



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

JOINT STANDING COMMITTEE ON TREATIES

**Reference: Kyoto Protocol**

THURSDAY, 26 APRIL 2001

MELBOURNE

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## JOINT COMMITTEE ON TREATIES

Thursday, 26 April 2001

**Members:** Mr Andrew Thomson (*Chair*), Senator Cooney (*Deputy Chair*), Senators Bartlett, Coonan, Ludwig, Mason, Schacht and Tchen and Mr Adams, Mr Baird, Mr Bartlett, Mr Byrne, Mrs Elson, Mr Hardgrave, Mrs De-Anne Kelly and Mr Wilkie

**Senators and members in attendance:** Senators Cooney, Ludwig and Tchen, and Mr Baird, Mr Byrne, Mr Andrew Thomson and Mr Wilkie

### Terms of reference for the inquiry:

- The implications for Australia of proceeding or not proceeding to ratify the Kyoto Protocol and meeting its target emissions levels by 2008 with regard to anticipated and/or predicted economic, environmental and social outcomes both nationally and in specific regional areas.
- The veracity of conflicting current scientific theories on global warming and any solutions proposed for it.
- What definitions and criteria Australia should develop and actively pursue in its national interest with regard

to:

- grandfathering,
- trading credits,
- carbon credits,
- sequestration,
- revegetation,
- land management, and
- definitions (eg "forest").

- The economic, environmental and social implications of a punitive approach to any domestic regulation of industry including such proposals as a carbon tax and an incentive-based approach.

### WITNESSES

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**Committee met at 10.28 a.m.****EYLES, Mr John Maxwell, Executive Director, Australian Industry Greenhouse Network**

**CHAIR**—I declare open this inquiry into the Kyoto Protocol and welcome the witnesses and members of the public. We do not require evidence on oath, but these hearings are legal proceedings of the parliament so they warrant the same respect as if they were taking place in the chamber. The giving of misleading evidence is a serious matter. Would you like to make some introductory remarks and reflect on recent developments in the debate about the protocol? Then we will have some questions.

**Mr Eyles**—I have prepared some notes which I would like to read. The Australian Industry Greenhouse Network continues to strongly support the government's insistence on resolving a number of outstanding issues and that these would need to be resolved before Australia would consider ratification of the protocol. The AIGN agrees with the government's position on critical requirements for a future international framework as set out in the letter from the Prime Minister to President Bush. Specifically, the Prime Minister said:

In my view an effective global framework to address climate change needs to include commitments from all major emitters; unrestricted market-based mechanisms, including emissions trading; an approach to carbon sinks that captures both economic and environmental opportunities; a facilitative, rather than punitive, compliance system; and assistance for the most vulnerable countries to adapt to climate change.

AIGN believes that such a framework, combined with differentiated and realistic targets that recognise the role of technological development in the longer term, will be of fundamental importance to Australia's national interests. The position, however, of many parties to the protocol on these issues is not compatible with Australia's national interest or with the key principles in the framework convention. In particular, we believe we must have open and efficient transparent flexibility mechanisms that will ensure emission reductions proposed in the protocol are achieved at lowest possible cost. This is a requirement in the convention itself under article 3.3. That requirement is further supported by article 3.5 in the framework convention, which says that parties are to cooperate to promote a supportive and open international economic system that would lead to sustainable economic growth in all parties, particularly developing country parties, thus enabling them to better address the problems of climate change.

Also in the convention there is a requirement for a comprehensive approach, as set out in article 4.1(b), to include all anthropogenic emissions by sources, and removals by sinks, of all greenhouse gases not controlled by the Montreal protocol. Hence, sinks and sources associated with land use change, forestry activities and agricultural soils must be included for annex 1 parties and as possible projects under this clean development mechanism. Further, there must be the effective inclusion of developing countries—not just as recipients of assistance or investment leakage, or as the majority membership of new committees to be established, but as partners. The inclusion of all developing countries will need to take account of equity, differentiated responsibilities, respective capabilities and the leadership role for developed countries as set out in article 3.1 of the convention. However, the bottom line has to be an effective arrangement to negate the incentives for emission intensive activities to relocate from developed to developing countries. This issue is of critical importance to Australia, not only because of the failure of the environmental goals caused by emission leakage but also because

of the impacts on the competitiveness of the industry, on jobs, on the economy and on regional development. The AIGN further notes that, in the IPCC third assessment report, *Mitigation of climate change*, dated March 2001, estimates of emission leakage are that it could be as high as 20 per cent of developed country reductions.

