Friday 29 April 2011, Perth

SELECT COMMITTEE ON THE SCRUTINY OF NEW TAXES

Chamber of Commerce and Industry Western Australia
Responses to Questions on Notice

QUESTION 1

Senator CAMERON: Can you provide the methodology that you used to put the survey together and also the questions that were in the survey? You can take that on notice.
Mr Harrison: I am happy to provide that to you on notice.

ANSWER

The questions were put to CCI members as part of our quarterly Commonwealth Bank – CCI Survey of Business Expectations. The survey is mailed to CCI members and they are asked a range of questions about current business and economic conditions, as well as a feature question on a topical issue. The survey questions and the write up are attached.

QUARTERLY SURVEY OF

Business Expectations

Conducted by the Chamber of Commerce and Industry of Western Australia

DECEMBER QUARTER 2010

sponsored by CommonwealthBank

This questionnaire seeks your views on the general economic conditions facing your business in the present quarter and your expectations for the next quarter.

This is an **OPINION ONLY** survey. It is not necessary for the respondent to check records. Your responses to the survey are coded only by number and therefore are completely confidential.

Results are released only in the form of totals and averages for all respondents together. All questionnaires will be destroyed when the data is collated.

Your participation in this survey is valued. It forms part of one of the few surveys of business opinion in WA. To ensure continuity of results, it would be preferable if the same person could complete the questionnaire each quarter.

Please circle the number corresponding to the alternative which most closely represents the experience or expectations of your firm. Please return this survey form by Friday, 12 November 2010.

You can complete this questionnaire on-line. Go to http://www.cciwa.com/content/WA_Survey_of_Business_Expectations_1.aspx

MEDIUM TERM ECONOMIC OUTLOOK

	MUCH WEAKER	SOMEWHAT WEAKER	ABOUT THE SAME	SOMEWHAT STRONGER	MUCH STRONGER
1 What are your expectations for the **Australian economy** over the next 12 months in comparison with the last 12 months?	1	2	3	4	5
2 What are your expectations for the **Western Australian economy** over the next 12 months in comparison with the last 12 months?	1	2	3	4	5

EMPLOYMENT

	LEVEL IN CURRENT QUARTER COMPARED TO PREVIOUS QUARTER					EXPECTED LEVEL IN THE NEXT QUARTER				
	MUCH LESS	LESS	NO CHANGE	MORE	MUCH MORE	MUCH LESS	LESS	NO CHANGE	MORE	MUCH MORE
3 Number of employees	1	2	3	4	5	1	2	3	4	5
4 Total labour cost (per unit)	1	2	3	4	5	1	2	3	4	5

GENERAL BUSINESS CONDITIONS

	CURRENT QUARTER			EXPECTATIONS FOR NEXT QUARTER		
	POOR	SATISFACTORY	GOOD	POOR	SATISFACTORY	GOOD
5 Are general economic conditions	1	2	3	1	2	3
6 Are your trading conditions *(ie sales, turnover or gross earnings)*	1	2	3	1	2	3

LABOUR MARKET CONDITIONS

	CURRENT QUARTER			EXPECTATIONS FOR NEXT QUARTER		
	SCARCE	ADEQUATE	ABUNDANT	SCARCE	ADEQUATE	ABUNDANT
7 Do you regard labour availability as	1	2	3	1	2	3

PLANNED CAPITAL EXPENDITURE

	DECLINE	REMAIN STEADY	INCREASE
8 Do you anticipate that your overall capital expenditure during the next 12 months will	1	2	3

Feature Question

CARBON PRICING

1. Is your business planning for the introduction of a carbon price?

☐ YES ☐ NO ☐ NOT SURE

2. What assistance does your business require for the introduction of a carbon price?

- ☐ INFORMATION
- ☐ EDUCATION/TRAINING
- ☐ ADVOCACY TO GOVERNMENT
- ☐ FINANCIAL ASSISTANCE
- ☐ OTHER (PLEASE SPECIFY)_____

3. What effect would a price on carbon have on your business?

VERY NEGATIVE	NEGATIVE	NEUTRAL	POSITIVE	VERY POSITIVE	UNSURE
☐	☐	☐	☐	☐	☐

4. Rate the impact a price on carbon will have on your business, in terms of the following;

	DECREASE	NO CHANGE	INCREASE
INTERNATIONAL COMPETITIVENESS	☐	☐	☐
BUSINESS OPPORTUNITIES	☐	☐	☐
ADMINISTRATIVE COSTS	☐	☐	☐
TRAINING COSTS	☐	☐	☐
INPUT COSTS	☐	☐	☐
EMPLOYMENT	☐	☐	☐
PROFITABILITY	☐	☐	☐
OTHER (PLEASE SPECIFY) _____	☐	☐	☐

Remaining questions overleaf

Please indicate:

- **how your business has performed during the current quarter relative to the previous quarter, and**
- **how you believe your business is expected to perform in the coming quarter compared to the current quarter.**

BUSINESS PERFORMANCE

		CURRENT QUARTER COMPARED TO PREVIOUS QUARTER					EXPECTED POSITION IN THE NEXT QUARTER				
		MUCH LESS	LESS	NO CHANGE	MORE	MUCH MORE	MUCH LESS	LESS	NO CHANGE	MORE	MUCH MORE
9	Overtime hours worked	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**
10	Sales Turnover	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**
11	Export sales	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**
12	Average wages	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**
13	Other labour costs	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**
14	Cost of materials & supplies *(per unit)*	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**
15	Prices you charge *(overall)*	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**
16	Profitability *(overall)*	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**
17	Overall activity in the economy	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**
18	General business conditions	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**
19	Capital expenditure – buildings *(exc. land)*	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**
20	Capital expenditure – plant & machinery etc.	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**

CAPACITY UTILISATION

21 At what level of capacity utilisation is your company currently operating? *(Estimate)* .....**%**

INFORMATION ABOUT YOUR BUSINESS

22 Current number of employees *(Estimate)* ☐

23 Your business is directed primarily to which market area?

Perth Metropolitan Area	**1**	WA Country Area	**2**
Interstate	**3**	Overseas	**4**

24 In which industry is your company mainly engaged? *(choose one only)*

Agriculture, Forestry, Fishing	**0**	Electricity, Gas and Water Supply	**3**
Mining	**1**	Construction	**4**
Manufacturing:		Wholesale Trade	**5**
Food, Beverage and Tobacco	**21**	Retail Trade	**6**
Textiles, Clothing and Footwear	**22**	Accommodation, Cafes and Restaurants	**7**
Wood and Paper Products	**23**	Transport and Storage	**8**
Printing, Publishing & Recorded Media	**24**	Communications	**9**
Petroleum, Coal, Chemicals	**25**	Finance and Insurance	**10**
Non-Metallic Minerals	**26**	Property and Business Services	**11**
Metal Products	**27**	Education	**12**
Machinery and Equipment	**28**	Health and Community Services	**13**
Other Manufacturing	**29**	Cultural and Recreational Services	**14**
		Personal Services and Other Services	**15**

THANK YOU FOR PARTICIPATING IN THIS SURVEY

Please return using the postage paid envelope or alternatively fax the survey to: **CCI Economics – (08) 9365 7550**

CHANGE OF CONTACT FOR BUSINESS EXPECTATIONS SURVEY ONLY (if required)

Contact Name: .....

