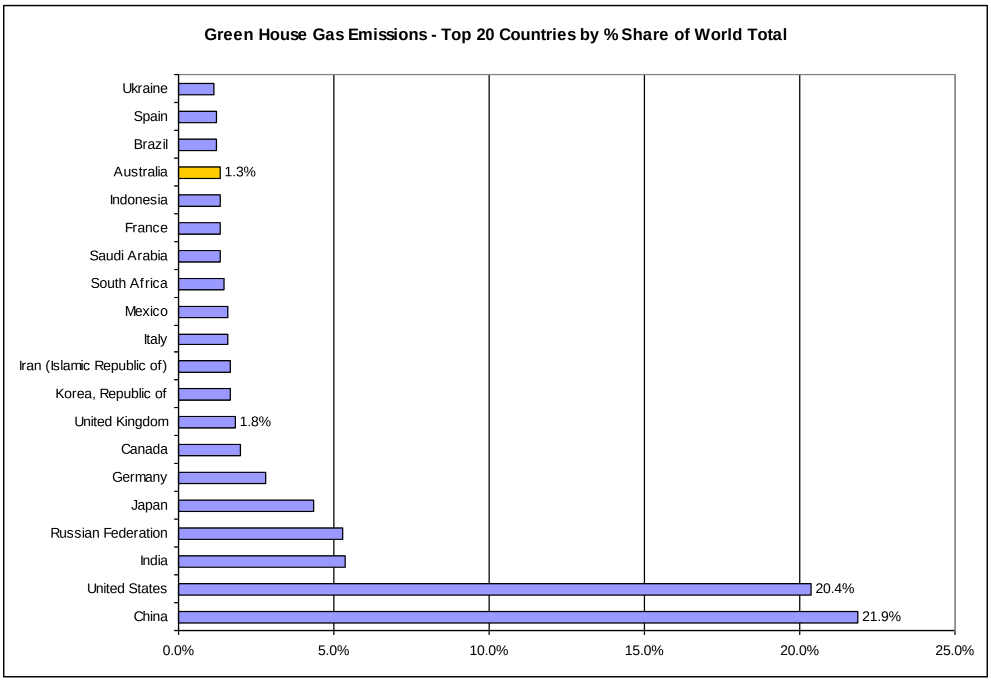
	Per cent	Count
Agriculture/Forestry/Fishing	5.30%	39
Mining	3.40%	25
Manufacturing	**17.80%**	**131**
Electricity, Gas and Water Supply	2.40%	18
Construction	10.50%	77
Wholesale	3.40%	25
Retail	13.10%	96
Accommodation, Cafes and Restaurants	6.00%	44
Transport and Storage	6.80%	50
Communication Services	3.00%	22
Finance/Insurance	4.10%	30
Property/Business Services (including ICT)	9.00%	66
Government Administration and Defence	0.50%	4
Education	3.30%	24
Health and Community Services	6.10%	45
Cultural/Recreational	1.60%	12
Personal Services	3.70%	27

What is the total number of employees in your organisation?