AIGN believes that a broad-based international framework is critical and that countries, particularly Australia, cannot act in isolation to try to achieve substantial reduction in emissions due to reasons of national interest and emissions leakage. In view of the attitude of many EU and G77 countries, Australia must give very high priority to working with like-minded countries to ensure appropriate resolution of the critical issues discussed above. In addition, AIGN believes that getting it right must take priority over artificial deadlines such as the 'ratify by 2000' goal apparently set by some countries.

Further on timing issues, for the reasons I have just mentioned and to provide industry and investors with increased policy certainty, AIGN welcomes the assurance given by Senator Minchin on 7 March 2001 that Australia will give priority to getting the international policy agreement right, rather than be rushed into compromise. While the potential delay in international response is a source of uncertainty, we do not see its impact as being greater than that which could arise from compromise on issues critical to Australia's national interest. AIGN believes that any agreement has to be based on the principles set out in the Prime Minister's letter to President Bush in order to avoid a false start, based on a flawed protocol which would inevitably need renegotiation. Such a false start would result in a much longer delay in achieving effective global action to address climate change. In that sense I would like to highlight the fact that ABARE has been producing for some time papers where they set out the growth in emissions globally both within annex B countries and in the non-annex B countries. That chart has shown quite clearly that the growth in emissions in non-annex B countries far exceeds that in the annex B countries. It seems to us to be a matter of simple logic to say that we have to find a way of including all countries in this international framework and not just some of them.

The AIGN also wishes to highlight the fact that any delay is primarily in the conclusion of the negotiating process. Australian industry and government are continuing to take actions to abate greenhouse emissions which reduce the risk of needing to take drastic action to manage the consequences of any delay in negotiations. AIGN supports getting the framework right and does not agree with the view that some have that the protocol must not be allowed to falter because alternatives could be worse. AIGN believes that all parties in the private sector now have a better and increased understanding of the issues since the protocol was negotiated. Hence, while delay caused by any renegotiation would have some negative aspects, we believe that there are very significant prospects for a more efficient global response. In particular, the response could be even more comprehensive and market based to ensure global benefit at the lowest cost by ensuring that all low-cost improvements could be actioned through a true global market.

Any new arrangement could also take account of emerging scientific information—for instance, that which indicates that fine carbon particulate or soot should also be included in a control regime. There are extensive opportunities for low-cost reduction in fine carbon particulate which would not only assist with respect to climate change but would be a major contribution to improved public health. Such changes could significantly reduce the cost of achieving the same environmental outcome as the Kyoto Protocol. In terms of the future, AIGN

strongly supports government's approach to cost-effective action as set out in the government's greenhouse commitments to Australian industry released by Senator Minchin in September of last year. We note that industry and government have already made important progress on emissions abatement and support continued and broadened cost-effective actions. However, AIGN cautions against actions that have not been subject to full consultation, analysis and evaluation. In support of the need for more effective consultation and analysis, AIGN agrees with the view in the recent public consultation paper on early greenhouse abatement action that precipitant decisions may in fact add to cost or made good outcomes harder to achieve in the years to come. Thank you.

**Mr WILKIE**—You mention that there have been technological advances that can improve the reduction of greenhouse gas emissions. Have you any examples of that sort of technology and how it is being developed?