Position:.....Membership No: (optional).....

Company Name: ..... Email:.....

Address:..... Post Code.....

COMMONWEALTH BANK – CCI SURVEY OF WA

business expectations

DECEMBER QUARTER 2010

Knowledge Influence Support
CHAMBER OF COMMERCE AND INDUSTRY WESTERN AUSTRALIA

CommonwealthBank

WA businesses remain wary, but optimistic about 2011

Short term confidence in the WA economy has eased further during the December quarter of 2010, although firms have become more upbeat about the year ahead.

The latest *Commonwealth Bank – CCI Survey of Business Expectations* found that only 23 per cent of WA businesses expect conditions to improve in the next quarter. Meanwhile, more than half are expecting conditions to be more or less the same as the current quarter.

By contrast, businesses are optimistic about economic conditions in WA over the coming year, with confidence growing to its highest level since March this year. Half of the survey respondents expected the WA economy to grow strongly in the year ahead, up from 47 per cent in the previous quarter. Expectations of the future performance of the WA economy have recorded a marked turnaround since the lows experienced in the aftermath of the global financial crisis.

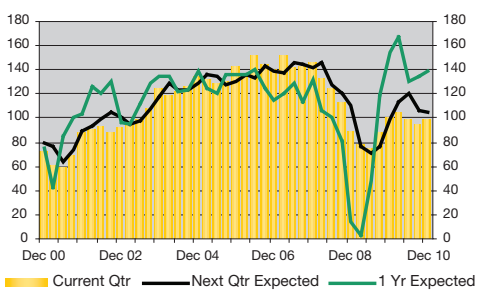
The uncertainty that remains about the WA economy in the short term reflects growing concerns over labour availability and the cost of doing business. Of the businesses surveyed, some 35 per cent found labour to be "scarce" during the quarter, up from a third in September. With a similar proportion of businesses expecting to hire more staff next quarter, this will exacerbate firms' ability to source suitable labour.

The ongoing difficulties in finding staff are also adding to the cost of doing business, with 43 per cent of those surveyed indicating wage costs had increased during the quarter, and 36 per cent reporting that other staffing costs had also risen.

Meanwhile, the cost of materials and equipment remains at a high level. Nearly half of businesses surveyed reported rising input costs in the quarter, with an even greater number expecting an increase in the new year.

WA economic conditions

Index, 100 = neutral



Firms have attempted to offset the increased business costs by passing this onto customers in the form of price increases. Some 22 per cent of those surveyed raised their prices during the December quarter, with an increasing number indicating that they would raise their prices further early next year.

While WA firms are facing some challenges overall, the current conditions are good for business. Over three quarters of respondents indicated that the current environment was favourable in the December quarter.

The December quarter has also seen a pick up in all four indicators of operating conditions, with sales and profitability recording the greatest improvement.

The rebound in operating conditions has meant that firms are once again looking to expand their operations, with a quarter of businesses expecting their investment spending to increase in the next 12 months.

The renewed interest in investment also reflects the increase in capacity utiliisation, which rose to an average of 78 per cent in December – the highest level in a year and a half. ■

Key Points

- Short-term business confidence has weakened further in December, but conditions are still favourable.
- Around 50 per cent of all respondents expect the WA economy to improve over the next 12 months.
- The cost of doing business in WA continues to rise.
- Labour availability has deteriorated further with 35 per cent of businesses finding labour "scarce".
- Feature Question: Climate Change.

Survey Sample

Number of respondents	538
Employment	40,927
Respondents by size:	
Small	27%
Medium	30%
Large	2%
Respondents by sector:	
Services	29%
Manufacturing	23%
Production	28%
Distribution	16%

A QUARTERLY PUBLICATION OF CCI
SPONSORED BY COMMONWEALTH BANK

FOR FURTHER DETAILS ON THE SURVEY CONTACT
DANA MASON AT CCI ON (08) 9365 7701 OR
EMAIL TO dana.mason@cciwa.com

business expectations

Recruitment activity picks up…

- The survey's index of employment activity picked up during the December quarter of 2010.
- Over 28 per cent of respondents reported hiring more staff during December, up from 23 per cent last quarter.
- Firms in the services sector were recruiting actively, with a third of respondents reporting an increase in the size of their workforce.
- Employment activity is expected to rise further in the new year, with 35 per cent of respondents signalling that they will hire more workers during the first quarter of 2011.

Labour availability deteriorates further…

- The ability to source suitable labour continued to be a problem for many businesses during the December quarter.
- Close to 35 per cent of businesses surveyed reported labour as being "scarce" in the December quarter, compared to just four per cent that found labour to be "abundant".
- Finding workers was most difficult for medium sized businesses and those operating in the distribution sector, with 40 per cent and 36 per cent respectively reporting labour as "scarce".
- Labour availability is expected to deteriorate further going forward, with 41 per cent of respondents expecting labour availability to be "scarce" in the March quarter of 2011.

Operating conditions turn around…

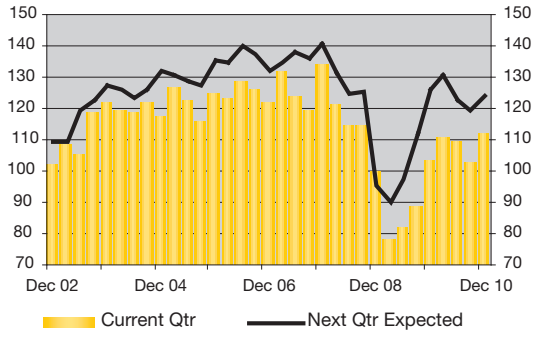
- All four indicators of operating conditions improved during the December quarter.
- The most significant increase was in relation to turnover, with a third of the businesses reporting higher sales during the quarter.
- Profitability and export sales also rose during the quarter, with 16 per cent and seven per cent respectively of respondents reporting an increase during December.
- Despite the improvement in all four indicators, operating conditions remain challenging for many businesses, with the percentage of businesses reporting that conditions were improving still low.

Investment plans back on the agenda…

- The survey's index of anticipated capital expenditure picked up during December, after two consecutive quarters of decline.
- A quarter of businesses surveyed expect to increase capital expenditure in the next 12 months, up from just one-fifth last quarter.
- Respondents from the services sector were most likely to increase investment, with 29 per cent expecting their capital spending to rise over the year ahead.
- The increase in investment occurred in line with a pick up in capacity utilisation, which rose to 78 per cent, the highest level since March last year.