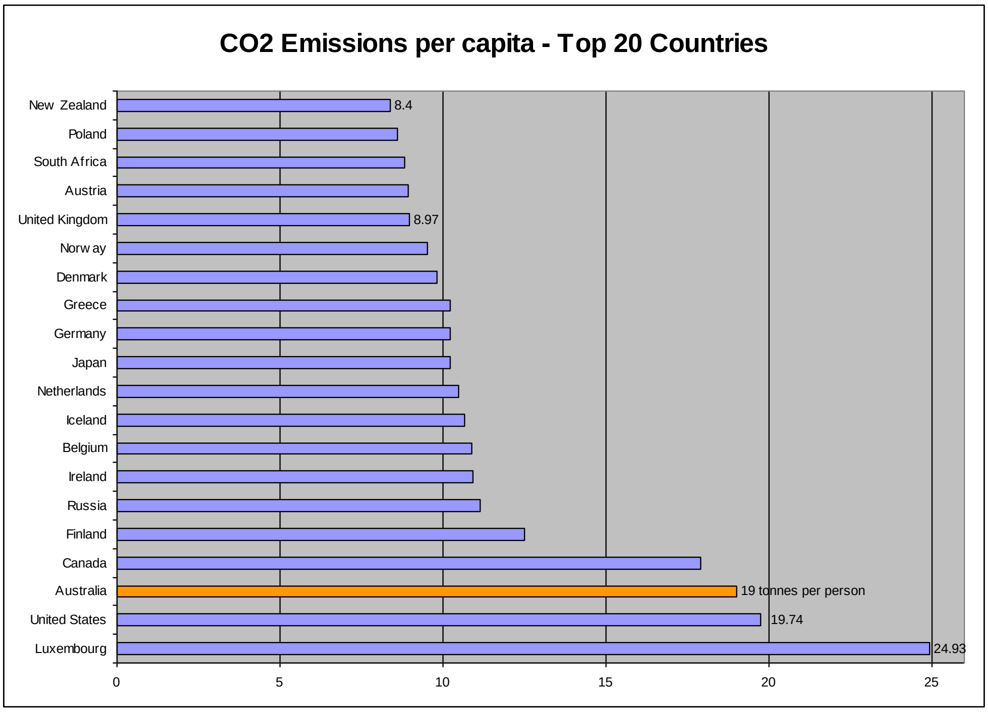
0-5	27.10%	200
6-20	**32.00%**	**236**
21-100	25.30%	187
100+	15.60%	115

Appendix Three – Australia's Contribution to Global Emissions

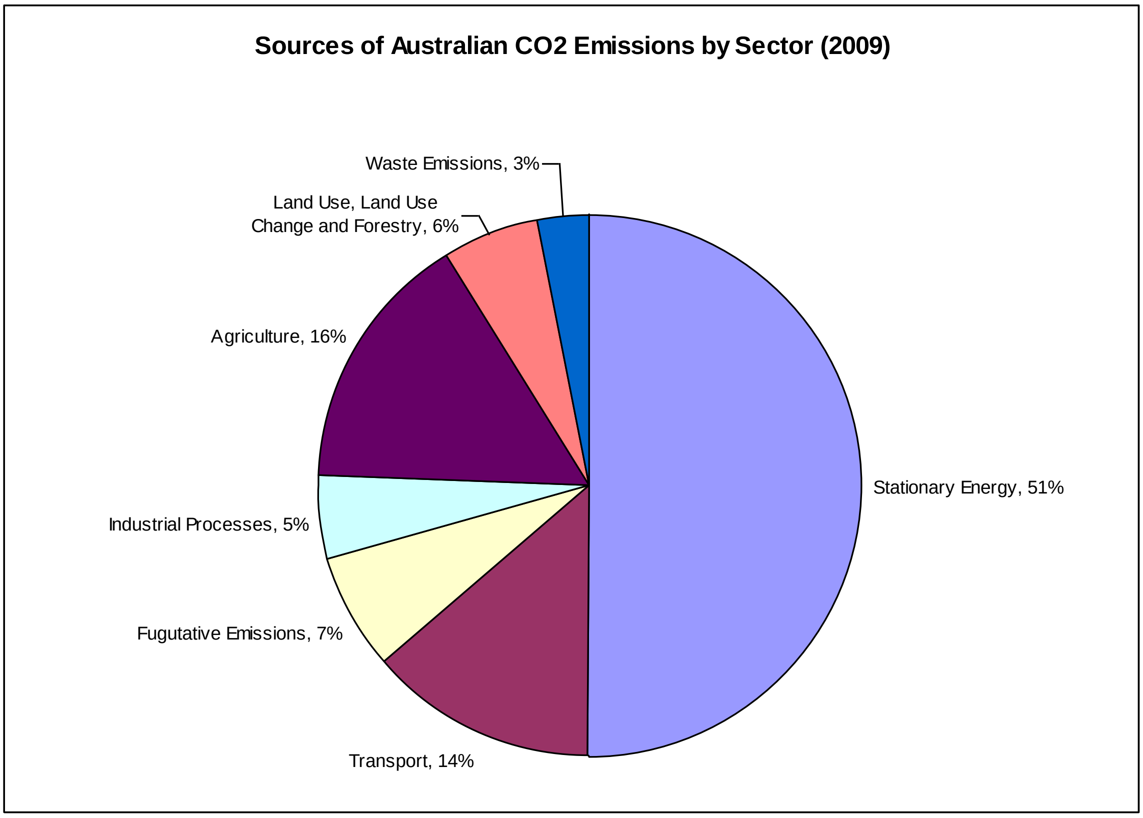
Australian Greenhouse gas emissions represent about 3 per cent of total world emissions and ranks 17th out of the top 20 greenhouse gas emitters in the world. Carbon dioxide accounts for 75.2 per cent of Australian emissions, methane 19.7 per cent and nitrous oxide 4.1 per cent.