**Mr Eyles**—There is a number of technologies in the renewable energy area which are progressing, but I think there is a much wider range of technology opportunities out there. Some of them will need more time than perhaps is currently envisaged by the timing of the first commitment period. Nevertheless, there is significant work on transport, fuel cells and hybrid vehicle power systems. Some of the other technologies that may well prove to be important are technologies for improving efficient conversion of coal to electricity. There is a whole range of clean coal technologies being looked at, including gasification systems and removal and disposal of CO<sub>2</sub>. Perhaps in a shorter time frame there are technologies that now need to be demonstrated that have been developed for drying brown coal, including potentially going through to gasification of brown coal. So in almost all fields where we have emissions there are various technologies at various stages of development that I believe will demonstrate, in time, that they are a critical part of solving the problem.

**Mr WILKIE**—If there is not a requirement for industry to actually reduce their greenhouse gas emissions, will they implement these strategies?

**Mr Eyles**—There is action already being taken, but it has to be cost effective. In particular, as long as there is the prospect of our major competitors not having to take any action, the concern about how far we can go into some of these new technology is increased. If we have a global framework that involves all countries, then we will have an environment in which it will be less of a concern to competitiveness to adopt some of these higher cost solutions. But we are fully committed to continuing to take cost-effective action.

**Senator LUDWIG**—Do you have a view now in relation to the US decision which might either add to or change your submission?

**Mr Eyles**—From our point of view, the decision of the US to review their situation prior to recommencing negotiations is in some ways quite welcome because they have clearly highlighted an issue that has been of concern to Australian industry and, I might say, to Australian governments all the way back to COP1 negotiations in Berlin—that is, that a framework that does not include developing countries is not going to be an effective framework. So we are pleased that the US have highlighted that issue and have committed themselves to come up with some alternatives to address that issue. That is a positive move, from all points of view.

**Senator LUDWIG**—One of the things I read recently—I suspect it was the EU complaining, but I am happy to be corrected on that—was that the US had effectively coopted itself into the process in order to come up with what they say would be an unworkable system—that is, the Kyoto Protocol, in terms of sinks and so forth—and to then, at the death knell, decide not to participate and to leave the parties with a scheme that in some quarters is now unworkable, given the range of administrative processes needed to meet the effective commitment. Have you seen that argument or do you have comment on that argument?

**Mr Eyles**—I have seen a wide range of arguments; I think a lot of it is some very public negotiating processes going on. My expectation is that, when the COP resumes, the US will deliver what they have indicated they are going to deliver, and that is some alternative views on how to go forward. I think we should allow them to complete their review, and give whatever they come up with careful consideration.

**Senator LUDWIG**—In the interim, on a domestic basis, you mention in your submission a number of times the term ‘fair contribution’. Could you expand on what you mean by ‘fair contribution’? What sort of commitment would you expect a fair contribution to entail? Would it be a regulatory or voluntary scheme? How would it be administered?

**Mr Eyles**—In today’s submission I did not mention ‘fair contribution’. I think you are referring to an earlier submission. Certainly, we have used that terminology with respect to Australia’s contribution to an international effort and, in particular, that addresses the issue of all significant emitting countries being within the framework. ‘Fair’ is clearly a requirement for the international framework. At one stage, Australia was one of a very small number of countries which were arguing for differentiation going into the Kyoto Protocol, and we argued that on the basis of a fair contribution to the effort. I think it is now a matter of record that the parties came to understand and agree with that approach to the negotiations in Kyoto. Interestingly enough, the Europeans within the EU expanded upon the differentiation concept in that EU then exists amongst the annex 1 parties.

**Senator LUDWIG**—But in the conclusion to the AIGN submission you say that AIGN supports Australia continuing to take cost-effective action to ensure that we make a fair contribution, in view of our national circumstances. What do you say is the fair contribution that the Australian industry should make? Can you give me an example? As I understand it, it is not committing yourself to the Kyoto Protocol. What is it?