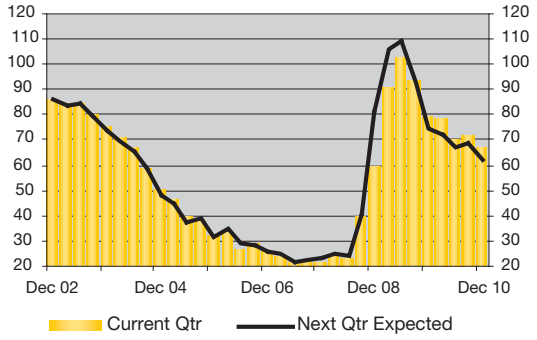
Employment

Index, 100 = neutral



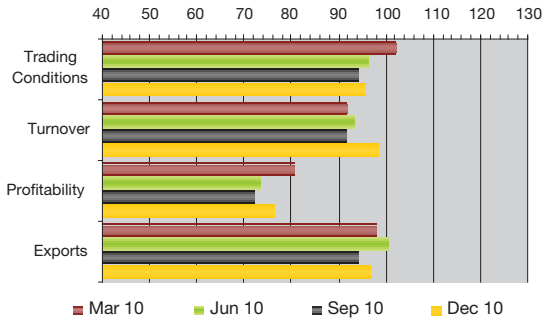
Labour availability

Index, 100 = neutral



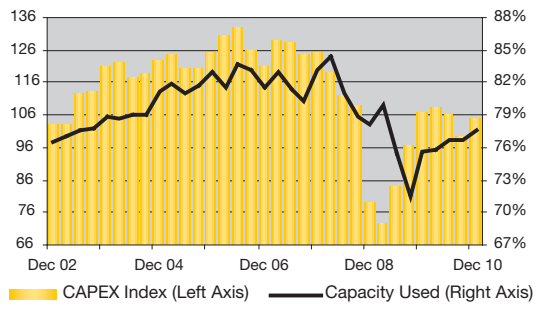
Operating conditions

Index, 100 = neutral



Production capacity

Index of Expected CAPEX (100=Neutral) in next 12 months & Capacity Utilisation



business expectations

Wage pressures remain firm…

- The survey's index of wages steadied during the December quarter of 2010, after reaching its highest level since September 2008 in the previous quarter.
- Some 43 per cent of businesses surveyed reported an increase in their wage bill during the quarter, as opposed to just seven per cent that reported a decline.
- More than half of the businesses surveyed in the distribution sector reported increased salary expense, the highest of all the sectors.
- Wage costs are expected to remain at a high level in 2011, with a similar proportion of respondents anticipating an increase during the next quarter.

Non-wage labour costs expected to rise…

- Non-wage labour costs include workers compensation premiums, staff allowances and non-cash benefits.
- The index of non-wage labour costs moderated for the second consecutive quarter in December, however remains at a high level.
- Some 36 per cent of respondents found that their non-wage labour costs increased during the quarter, compared to just six per cent that reported a decline.
- Large businesses and those in the services sector recorded the largest rise, with 53 per cent and 38 per cent respectively reporting an increase in other staffing costs.
- Non-wage costs are expected to increase further in the first quarter of 2011, with 38 per cent of businesses expecting another rise.

Input costs moderate but remain at a high level…

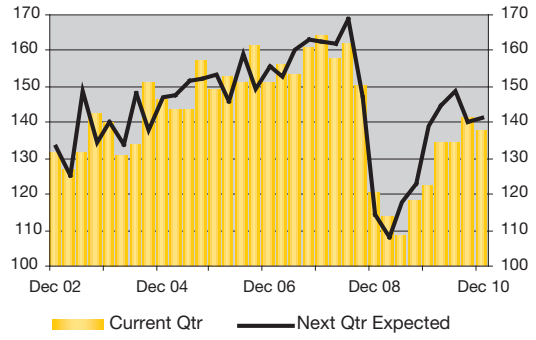
- The survey's index of input costs (costs of materials and supplies) dropped during the December quarter, however still remains at a high level.
- Just under half of the businesses surveyed reported higher input costs during the quarter while only four per cent reported a decline.
- Input costs posed the greatest problem in the manufacturing sector, with 55 per cent of businesses reporting an increase in the cost of materials and supplies.
- Cost pressures are expected to remain a concern for businesses going forward, with 45 per cent of respondents expecting an increase in the next quarter.

Price pressures stabilise…

- Inflationary pressures have remained steady in the December quarter of 2010.
- Some 22 per cent of respondents charged higher prices during the quarter, while only 10 per cent lowered their prices.
- Price increases were the most evident in the distribution sector, with a quarter of respondents charging more during the quarter.
- Inflationary pressures are expected to rise in the next quarter, with 28 per cent of businesses expecting to raise their prices in the new year.

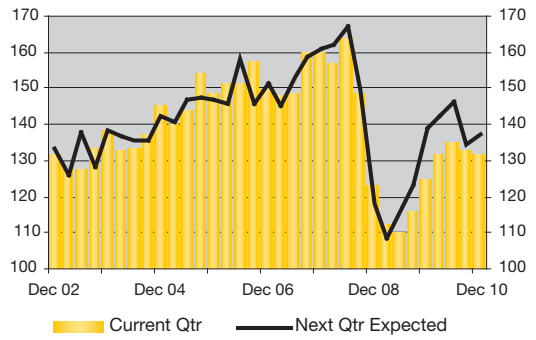
Wages

Index, 100 = neutral



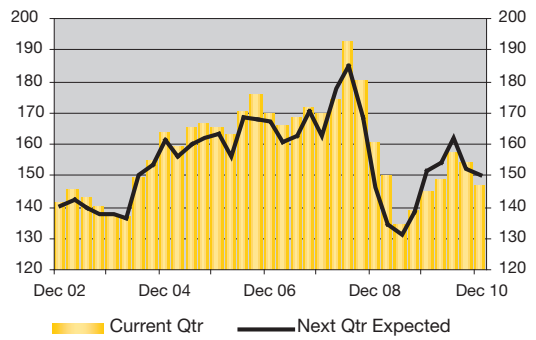
Non wage labour costs

Index, 100 = neutral



Input costs

Index, 100 = neutral



Prices charged

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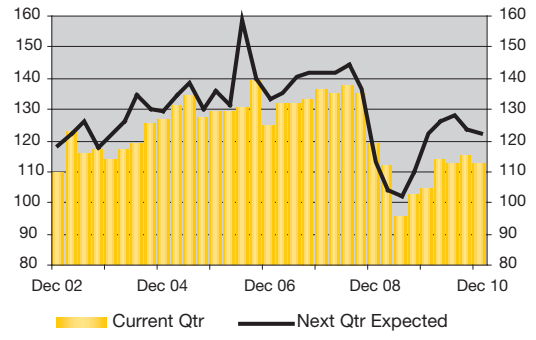

Feature Question – Climate change

The feature question this quarter asked respondents about their preparedness for the introduction of a carbon price and the impact this would have on their business operations.

Three quarters of businesses that undertook the survey, reported that they are not considering an introduction of a carbon price as part of their business planning. Only six per cent of respondents are planning for the introduction of a price on carbon.

