



## Commentary on Proposed Carbon Tax

In 2009 the Geelong Chamber of Commerce released an environmental policy including guidelines against which any proposed Emissions Reduction Scheme would be assessed. It is reproduced below.

### **Policy on the environment**

*Our society should seek to advance our standard of living in a way that is sustainable and so does not damage prospects for future generations.*

*Currently our society is consuming some resources at an unsustainable rate and generating emissions and waste at levels that may be harmful to our planet.*

*GCC encourages its members and organizations and individuals generally to consider the environmental implications of their actions and to seek to minimize negative impacts.*

*The GCC accepts that from time to time legislation will be introduced or modified as the community, through its elected representatives, seeks to address these environmental impacts. Such legislation should be fair and transparent in application and not disadvantage businesses unnecessarily.*

### **Policy on an Emissions Trading Scheme**

*The GCC notes that with regard to atmospheric emissions (eg carbon dioxide) we are confronted by a global problem that can only be successfully addressed with action that has widespread global support.*

*While it is reasonable and perhaps commendable for Australia to show leadership in this area, it is important that business, and Australians generally, are not unnecessarily disadvantaged in competing in a global marketplace through the introduction of such legislation.*

## Geelong Businesses reducing emissions

Energy prices have increased significantly over the past five years and are expected to continue to do so. Businesses have heard and felt the pricing signal loud and clear. Many Geelong businesses have been actively pursuing initiatives to reduce power consumption and are investing significant levels of capital in doing so.

## Future Proofing Geelong

Key stakeholder organizations in the Geelong Community have come together to launch Future Proofing Geelong which is a strategy designed to commit Geelong to a Low Carbon Growth Plan by coordinating local sustainability initiatives to help raise the profile of the Geelong Region as a sustainable city. The Geelong Chamber of Commerce is a signatory to the Sustainability Covenant that underpins this excellent initiative. Geelong is the first region in Australia to successfully launch such a plan.

## Proposed Carbon Tax

In assessing the currently proposed scheme we make the following observations:

Australia is unable to impact upon the global climate in any discernable way through moderating its carbon emissions. To have an impact we require a global response ie one where the world's major emitting nations take action.

Australia is right to take a leadership position in this debate. We have a relatively strong economy, a relatively well educated population, high current emissions per head and a vulnerable environment. However, unilateral action will be unsuccessful.

Our actions should be calibrated to allow Australia to take a prominent position in the global emissions reduction debate. When we consider that China, India and America have no Carbon Tax and have no apparent intention of introducing one, we should question our current proposal for a \$23/tonne tax. Europe is the only sizeable economy to have a price on Carbon. Theirs equates to around \$A18 per tonne. However, it seems that the exceptions and assistance regime in practice means that few industries and companies pay the tax. The Australian Chamber of Commerce and Industry claims that under the Australian proposal Australia will pay more carbon tax in the first three months of operation than the Europeans have paid in the past four or five years of their scheme.

Furthermore, many European nations have access to significant levels of emissions free nuclear energy. We understand France generates approximately 80% of its power through nuclear energy. (How is it that we have allowed carbon dioxide to become regarded as a more dangerous form of energy waste than nuclear waste? It seems Australia is being badly out-positioned in this discussion.)

A counter positioning proposition, and one that seems to underpin the Government's current proposal, is that we should not worry too much about other countries' activities. We should seek to rapidly transform Australia into a low carbon country. The theory is this will give us an early mover advantage in an emerging low carbon world. Our concern with this strategy is that we would be trading off real disadvantage now for a potential but uncertain advantage in the future. Surely it would be more prudent to seek to minimize current cost and disadvantage while striving to gain knowledge and technology relevant to a lower carbon future.

## **Other points**

There seems to be an inherent inconsistency in a strategy that involves charging ourselves for carbon emissions while continuing to ship coal and uranium offshore to allow non carbon taxing countries potentially cheaper energy than that available to Australians.

A carbon tax disadvantages manufacturing activity in particular. We cannot afford to risk further damage to this sector which is already suffering heavily under the burden of a very high A\$. Manufacturing jobs are sticky jobs and countries with a strong manufacturing base are much better able to create wealth over the long term and withstand periodic economic downturns.

If Australia is to take the pain of a Carbon Tax that pain should be spread more broadly. The proposed plan where millions of homes are no worse off and in some cases even better off means that the cost is being borne by too few and seems to be being used to achieve social objectives unrelated to carbon emissions. The pain of the tax should be more broadly based to lessen the impact on individuals and individual businesses and therefore the risk to the economy overall.

Compensation packages are necessary for our trade exposed industries but the more handed out to the fortunate few means there will be little or no compensation available to vast numbers of affected businesses, many of whom are already enduring difficult trading conditions. A lower level of tax, particularly in the initial stages, eg \$10/tonne, would risk less damage to these businesses and so the economy generally.

## **Summary**

Australia should have an aggressive plan to reduce carbon emissions. The plan should be multi-pronged with significant incentives available for emission reductions. A price on carbon emissions is a reasonable component of such a plan. We should use all diplomatic channels available to encourage other nations to take similarly decisive action. However, Australia should not fall into the trap of taking significantly greater action than our major trading partners. This will only destroy Australian wealth while achieving no discernable climate outcomes.

The move to a low carbon world will be achieved through iterative steps as we learn more about which emerging technologies show most promise, which emissions reductions schemes work most successfully and how greenhouse gas emissions interact with our climate. As a nation we should then adjust and adapt our responses accordingly.

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