**Mr Eyles**—It is taking cost-effective actions that will not result in us simply losing business to our competitors in countries that are currently not seen as being part of this framework under the protocol. In that sense, we have competitors in the Asia area. For instance, take a country like Singapore that competes with us in plastics, chemicals and petroleum products, to name just a few. Singapore has a per capita GDP that is well in advance of Australia’s. They are a serious competitor for us in a number of areas. They are not part of the countries that are currently envisaged to be covered by the Kyoto Protocol. That does establish some constraint on how we can go about making a fair contribution to an international effort. We would argue that we need a truly global framework which includes all countries on a fair and equitable basis, in which case we can do more than we are currently able to do.

**Senator LUDWIG**—I accept that, but what do you say you can do now?



**Mr Eyles**—What we can do now are cost-effective actions, as I have indicated. There are a wide range of those under the Greenhouse Challenge. There are additional ones that have been agreed with government—for instance, in the electricity supply sector there has been agreement with government in terms of improving the efficiency of operations of power stations. There are other activities which are not quite cost effective at this stage which are being facilitated through the GGA program. There are a lot of things happening out there.

**Senator LUDWIG**—So it is only to the extent of what has been facilitated by the Greenhouse Challenge and what is currently available in terms of technology that would be cost effective to implement that you would be considering under what you say a fair contribution is? Is that a fair summary?

**Mr Eyles**—I think that is a fair summary.

**Mr WILKIE**—You talked about how a lot of companies would move offshore into areas where they do not have to comply. Do you have examples of where that has occurred? I mention that because in Perth last week one of the people giving evidence was saying that the lead-in time for developing large infrastructure projects could be five or 10 years and, therefore, where you are developing a resource, if you are a large corporation, you would have been deciding where to put future resources quite a few years ago and you would have been developing that knowing that this protocol was coming into place. Can you quote examples where industry has gone to developing companies to try to avoid having to be part of Kyoto?

**Mr Eyles**—I cannot identify examples which have already occurred because—

**Senator LUDWIG**—What I am saying is that, given the large lead-in time for major projects, they would not be saying, ‘We are going to wait until people ratify it before we work out where we are going to put industry,’ because they are having to put in huge amounts of resources.

**Mr Eyles**—Clearly, people investing in those projects have to take a long-term view and they have to take into account all of the factors that affect competitiveness. All the way from COP1, the Australian government has argued at every opportunity for the international framework to be a comprehensive one and to include all countries—or certainly all significant emitting countries. In that context, I think the large developers have been given an assurance by the Australian government that this is a key priority for the government. The protocol that was negotiated does not include that provision. Nevertheless, there have been many statements on this subject by the Australian government. Most recent—and the main one I would highlight—would be the commitment to industry back in August or September of last year, which was specifically triggered by the considerations of the LNG action agenda, which was a critical requirement for underpinning continued investment in North West Shelf gas.

What I am really saying to you is that, to date, I do not believe there has been significant leakage, because there has been a long-term and consistent view by the Australian government about the need for comprehensive frameworks and to not take action that would directly result in investments being diverted from Australia offshore. Because the government has understood and accepted that, I do not think that there are any examples I can identify now. What I can say is that there are signs that there are opportunities for people to think about locating elsewhere

out there. Most recently, for instance, there has been an announcement in Malaysia of a project to establish an aluminium smelting complex in Malaysia of half a million tonnes capacity. That is a quarter of what we have here in Australia. It is a proposed project and I suspect that it competes with some proposed projects here in Australia. Time will tell which ones win out, and I suggest that the approach we take in terms of continued negotiations and the policy adopted by the government of Australia will be a significant factor in deciding who wins out for those investments—Malaysia or Australia.

**Senator COONEY**—Correct me if I am wrong, but what the Australian Industry Greenhouse Network is saying is that the greenhouse effect is a serious problem for the world.

**Mr Eyles**—Yes.

**Senator COONEY**—I just wonder how serious. Is it a troublesome sort of a seriousness or a real problem or a gross sort of a difficulty that the world is going to face in years to come?