By size, small businesses were the least prepared for a price on carbon. Close to 80 per cent of small business did not consider carbon pricing in their forward business planning. In contrast, one fifth of large businesses were planning for the introduction of a carbon price.

On an industry level, mining sector respondents were the most prepared for a price on carbon. Despite being the most prepared industry, just 11 per cent were planning for such an event. Meanwhile, just six per cent of manufacturing and construction businesses have included carbon pricing in their forward business planning.

The survey also asked businesses what assistance they need to cope with the introduction of a carbon price. The most common type of assistance required was information with 61 per cent looking to improve their knowledge. A third of businesses also wanted education and training. Financial assistance and advocacy to the Government were also identified by 15 per cent and 12 per cent of businesses respectively.

Respondents from the construction, manufacturing and mining sectors were the most interested in information, with close to three quarters of respondents from these sectors requiring this kind of assistance. Similarly, almost 80 per cent of small businesses would like more information.

Education and training assistance for carbon pricing is sought after by the construction sector, with close to half of the respondents requiring this assistance. Businesses in the medium size bracket also found education and training to be useful for their business, with 37 per cent requiring this type of assistance.

In terms of the expected impact of a carbon price on business, the largest portion (40 per cent) believed they would be adversely affected. A further 32 per cent were unsure of the impact, while a quarter reported it would have no effect. By contrast, just three per cent expected the imposition of a carbon price would have a positive effect on their business. Businesses operating in the mining and manufacturing sectors would be the worst off if a carbon price was introduced. Some 53 per cent of mining businesses and 49 per cent of respondents respectively from these sectors believed that a carbon price would have an adverse impact on their operations. A large proportion of manufacturers (nearly half) were also unsure of the impact a carbon price will have on their business.

Businesses were also asked to rate how a carbon price would affect various aspects of their operations. Overall, the results showed that a carbon price would have a marked impact on business costs.

The greatest impact was on administrative costs, with 61 per cent of respondents expecting these to rise. The results show that the administrative burden would have the greatest impact on large business and those in the construction sector, with 70 per cent of respondents expecting these costs to increase.

Businesses also identified input costs as a concern, with 59 per cent expecting the cost of materials and supplies to increase under a carbon pricing scheme. The results found that rising input costs would affect the vast majority of large businesses (83 per cent) and businesses operating in the mining sector (75 per cent).

Similarly, just over a half of businesses surveyed anticipated that training costs would increase because of any carbon pricing scheme. Once again, miners and large sized businesses would be the hardest hit, with 61 per cent and 59 per cent respectively expecting a rise.

With the cost of doing business expected to increase under a carbon-pricing scheme, 59 per cent of businesses believe that profitability would decline. The mining and construction sectors (around three quarters of respondents) and medium sized businesses (64 per cent) were the most likely to see their bottom lines eroded.

Despite the expected impact on profitability, the majority of businesses did not expect to lay off staff to deal with the introduction of a carbon price. Around 72 per cent of respondents believed that the size of their workforce would not change under a carbon pricing arrangement.

Businesses were also less concerned about the impact on their international competitiveness, with three quarters expecting that this would remain largely unchanged. Miners expect to be hardest hit, with 37 per cent expecting their global competitiveness to decrease.

Key results from the survey

Indicator (Index)	Actual			Expected	
Economy	Dec 09	Sep 10	Dec 10	1 quarter	1 year
WA Economic Conditions	100	95	99	104	138
Operating Conditions					
Trading conditions	98	94	95	101	-
Sales turnover	95	92	98	112	-
Profitability	76	72	76	92	-
Export sales	93	94	97	95	-
Employment					
Number of employees	103	102	112	124	-
Labour availability[a]	80	72	67	62	-

Indicator (Index)	Actual			Expected	
Costs & Prices	Dec 09	Sep 10	Dec 10	1 quarter	1 year
Total unit labour cost	125	141	141	148	-
Average wages	123	141	138	141	-
Non-wage labour costs	125	133	131	137	-
Input costs	145	154	147	150	-
Prices charged	105	115	113	123	-
Capital Expenditure					
Anticipated CAPEX (next 12 months)	107	100	105	-	-

Notes: The index calculation gives weight to the 'extent' to which an indicator is rising or falling (i.e. a response indicating that employment this quarter is "much less" than last quarter is given a higher weight than one saying it is "less"). By setting the "neutral" level at 100 (broadly, as much increasing or decreasing activity, weighting for extent) the index also allows for more meaningful comparisons over time – for example, as percentage changes in the Index,
[a]. Lower number = scarcer.

0171

Friday 29 April 2011, Perth

SELECT COMMITTEE ON THE SCRUTINY OF NEW TAXES

Chamber of Commerce and Industry Western Australia
Responses to Questions on Notice

QUESTION 2

Senator CAMERON: Senator Hutchins has other things on mind post 1 July and that is probably why he has not read it. I just cannot believe that the CCI have not read Minister Combet's speech that outlines the broad parameters of the carbon price. You come here and run all these arguments, but you have not even taken time to read the speech.
CHAIR: Did it have any detail in it?
Mr Nicolau: Exactly.
Senator CAMERON: Yes. Give yourself a bit more credit than to rely on Senator Cormann's inappropriate interventions.
Mr Nicolau: No, I have not got the detail in front of me. I cannot recall—
Senator CAMERON: I did not ask you whether you had the detail in front of you; I simply asked if you had read it and you have said, 'No.'
Mr Nicolau: I have said no.
Senator CAMERON: You have not read the speech. I am just wondering how serious—
Mr Harrison: Senator, if I may, as part of the CCI advocacy group there is a senior policy advisor for climate change and environment. I am happy to take that question on notice to see if my senior policy advisor—
Senator CAMERON: I am not interested in what your senior policy advisor says. You can take it on notice if you like, but I am really not interested in your senior policy advisor.
Mr Harrison: I think it is relevant, though.

ANSWER

CCI has not studied Minister Combet's speech. CCI's stance in opposition to the proposed carbon tax was determined after examining the detail of the package released on 10 July 2011 in Canberra. CCI's Senior Policy Adviser for Climate Change and the Environment travelled to Canberra from Western Australia for that announcement and to attend industry briefings by the Minister.

Friday 29 April 2011, Perth

SELECT COMMITTEE ON THE SCRUTINY OF NEW TAXES

Chamber of Commerce and Industry Western Australia
Responses to Questions on Notice

QUESTION 3

Senator CAMERON: Mr Nicolau, could you advise as to whether you have made any assessment of the direct action policy of the Leader of the Opposition, Tony Abbott, and how that policy would achieve the stated goal of both the opposition and the government to reduce pollution by five per cent by 2020?
Mr Nicolau: I am happy to take that question on notice and provide you that.

ANSWER

CCI will be preparing an assessment of the Coalition's climate change policy in the near future.