However on a per capita basis, Australia is the third highest emitters of greenhouse gases across the developed world, mainly due to the high use of coal for electricity.



Energy (including associated fugitive emissions), transport and agriculture account for 88 per cent of Australia's total emissions.



Appendix Four – Australia's Contribution to Global Emissions

21 June 2011

The Hon Julia Gillard MP
Prime Minister
Parliament House
Canberra ACT 2600

Dear Prime Minister,

On behalf of the Queensland business community, we are writing to express our concerns regarding the proposed carbon tax, and to express our strong opposition to its implementation.

Collectively our organisations represent over 25,000 businesses across all industry sectors and regions of Queensland. All of these businesses will be impacted to some extent, either directly or indirectly, by a carbon price and other measures proposed to address climate change.

Queensland businesses acknowledge that it has a responsibility to minimise the impact that its activities have on the environment. However effective action to tackle climate change requires comprehensive and sustained action by all major global emitting nations and Australia stands to significantly disadvantage its economy and the competitiveness of its businesses by implementing a carbon tax in the absence of international agreement and unilateral action.

Even with promised compensation, a carbon tax will flow through the economy affecting the price of all goods and services and increasing costs for all businesses including those without a direct carbon price liability. Small and medium-sized businesses have limited ability to pass these costs onto their customers and as such are at even greater risk of reduced business competitiveness and viability.

Given the importance of coal mining and minerals processing in this state, Queensland businesses face an even greater impact from the introduction of a carbon price. These industries are key employers in regional and rural areas in Queensland, directly and indirectly supporting a large number of local small and medium-sized businesses.

Furthermore, the business community firmly believe that the carbon tax as proposed will prove ineffective in reducing carbon emissions, especially when there is a clear absence of supporting policy and investment in technologies, industries and productive processes required to support the diversification of our economy and prepare our businesses for a carbon constrained environment. In the interests of protecting those businesses who are the foundation of our economy, Australia's approach to emissions reduction must be based on innovation and support for our industries and communities to adapt to low emissions technologies and processes in a way that maintains productivity and economic growth.

Therefore in our collective opinion, these downside risks are simply too great to continue with the proposed carbon tax from 1 July 2012.

We seek your commitment to delay the introduction of any significant emission reduction measures such as the proposed carbon tax until comparable measures are introduced by Australia's major international competitors and there is adequate opportunity for the business community to diversify and adapt.