**Mr Eyles**—We do not try to reinterpret the scientific work of the IPCC. We are aware of that and we try our best to understand that. Based on that understanding, we accept that there is a serious risk and that we should take steps to manage that risk—in other words, to reduce that risk—by taking actions. As I have indicated, we see that a major impediment on a global scale to taking effective action is that the current framework does not have the breadth that is necessary to take effective global action, as indicated by the chart produced by ABARE that I have passed around, for instance.

**Senator COONEY**—Leading on from what Mr Wilkie was asking, it appears that there is nothing much that we can do about the problem, because we cannot get a suitable agreement. Do you agree with that?

**Mr Eyles**—No, I do not agree with that; I have a more optimistic view about the international negotiations. I support that by referring to the negotiations leading up to the Kyoto Protocol with respect to the issue of differentiation. There were a series of negotiating sessions—I think there were eight or nine—and it was not until some of the final sessions and the meeting in Kyoto itself that there finally was broad acceptance of and support for the concept of differentiation. Right throughout the early stages of that process, the European Union in particular vigorously argued for uniform targets and timetables. If we have positions that have some fundamental logic and merit, we should not give up, because I think we can convince others.

**Senator COONEY**—Kyoto was a couple of years ago, wasn't it?

**Mr Eyles**—It was in December 1997.

**Senator COONEY**—And nothing has been done about it since then. America has pulled out, and there has been the problem of nations that did not sign up at all. You would have to say that the future looks grim, wouldn't you?

**Mr Eyles**—We are talking about a major international agreement that the parties are attempting to negotiate. If we look at other major international agreements such as agreements to

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move towards free trade, we will see that the issues are very complex and that they take time to work through. Even though we have spent three years in the negotiation process on Kyoto, that does not mean that nothing has been done. Significant action has been taken in Australia and in most other annex B countries to start to reduce emissions and to start to work on technologies that will give long-term benefit.

**Senator COONEY**—If we do not get some agreement together, the disaster that we are trying to avoid will be upon us. One of the problems seems to be that people accept that there is a problem but, when it comes to analysing what to do, instead of analysing the problem, we analyse the issue in terms of sacrifice, how it will affect trade and whether A does more than B. In other words, the argument seems to be directed not at answering the problem and the effect of the gas but, rather, the effect on our economy or trade.

**Mr Eyles**—There are two aspects. One is that we accept that there is a significant risk that deserves to be worked on. Until we can have a more comprehensive framework, we will not be able to make real progress. In the meantime, we are committed to taking cost-effective action so that we do our part until there can be a more effective international framework that covers at least most of the international emissions. It is a risk-reduction strategy because, although in the scientists' view there is increasing certainty that there has been some effect on the world's climate, they are still unable to be precise about what the future changes will be under different emission scenarios or what the consequences of those changes will be in precise terms. So I do not think that we can do much more at this stage than accept that it is a risk-management proposition and that we need to invest in sensible things to reduce that risk.

**Senator COONEY**—Has the Australian Industry Greenhouse Network any contingency plans for a situation that may arise in which there is no comprehensive agreement in five, 10, 15, 20 or 25 years?

**Mr Eyles**—We are committed to continue to work with the government on cost-effective actions. We believe that the sorts of actions that will be possible in the longer term will be significantly helped by the technology options that are being looked at at the moment. We believe that there needs to be an increased investment in new technologies to find lower cost ways of addressing this problem in the longer term. Clearly we are not able to go out there and, in a very short time, achieve the long-term reductions that are indicated in the science as being necessary. It would simply result in closure of a very large amount of Australian industry.

**Senator COONAN**—Is the Australian Industry Greenhouse Network then content to follow on from the lead given by the government?

**Mr Eyles**—That has been our record. We have worked with the government to identify cost-effective ways to go forward, and Australian industry is strongly committed to that.

**Senator COONEY**—Can you think of any techniques that the government might use—since we are leaving it to the government—to get other people to agree, not only in America but in the countries in annexure B? Have you got any suggestions as to how they could be brought on board?

**Mr Eyles**—To get who to agree?

**Senator COONEY**—The United States but also the ones in annexure B, the countries that are outside the agreement at the moment.