Friday 29 April 2011, Perth

SELECT COMMITTEE ON THE SCRUTINY OF NEW TAXES

Chamber of Commerce and Industry Western Australia
Responses to Questions on Notice

QUESTION 4

CHAIR: The current situation in Australia is that both the government and the opposition views are entirely consistent with what Dr Shergold proposed at the time. The question then becomes how you achieve that emissions cap. We have had a lot of discussion around a level of detail that is not yet available. What sort of detail are you looking for in order to make a proper assessment of the impact this would have on the economy—on your members, on business, on jobs—in Western Australia?
Mr Nicolau: I am happy to provide more detail on notice.

ANSWER

CCI has, in conjunction with its members, developed the principles for sound and sensible climate change policy. We have assessed the Government's proposed scheme against these core principles. A copy is attached.

Knowledge Influence Support

CHAMBER OF COMMERCE
AND INDUSTRY
WESTERN AUSTRALIA

CCI's Assessment of the Federal Government's Climate Change Policy

CCI Advocacy – *July 2011*

Making it easier to do business

Our assessment

CCI is opposed to the introduction of an economy-wide carbon price as it is contrary to the majority of its established core climate change principles.

After assessing the Federal Government's proposed carbon tax/pricing scheme against these core principles, CCI has several concerns about the scheme. They are:

- the international competitiveness of local firms may be compromised;
- the policy is not part of a global solution, with comparable action not being taken by our overseas competitors. There are also no strategies for the Federal Government to influence global action;
- the carbon tax will add to the cost of doing business and has the potential to discourage new investment;
- small businesses are ill-prepared for its introduction in less than a year; and
- the range of non market based programs will increase the size of government and distort decision making.

Carbon Tax Assessment

Core Principles		Assessment
Not diminish international competitiveness	?	CCI remains concerned that some industry sectors may be placed at an international competitive disadvantage. This could result in carbon leakage whereby investment and business activity moves offshore to avoid Australian carbon costs.
Part of a global solution	✘	None of Australia's trade competitors have an economy wide carbon tax or a price on carbon as recently reported by the Productivity Commission. There is no strategy for influencing other nations to take action on climate change
Market based	✓	The proposed carbon tax begins with a fixed carbon price until 30 June 2015, then transitioning to a market price for carbon.
Broad based	✘	Many sectors of the economy (fuel, agriculture) have been exempted. 500 companies will be required to directly pay for their emissions. It is not known who they are.
Revenue Neutral	✘	It is revenue negative, with the scheme to cost the budget $4.3 billion over the forward estimates.
Effect change in behaviour	?	Based on the level of assistance for households, with the Government promising many will be financially better off, and the initial carbon price, it is unclear whether the proposed scheme will result in a change in behaviour.
Minimise Complexity	✘	Initial feedback from CCI members is that the proposed carbon tax is overly complex and will impose substantial compliance costs. Industry should be given more time to provide detailed feedback on the proposed legislation.
Be stable and predictable	✓	The three year fixed period, along with pricing floors and caps, provides industry with predictability and stability.
Provide adequate assistance and support to business	✘	Only 40 per cent of the total revenue is to help business transition. There is little in the way of education and training for business, particularly small and medium firms, which remain largely unprepared.
Single, consistent national approach	✘	There are no plans to remove existing inconsistent local, state and federal non complimentary climate change policies. In addition, the policy will increase bureaucracy and the size of government.
Adaptation must be part of the overall response	✘	There has been no consideration of infrastructure planning and construction, insurance and business continuity, agricultural effects, extreme weather events, health, human capital and social impacts.

Friday 29 April 2011, Perth

SELECT COMMITTEE ON THE SCRUTINY OF NEW TAXES

Chamber of Commerce and Industry Western Australia
Responses to Questions on Notice

QUESTION 5

Mr Nicolau: I think since the 2007 election this issue has become more and more prominent from a business perspective and our CCI, in conjunction with the ACCI, has wanted to understand more about this policy.
Senator CAMERON: So you did not make any submissions to the Shergold inquiry in 2006.
Mr Nicolau: You are testing my memory. We will take that on notice.
Senator CAMERON: I would have thought you would remember if the federal government had an inquiry into carbon pricing in 2006 and you made a submission. But, okay, take it on notice. Are you aware of the outcome and of the recommendations of the Shergold report?

ANSWER

CCIWA did make a submission to the Prime Ministerial Task Group on Emissions Trading in March 2007. The submission is attached.

General comments

About CCI

The Chamber of Commerce and Industry of WA (CCI) is the leading business association in Western Australia. It is the second-largest organisation of its kind in Australia, with a membership of almost 5,000 organisations in all sectors, including manufacturing, resources, agriculture, transport, communications, retailing, hospitality, building and construction, community services, and finance.

CCI's policy on climate change

CCI current policy statement, "Climate Change: Reducing Emissions and Adaptation" (attached), asserts that greenhouse emissions reduction and adaptation to climate change must be embraced nationally and internationally across all sectors of government, business and the community within a framework of sustainable development.

To ensure the most effective means of addressing climate change, CCI contends that a complementary suite of policies must be developed that encourage:

- Abatement action to establish best-practice technology
- Commercialisation of emerging technologies that make significant reductions in emissions
- Innovations that harness opportunities for abatement
- Accurate modelling and monitoring of regional effects so efficient and effective adaptation can occur.

CCI strongly believes that abatement measures in Western Australia must be consistent with those of other States and Territories to minimise costs, to allow fair competition with business domestically and globally, and to provide certainty to business.

Market-based mechanism to constrain greenhouse emissions, such as an emissions trading scheme, in which WA industry will participate, should have the following central features:

- nationally based, with broad industry coverage
- part of an international program that covers all major emitting countries
- nationally consistent and comprehensive across all sources and abatement/sequestration measures
- adequate protection of commercially-sensitive data
- encourage innovative solutions
- a verification scheme that has Government support and scrutiny
- the clear principles of environmental effectiveness, economic efficiency and equity

Such a proposal must also consider important policy measures for industry concerning international competitiveness, early action, offsets, emerging technology solutions, and property rights for investors.

Issues paper – specific points

This section contains responses to questions raised in the issues paper by the Task Group on Emissions Trading.

Context setting

1. What are the implications for Australia of a carbon-constrained future?

This question is presumably focussed on the economic implications for Australia that will arise through the shift from a fossil fuel-based economy to one whose reliance on carbon emissions-intensive fuels must inevitably be reduced in favour of low-carbon, and ultimately carbon-neutral, fuel sources.

In the global economic context, Australia, and especially Western Australia, are naturally endowed with long-term fossil fuel resources; as major exporters, they are therefore trade-exposed and energy-intensive ("TEEI").

TEEI economies, including Australia and Western Australia, may be at a disadvantage if restrictions on carbon change the competitive value of their exports in comparison to other jurisdictions that are not subject to similar restrictions. The extent to which available technology permits industry to achieve the necessary reductions in emissions will determine success carbon-constrained global market.

The period over which carbon restrictions were introduced would also affect respective jurisdictions' ability to adapt; in particular, a rapid application of carbon constraints could be extremely harmful over the long term, although careful planning and implementation would limit this effect.