On behalf of the Undersigned

Mr David Goodwin
President
Chamber of Commerce and Industry Queensland

Beaudesert & District Chamber & Community Inc	*Bay Islands Chamber of Commerce*
Border Rivers Chamber of Commerce Inc	*Boonah District Chamber Of Commerce Inc*
Brisbane North Chamber Of Commerce Inc	*Bribie Island Chamber of Commerce Inc*
Bundaberg & District Chamber & Community Inc	*Brisbane West Chamber Of Commerce Inc*
Caloundra Chamber Of Commerce Inc	*Burrum Chamber of Commerce Inc*
Central Gold Coast Chamber of Commerce Inc	*Cardwell Chamber Of Commerce Inc*
Commerce Roma	*Charleville and District Chamber of Commerce*
Coral Coast Chamber of Commerce & Tourism Inc	*Coomera Chamber of Commerce & Ind Inc*
Enterprise Biloela Association Inc	*Dalby Chamber of Commerce Inc*
Moreton Bay Central Commerce	*Eidsvold Chamber of Commerce*
Etheridge Chamber of Commerce	*Emerald Chamber of Commerce Inc*
Gayndah Chamber of Commerce	*Somerset Regional Business Alliance*
Gold Coast Combined Chamber of Commerce	*Glass House Country Chamber of Commerce*
Hervey Bay Chamber Of Commerce Inc	*Goomeri & District Chamber of Commerce and Progress Association Inc*
Inglewood Chamber of Commerce	*Hinchinbrook Chamber Of Commerce Industry and Tourism Inc.*
Innisfail & District Chamber of Commerce, Industry & Tourism Inc	*Inner West Chamber of Commerce*
Kooralbyn Valley Chamber of Commerce Inc	*Kenilworth Chamber Of Commerce Inc*
Kilcoy Chamber Of Commerce Inc	*Kuranda Chamber of Commerce & Tourism Inc*
Lockyer Better Business Association Inc.	*Laidley Better Business*
Mackay Chamber of Commerce Inc	*Logan Chamber Of Commerce Inc*
Manly Chamber of Commerce	*Maleny & District Chamber of Commerce and Industry Inc*
Maryborough Chamber Of Commerce Inc	*Maroochydore Chamber Of Commerce Inc*
Mulgrave District Chamber of Commerce	*Millaa Millaa Chamber of Commerce*
Montville Chamber of Commerce	*Moura Chamber Of Commerce Inc*
Mt Isa Chamber Of Commerce Inc	*Mareeba Chamber of Commerce Inc*
Nundah District Development Association Inc.	*Oakey Chamber Of Commerce Inc*
Rainbow Beach Chamber Of Commerce	*Ravenshoe & District Chamber of Commerce Inc*
Redcliffe City Chamber of Commerce	*Samford and District Chamber of Commerce*
South West Chamber of Commerce	*Southside Chamber Of Commerce Inc*
Southern Gold Coast Chamber of Commerce	*Southport Chamber of Commerce & Industry Inc.*
Greater Springfield Chamber of Commerce	*St George and District Chamber of Commerce*
Stanthorpe Chamber Of Commerce Inc	*Tamborine Mt Chamber Of Commerce & Industry Inc*
The Gap Chamber of Commerce	*Tin Can Bay Chamber of Commerce & Tourism Inc*
Toowoomba Chamber of Commerce	*Wandoan District Chamber of Commerce*
Wondai Chamber Of Commerce & Industry Inc	*Wynnum & Districts Chamber Of Commerce Inc*

CCIQ – Solutions for Business Success

Chamber of Commerce & Industry Queensland (CCIQ) represents over 25,000 businesses in Queensland. We are committed to ensuring our customers have the right tools to achieve real results in their business.

At CCIQ we harness the results of our research, lobbying and policy achievements to offer the best possible business support solutions to invigorate growth statewide, nationally and globally. By joining CCIQ you support the organisation that supports the Queensland business community.

Membership also ensures you are an integral part of an organisation dedicated to providing first class services to assist Queensland industry with relevant and practical business solutions. Not only is membership your connection to information, industry best practice, training and consultancy services, it also allows you to take advantage of the many benefits CCIQ offers.

Our success is success for all Queensland businesses.

Chamber of Commerce & Industry Queensland members are informed and connected business people. Whether you run a small business or form part of a large industry sector, call us today to take advantage of the opportunity to associate yourself with the CCIQ brand.

Visit www.cciq.com.au or phone 07 3842 2244 for more information.

Invigorating Business

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