**Mr Eyles**—I believe Australia is endeavouring to take a very constructive approach to working with the US through their review process. My view would be that that may be a much more successful way of working with the US through their review of position, rather than the strong reactions that have come out of some European countries. I suspect that our approach of indicating to them that we believe their leadership is critical but that we are prepared to work with them to find more effective ways forward is going to be more influential in moving forward than some of the more emotional things that have been said, although that seems to be moderating somewhat now.

**Mr BAIRD**—Some of the key questions have already been asked by my colleagues, but let me ask you something provocative. I notice that, in terms of the membership of your organisation, there is a broad base of those with a direct interest. Sometimes I wonder whether the statements that you are making, given the problem that we face, are similar to what steel companies operating in Pittsburgh said about the pollution implications that existed in that area. Is this saying, ‘We have come together as organisations to protect our economic interest. The more that we could influence politically to reduce the overall implications of Kyoto commitments, the better off we are economically’? To what extent is that charge true and that we are looking at a repeat of the polluters of the early part of the last century who disregarded the health and environmental implications of what they were doing?

**Mr Eyles**—I do not think it is a fair analogy, and I do not think it is a very useful one, frankly. The position we have taken is to try to constructively work on ways we can reduce emissions. The network was one of the driving forces behind putting together the Greenhouse Challenge program with the government back in 1995. We have continued that spirit of cooperation through looking for cost-effective solutions. We have highlighted that there has to be a balance between how fast and how far we can go in taking these actions because of the potential to impact on profitability of the industries that are part of the network. That is true, but I think it is also a fair concern for the Australian community and government. So we believe that it is important to make people aware of the risks of taking too strong an action too soon and without the participation of key international countries, particularly the ones we compete with on the export and against on the imports.

**Mr BAIRD**—Isn’t it true, though, that this is a voluntary system and that a lot of the changes you are making are in your economic interest anyway?

**Mr Eyles**—Clearly Greenhouse Challenge seeks to find win-win solutions. We believe there are still more opportunities out there and we are very pleased that the program continues to grow and is involving many more smaller companies now. We see that that is continuing to make an important contribution. I also mention, though, that the electricity supply sector, for instance, which is the biggest single sector contributing to emissions in Australia, has gone through a process of negotiating with the government with respect to efficiency standards and has committed itself to making improvements in the efficiency of operation of power stations beyond what it would normally have been committing to do.

**Mr BAIRD**—To what extent do your range of companies recognise the challenge that we have with global warming?

**Mr Eyles**—Individual companies make their own assessment of the scientific reports, but we are all saying it is a serious issue and that action needs to be taken to address it.

**Mr BAIRD**—As long as it is voluntary?

**Mr Eyles**—As long as it is cost effective. I think that is the prime issue we have at stake here. We believe there are many voluntary opportunities that have still have not been identified, so we think that has to be given priority. Beyond that, we think it is a matter of then taking the next most cost-effective action. As I have indicated, the electricity supply industry is certainly going down that path.

**Mr BAIRD**—Which industries that belong to your organisation would be most affected by the Kyoto Protocol?

**Mr Eyles**—I suspect the electricity supply industry would be the first most affected industry, but the flow-on effects could be even more serious. It is difficult to separate the two, but quite clearly the industries which use large amounts of electricity as an essential requirement of processing the materials they produce, such as the aluminium industry and the magnesium industry that is a possibility for developing here in Australia, would experience flow-on impacts from potential increases in the cost of electricity. But there are many others, including the cement, pulp and paper, and chemical industries.

**Senator TCHEN**—I would like you to comment on two issues, both of which, in thinking about it, you have probably already partly addressed, but I want to put a slightly different slant on them. Mr Wilkie asked you whether there was an instance of Australian industry relocating overseas and you said there was no example of that—that is, because of the way the Australian government has made provisions, industry has been satisfied to stay in Australia in the long term. Later on I think we will hear from another expert witness who will indicate that, as far as he understands from his analysis, there is no opportunity for energy intensive industry to be located in developing countries in terms of its resource infrastructure, human infrastructure and political infrastructure. Can you comment on that?