However, Australia is well-positioned by virtue of its propensity for innovation and considerable expertise in carbon-constrained operations to adapt to changing market dynamics. Australian involvement at the outset in designing carbon-constrained markets of the future would advantageous in the long term.

2. What are the elements likely to affect the cost of reducing emissions over time and how might these develop?

The cost of reducing emissions will inevitably depend on many factors, which can be grouped as follows:

- Technology research, development, and deployment: disruptive technologies are required to achieve dramatic reductions in emissions across all sectors. Industries' current efficiency levels will determine the scope of their opportunities to improve; mature industries that have achieved peak efficiency with current technology will be at a disadvantage until emerging technology becomes reliable, supported and available. The provision of incentives that encourage offsets and abatement of emissions will also determine the cost, rate of development and uptake of emerging technologies.
- Demand for energy: with current technology, population growth and rising standards of living mean increased energy use and therefore an exponential emissions growth curve. Reduction in energy demand will have to be sought not only through better technology but also behavioural change (mitigation), which

will impose costs on all parties, including the end-consumer, in at least some phases.

- Costs of compliance: in addition to the costs of investment in adaptation and mitigation techniques and technologies, penalties for non-compliance with the market or regulatory mechanisms designed to control and reduce emissions will also increase costs to some parties.
- Options for offsets and abatement: offsets should be available as the least-cost option. Offsets will be used when they are cheaper than taking internal measures, and for this reason, treating offsets as an economic rather than environmental incentive will encourage their use. Offsets are especially important in the early stage of an emissions trading scheme to enable community benefits, encourage least-cost compliance, and reduce structural adjustment.

CCI notes at this stage of examination of emissions trading schemes that the challenges presented by a carbon-constrained future are not wholly cost-based or negative in nature. Many opportunities will emerge that will yield cost-neutral or even lucrative benefits to some parties, primarily through innovation and clever or timely implementation of new products and services.

However, CCI also cautions that the costs associated with the transition to a carbon-constrained market will be overwhelmingly borne by those industries and firms in the TEEI category. Energy-intensive firms in particular face technological uncertainty and therefore greater risks associated with measures such as emissions trading schemes.

3. To what extent is Australian industry currently factoring a carbon price into investment decisions? How can longer term investment certainty be improved?

Sensitivity analysis on carbon prices is used by many Australian companies, particularly those in the TEEI category. Long-term supply agreements are now including environmental and greenhouse gas-oriented clauses. Risk management, planning, and population health policy practices are incorporating climate change considerations and known risks.

Triple-bottom line analysis, including assessment of the emissions footprint, is used widely by Australian firms, particularly publicly listed organisations; whilst this is an imprecise science, the environmental and social benefits are tangible and increasingly measurable.

The lack of a clear carbon price signal is likely the largest barrier to effective decision-making about a carbon-constrained future. Longer-term investment certainty could be improved through the following measures:

- a long-term carbon price signal (whether through a price, cap, or other means)
- a coordinated suite of policies that industry can use to manage its opportunities to reduce emissions and develop strategies for mitigation
- a known trajectory of the constraints, and reduction targets, over the next several decades
- certainty of penalties for exceeding constraints
- a futures market to allow hedging for long-term investment decisions and exposure
- scheduled reviews by government and industry on the progress of targets and measures to reduce emissions
- penalties for non-compliance.

A workable global emissions trading scheme

1. **What would constitute a workable global emissions trading scheme from Australia's perspective? It would be useful if respondents could reflect on the key principles, design elements and objectives underlying such a scheme:**
   a. **how to best protect Australia's economic competitiveness?**
   b. **how encompassing? What constitutes an effective definition of "global" (i.e., does this include all countries, major emitters only, Australia's major trading partners or competitors in key sectors)?**
   c. **what scope? which greenhouse gases should be included and which sectors (or industries) covered?**
   d. **how should permits be issued or allocated and offset creation be administered?**
   e. **how to ensure market transparency through registry and information systems, monitoring and compliance?**
   f. **what financial market support structures need to be established? and**
   g. **what other key design elements are required?**

As stated above, CCI believes an emissions trading scheme that works best for Australia should have the following features:

- nationally based, with broad industry coverage
- part of an international program that covers all major emitting countries
- nationally consistent and comprehensive across all sources (gases) and abatement/sequestration measures (sinks)
- adequate protection of commercially-sensitive data
- encourage innovative solutions
- a verification scheme that has Government support and scrutiny
- the clear principles of environmental effectiveness, economic efficiency and equity

Such a proposal must also consider important policy measures for industry concerning international competitiveness, early action, offsets, emerging technology solutions, and property rights for investors.

A national scheme would naturally fall under the jurisdiction of the Commonwealth, which would need appropriate institutional arrangements in order to manage and regulate it. A collection of state-administered schemes is not an acceptable option, for reasons of consistency, transparency, fungibility, administrative ease, and cost.

It is unlikely that a global model will emerge that neatly addresses the competitive tensions between developing and developed nations and that facilitates technology deployment rapidly enough to abate emissions at the rate necessary to avert at least some of the major problems forecast by science.

A reasonable proposal, however, can be drawn from current knowledge and experience:

An EU-type cap-and-trade system that includes sinks (which the EU ETS does not now allow) could be considered the most appropriate for protecting Australian economic competitiveness. Australia could become a major sink for firms (both domestic and foreign) seeking carbon offsets.

A collection of regional markets, akin to other existing commodity markets, could provide the same features as a theoretical single, global market, providing the following criteria were observed:

- All regional markets were cap-and-trade
- Market participants were confident and the integrity and transparency of each market
- Broad agreement existed on offset mechanisms (such as sinks and CDMs)
- Broad agreement on scope (industry coverage)
- Participation of all jurisdictions in a regional scheme

If correctly designed and administered, such a system could also provide a boost to the agribusiness sector and could provide funding for managing other environmental problems like salinity and deforestation.

Correct design and administration will obviously be predicated on the setting of caps at a reasonable level and a corresponding distribution of an appropriate level of permits for each regional scheme, as well as on encouraging developing countries to join the scheme at the earliest opportunity. Similarly, sectors beyond that of stationary energy (including nuclear and hydroelectric) would also need to be brought into the system as soon as possible in order to achieve the greatest equity, environmental effectiveness, and liquidity in the market.

Permit allocation to compensate for competitive disadvantages should be part of the scheme consideration, but each free allocation should feature clear and finite rules for its termination. Allocations for new entrants and expansion should be allowed to encourage best-practice technology and economic growth.

Permit property rights must be fixed and long-term to give industry long-term confidence in the trading market. The scheme should initially apply only to scope-one emissions, which are gases emitted within the direct control of the emitter.

Other complementary processes could be used to encourage engagement with other sectors not yet in the scheme. For example, offset credits (emissions abated outside the scheme but tradeable into the scheme) could be recognised for trade with allocated permits (emissions allocated from within the scheme). Offset credits can add further liquidity to the scheme and involve subsequent sectors early, in addition to sectors that are naturally difficult to incorporate, such as biomass. Offset credits should be attributed to emissions not covered under the permit scheme and awarded to the party applying the risk to abate. Offset credits should have a defined life; when the constraint is reviewed, the definition for new credits may need revision, as the baseline will have changed over time.

As with existing commodities markets, transparency should be achieved through a combination of market regulations and practices, including regulated issuing of permits, verification, audits, and enforcement. Compliance could be enforced directly by the market regulator through measurement of participating facilities, and subsequently through the issuing of fines and sanctions.

Alternatively, self-regulation by industry could constitute the bulk of the process. A licenced third party could verify whether emitters have enough permits to cover their emissions. Inspection of permits/certificates would presumably need automation, such as through the tax system or other web-based system, and regulators or licenced auditors would need to audit organisations or facilities with permits at random to verify that the system was working.

Once the regulatory framework is in place, standard contracts would be required for spot, forward, and option transactions. There would also be the need for sufficient qualified auditing resources; industry will have to prepare for this in advance to ensure the market is self-regulating and can operate smoothly.

As has been proposed in the National Emissions Trading Taskforce "possible design" for an emissions trading scheme, another key element involves determining the industry baseline, which can be done by setting a range of years (e.g., 2000-2005) as the baseline timeframe that participating sectors would identify as a common stage of technology. This could represent a best-practice "intensity range", calculated on traditional material default factors and average plant efficiency speculations.

2. How have existing emissions trading schemes delivered against key desirable design elements? What problems have emerged?

The system in the United Kingdom was inherently flawed through voluntary participation. Participating organisations knew their reductions were certain, and therefore the scheme arguably made no real reductions beyond what had already been planned. Although it became a financial windfall to participating companies, it also started a process of measurement and auditing of emissions within a carbon trading market.

Supporters of the EU scheme argue that the chief goal of Phase 1 was to learn from a prototype, in which case performance against design elements is not necessarily the most important metric. Where the scheme has satisfied design criteria include clearly documented and traceable allocation rules, and all participants staying well within their first-phase caps.

Detractors of the EU scheme argue that the initial allocation of caps through the National Allocation Plans was far too generous, ultimately causing the price of carbon to crash below one euro/tonne. Also, allocations to existing installations were too generous relative to those of new installations, thereby creating the risk that old facilities would have longer lives at the expense of newer ones with better technology. In addition, the use of the CDM has been widely criticised as a "soft option" that fails to deliver real value and that may even have destructive impacts locally.

The voluntary Chicago Climate Exchange has been successful for specific industries that have benefited from first-mover advantage in North America, including green market profile and the early ability to sell permits for abatement.

3. Does the inclusion and design of a global emissions trading scheme have implications for the broader international climate change framework?

This question could perhaps be more useful by asking how to facilitate Australia's participation in the collection, or "patchwork", of regional systems that will inevitably emerge as part of the broader international climate change framework.

Fungibility between systems is critical for the success of all participants, from the country to facility level, and this hinges primarily on the ability to exchange offset credits from scheme to scheme.

Notwithstanding this, CCI considers emissions trading schemes are only one part in the mix of solutions necessary to respond to climate change globally.

4. What would be the best way to design a workable global scheme to encourage maximum participation at the outset? In particular, would an accession mechanism, an incentive, or flexibility in the form of commitments, be needed to allow additional countries to be brought into the system more fully over time? If yes, what are the key design elements?

The successful rollout of a workable global scheme, or set of workable regional schemes, will depend on several factors.

For developing countries that need technology improvements to curb their emissions within a framework of economic expansion and industrial growth, an emissions trading scheme is unlikely to be the trigger for technology investment. For this reason, developing nations may not join as direct participants initially, but they will need to be consulted, engaged, and informed as early as possible of ways to get involved in schemes that are developed. CDM-style mechanisms represent the most likely and feasible way to achieve technology partnerships between developed and developing nations and therefore should be considered early in the process.

For those countries participating initially in an ETS, a series of actions should be considered in order to effect the smoothest rollout possible:

- Begin with a cap-and-trade model negotiated with other national governments in the region
- Put countries / sectors on notice early (three to five years' warning) and begin mandatory emissions reporting four to five years before the scheme commences operations.
- Include in the development of the scheme not only the countries and sectors committed for the first phase of the scheme, but also countries and sectors that will join in subsequent phases.
- Consider free allocation of permits, with limitations, to cover countries and sectors at a disadvantage
- Introduce the offset credit/CDM mechanisms at the outset to encourage fungibility with other schemes
- Model impacts of the scheme on a regular basis to achieve transparency, measure benefits and weaknesses, so that participants can prepare for the impacts and react in a timely fashion
- Monitor effects of the ETS and discuss means of managing disadvantages and weaknesses. The system must be able to change along with new knowledge about climate change.

5. What are the possible advantages and disadvantages to Australia of being positioned within the first-wave of countries to adopt emissions trading as a step towards a workable global scheme?

The existence of other schemes, both voluntary and mandatory, means that Australia is not in the first wave of countries to adopt emissions trading as a step towards a workable global scheme. However, early participants in any scheme will have the opportunity contribute to its development.

Domestic action to prepare for a workable global scheme

1. How is Australia positioned to respond to or influence any emerging workable global scheme? Respondents could reflect on whether:

a. **the appropriate systems are available for greenhouse reporting and measurement**
b. **financial markets are able to provide relevant instruments for trading**
c. **other relevant issues**

Several voluntary and mandatory emissions and energy reporting regimes are in operation at both state and federal levels. To the degree that industry has experience with local and overseas reporting programs, there is a familiarity with the positive and negative aspects of each, and with reporting and management processes for existing schemes for emissions reductions.

The myriad reporting systems in place now has industry contending with considerable overlap, duplication, inconsistency and associated administrative costs. In our 2006 submission to the Council of Australian Governments' Greenhouse and Energy Reporting Group, CCI argued in favour of legislating reporting emissions over a certain threshold if the multiple reporting regimes across other jurisdictions could be eliminated.

For participants in an emissions trading scheme, reporting would need to be mandatory and use a single methodology and set of guidelines for reporting, the results of which would be subject to an audit. Uniformity of monitoring and reporting standards will be necessary across multiple trading schemes if they are to be effective in encouraging participation and reducing emissions.

The National Greenhouse Gas Inventory provides a comprehensive understanding of Australia's historical and current emissions signature. The Greenhouse Challenge Plus program features a software tool that appears robust enough to accommodate increased reporting, in scale and scope.

Australian participation in the Asia-Pacific Partnership on Clean Development and Climate has demonstrated Australia's leadership and influence both regionally and internationally.

Australia has considerable expertise and experience in financial and commodity markets. Experience in the development of commodity markets, ranging from cattle to electricity futures, suggests that Australia is well-positioned to deal with an emissions trading scheme.

Labour and, more specifically, labour shortages across the Australian market mean that both industry and government will have to spend time and money developing the skills sets required to administer an ETS and offsets schemes, especially in the accounting sector.