**Mr Eyles**—I have not heard the argument so I am not sure whether there are some specifics in this, but I can talk to some specifics with respect to chemical industries. Quite clearly there are opportunities for expansion in Singapore, Malaysia and Thailand. In the paper industry there is very strong competition from Indonesia and South America. They already existed so there are clear opportunities for those facilities to expand. I made reference to the aluminium sector. The announcement of a possible project in Malaysia is just simply the most recent in what is a rather long list of aluminium project opportunities in developing countries. The pattern is already there that the growth in new aluminium smelting capacity has shifted from the developed countries to the developing countries in overall terms. Australia and to a lesser extent Canada are the only two developed countries which have in recent times continued to add capacity in that area. So again there is already a demonstrated capacity for that industry to grow in developing countries. I am sure that that is going to continue. It is really a question of whether it is going to continue

at the expense of Australia or whether it is going to continue taking advantage of a growing world market.

I can go through other examples as well. Our cement industry, for instance, is under extreme competition from the Asian area. Again the fact that they were already experiencing strong competition indicates that there is both the infrastructure and capacity for those industries to grow and develop in those areas. We also have to keep in mind the scale issue. The Australian economy in the total sense is not all that large compared to some of these competing countries so they could wipe out all of our growth with only a small change to their growth. I think the capacity is clearly there.

**Senator TCHEN**—I have a quick question on the implication of Australia's energy intensive industry competitiveness, which is a concern of AIGN. Has AIGN considered the possible implications if developing countries became fully engaged in the Kyoto process which led them to leapfrog technology? What implication would that have on Australia?

**Mr Eyles**—Clearly we face a competitive world out there. There is always the possibility of other countries leapfrogging us in terms of technology. However, if there is at least a more level playing field established, as Senator Minchin said in his March release, we can compete on more equal terms. We will win some of those competitive races and we may lose some others.

**Mr BYRNE**—Could you give a rough estimate of how much compliance with the Kyoto Protocol would cost as a percentage of GDP?

**Mr Eyles**—I understand that there is a range of estimates. I believe ABARE is indicating in excess of 1½ per cent.

**Mr BYRNE**—Are you aware of an Allen committee report which detailed a 1.9 per cent reduction in GDP by the year 2010 if we comply with the Kyoto Protocol? Are you aware of that particular report?

**Mr Eyles**—Yes, I am aware of that report. I think the more significant aspect of the Allen report is showing what the distribution of that reduction in economic GDP is. The fact is that it is not uniformly spread across the economy; it occurs in certain sectors and certain regions of Australia to a much greater extent than others. The industry network is very concerned about the implications of us proceeding on this on a basis that does not involve the broadest possible range of countries that we compete with.

**Mr BYRNE**—Are you also aware that there has been an estimate—used by industries that you represent—that the cost of complying with this particular protocol was something in the order of \$44 per tonne of omissions that are reduced?

**Mr Eyles**—I am aware of that estimate. I have no further information on it.

**Mr BYRNE**—That is, as I understand it, something that companies like BHP and Rio Tinto are putting forward. I think also that the Minerals Council of Australia is the body that you represent as part of this particular network?

**Mr Eyles**—Yes, they are a member of the network.

**Mr BYRNE**—So would you regard that \$44 per tonne of CO<sub>2</sub> reduction as a viable figure?

**Mr Eyles**—I understand the basis for that. In terms of a viable figure, my view is that, if that was a cost that we had to absorb within the Australian industry sectors and it was not present among our competitors, there would be a serious reduction in industry output in import competing industries in Australia because of the effect on costs. Similarly, there would be a reduction in exports—particularly from the energy intensive industries in Australia—because \$44 a tonne of CO<sub>2</sub>, if it is not reflected in the other economies, produces a very significant shift in profitability and operation of many industries in Australia. In isolation it would be a disaster.