2. **What are the pros and cons of Australia adopting a domestic emissions trading scheme in the absence of a universal, fully-developed international scheme? It would be useful if respondents could reflect on:**

a. **the impact on global abatement efforts**
b. **the implications for Australia's international competitiveness**
c. **the implications for industry performance**
d. **the extent to which a domestic scheme would promote investment generally and in low emissions technologies in particular**
e. **whether transitional measures would be necessary to protect Australia's existing competitive advantages**
f. **whether the early introduction of a domestic trading scheme might promote the emergence of future competitive advantages for Australia**

g. the efficacy of a domestic emissions trading scheme in achieving policy objectives relative to alternative or complementary measures

h. the opportunity for Australia to design a flexible scheme which would allow the country to calibrate its commitments in response to international developments.

An ETS is a suitable, low-cost tool for reducing greenhouse gas emissions that can help industry adopt commercially available energy and emissions efficiencies.

A national ETS would simplify the approach to reducing Australian emissions, not least by eliminating state-based schemes and sector-specific support. It would also lead to an immediate reduction in emissions through the application of available offsets and low-cost, easily implemented technologies. In addition, implementation of an ETS in Australia would enable policy formation and allocation of offset credits that are tailored to Australian industry and the national economy.

Swift action will minimise costs of mitigation and abatement in the long run, a scenario preferable to the implementation of steep constraints later, which inevitably will be more costly and logistically difficult to overcome.

Australian industry is generally innovative, so it is reasonable to assume that Australian firms will adapt to an emissions trading scheme.

Australia is a key regional player that can influence developing countries in the creation of an ETS , but Australia also needs the support of its neighbours in order to ensure that an Australian scheme becomes the basis for a larger scheme in the Asia-Pacific region. A domestic scheme should be seen only as a stepping stone to regional and global solutions.

Targets, caps, allocated permits, and timelines would serve as the transitional measures. If the caps and permits are set at a reasonable level, and if the time in which to achieve the targets is also reasonable, the market participants will adapt accordingly, without the need for further regulation in the transitional phase. Caps would be expected to be adjusted downward over time.

Early action by Australia could lead to new competitive advantages, as efficient markets encourage both innovation and commercialisation. Current competitive advantages should also be recognised and encouraged in the design of any domestic ETS.

CCI reiterates that emissions reduction will require a suite of coordinated approaches nationally, regionally, and internationally. It would be naïve to suggest that a domestic trading scheme on its own will promote sufficient investment in low-emissions technology.

Most of the design features of a domestic ETS could be adjusted over time to meet requirements of other schemes or an emerging international scheme. Two key foundations are worth mentioning:

- A domestic ETS should be based on the cap-and-trade design in order to be compatible with the EU ETS. It is extremely unlikely that the EU will change its scheme to baseline-and-credit, with which a cap-and-trade system cannot interact.
- A strong framework for monitoring and reporting is essential. The integrity of the system must be seen to be equal to, or better than, international systems. Without such integrity, other countries and regions will not want to join forces with Australia.

3. What are the key design features (such as permit allocation, offsets and coverage) of a workable domestic scheme?

- Market type: cap-and-trade, vs baseline-and-credit
- Allocation method: free allocation, auctioning, combination
- Offset credits: definition of allowable credits, fungibility with other systems, length of time to monitor assets (such as forests and plantations)
- Scope / coverage: what gases, what sectors
- Caps / baselines: recognition of early action, level playing field for internal competition
- Property rights: must be secure
- Trajectory: long term is preferable to short term to enable decision-making around long-life assets and investments
- Market liquidity: tradeability of Australian permits outside Australia, hedging, banking, borrowing
- Penalties: level and for what period
- Environmental integrity: monitoring, reporting (including standards of accuracy), auditing, reviewing, modifying caps or baselines, and enforcement

4. What other steps could Australia take:
a. to prepare for any workable global scheme?
b. to improve energy efficiency in end uses, including through better demand management and the facilitation of future technological improvements?
c. to encourage the commercial deployment, in Australia and overseas, of low emissions technology?

As mentioned, a suite of incentives provided by all levels of government, will be required to retain existing companies, attract new ones, and to encourage entrepreneurs to establish new firms and invest in new technologies locally. Such incentives could involve:

- expanding and enhancing the Low Emissions Technology Development Fund
- grants for technology investment
- accelerated depreciation or other tax incentives for technology investment
- continuation and expansion of such programs as the Mandatory Renewable Energy Target

Other measures, such as preparing the workforce for changes in accounting systems, will have to be employed, as well.

Incentives will also be needed to address energy demand at the consumer level, from housing design and transport options to consumption choices and options for design, recycling and disposal of purchased products. Individual carbon accounting is one measure that could be used to address emissions at the personal level. On a larger scale, government procurement will need to look increasingly to energy efficiency and employ decision making based on life-cycle analysis.

Education at all levels and involving all stakeholders, including small business and householders, will also play a major role in successful adaptation to a carbon-constrained future.

5. Are the proposals put forward in 4(a)-(c) best considered as complements to a domestic trading scheme or as an alternative?

They must be seen as complements. An emissions trading scheme is an essential element of reducing global emissions efficiently but is by no means the only element.

Other measures

1. Were Australia to adopt an emissions trading scheme what would be the implications for the current suite of measures to address climate change?
- **a. would emissions trading further encourage the research and development of low emission technologies?**
- **b. would emissions trading have an impact on the commercial deployment of other low emissions technologies?**
- **c. would emissions trading have an impact on the take-up of low cost abatement options such as energy efficiency measures?**
- **d. would there be scope to abolish other, more costly, interventions without affecting the overall abatement effort? and**
- **e. what other policies would most effectively complement a possible future emissions trading system?**

CCI expects that an emissions trading scheme would play a role in encouraging research and development of low-emission technologies. Market forces will ultimately decide what technologies, products and services are deployed within a carbon-constrained system.

An emissions trading scheme should also encourage the development of abatement methods, such as carbon sequestration, offsets, and energy efficiency measures. Again, market forces should facilitate the adoption of the lowest-cost options first.

2. What low-cost abatement options are available now? How technically feasible is it that existing infrastructure, plant and equipment can be modified to reduce emissions?

Energy efficiency is within the scope of achievable emissions reductions now. There is further potential for significant reduction through resource recovery and renewable energy, which can be facilitated by gearing policy measures to support sustainability.

3. To what extent would emissions trading facilitate such abatement or modification activities?

Business and the wider community are looking for mechanisms for dealing with climate change. Emissions trading, if properly implemented and administered, is a fair, open, and transparent process that will mitigate Australia's greenhouse gas emissions and provide opportunities for new growth in industries geared to respond to this challenge.

Creating a market for greenhouse gas emissions and emissions reductions through an emissions trading scheme will provide flexible and low-cost abatement options while accelerating the adoption of existing and new technologies. Such a system will send a strong signal to the market and lead to the immediate deployment of available technologies and further development of emerging technologies that can reduce greenhouse gas emissions in Australia and around the world.