**Mr BYRNE**—Are you aware of a recent program that the government has committed itself to: the Greenhouse Gas Abatement Program?

**Mr Eyles**—Yes.

**Mr BYRNE**—It is an allocation of \$100 million a year for four years to industries that voluntarily undertake greenhouse gas emissions abatement. Are your companies participating in that particular program?

**Mr Eyles**—They certainly are. It is a competitive bidding process, so the program is actually asking companies to identify projects and effectively competitively bid for them, so that the government finds the least-cost projects to increase that saving.

**Mr BYRNE**—If that is the case, why are companies bidding between \$3 and \$4 a tonne, if we have accepted that it is \$44? There is a report with respect to some of the early phases of that which indicates that some of these companies that are tendering are tendering for something like \$3 or \$4 a tonne. Some of those companies are major companies.

**Mr Eyles**—The program is quite deliberately set up by the government to fund the projects that will give the maximum reduction for the minimum government funding. The \$4 amount—I do not think there were any below that; certainly some of them were above that—is simply selecting projects that are able to give the greatest saving for the least expenditure of public funds. There is clearly a cost of abatement curve that rises the more abatement that we take. So I think the \$4 of public funding is a good outcome but a deliberate, intended result.

**Mr BYRNE**—But you can see how businesses are saying quite strongly that it is \$44 dollars a tonne in costs. Why would some of these same businesses then be tendering, notwithstanding the process that you have just described? Doesn't it somewhat undercut their argument?

**Mr Eyles**—No, because the \$44 is the full modelling of achieving all of the reductions. Clearly, it would encompass a whole range of costs to reduce. These \$4 a tonne reduction opportunities would obviously be taken in a market where the market price is \$44 a tonne. If you bid a project asking for \$44 of public funding, you will not get it, because there is someone else out there with a project that is lower cost.

**Mr BYRNE**—I understand but I think part of the project is looking at something like the marginal to fund the cost of large abatements—at least a quarter of a million tonnes per year. So I would have thought that, if the company has put in a submission, whilst we are bidding \$3 or \$4 a tonne, we believe the actual cost of abatement is \$44.

**Mr Eyles**—No, it is just that the \$44 is where you get to when you have to accomplish the whole thing, because it forces you to have to take higher cost abatement opportunities. That is not what the GGAP program is going to find. We will not meet all of the requirements simply through GGAP.

**Mr BYRNE**—I think it is a target. I guess the point is, though, that there is no company saying, ‘This is fine,’ because in actual fact it is \$44 a tonne. I understand the point you are making. The government also included a clause within the Kyoto Protocol which is titled the ‘Australian clause on land clearing’. Basically, it allows Australia to take advantage of 100 million tonnes of cheap emission cuts. Are you aware of the fact that that has actually been incorporated within the economic modelling that has been used by groups like Allen Consulting with respect to the actual cost of abatement?

**Mr Eyles**—I am aware of what is referred to as the Australian clause. That is a necessary requirement because of the way sinks were negotiated into the Kyoto Protocol. They were negotiated in on the basis of what is sequestered in the commitment period. For a country like Australia, that has land clearing and is expected to continue to have some land clearing, that would have been a major disadvantage. So the agreement was that there would be provision for countries who were net emitters as a consequence of land clearing to take account of land clearing in the base year and what it is in the final year. I believe the net difference between the emissions from land clearing in 1990 and in the future commitment period is not going to be 100 million tonnes a year. That is clearly a high estimate based on the information that I have had. There will be some reduction because of reduced land clearing rates, but it is not going to be anywhere nearly as large as that. I believe that Allen’s work attempted to take into account that aspect of the agreement.

**Mr BYRNE**—Can you tell me who funded that report that you just referred to?

**Mr Eyles**—My understanding is that it was commissioned by the Minerals Council. Allen Consulting also worked with the COPs Monash group to do the modelling work.

**Mr BYRNE**—Four companies paid for the report: BHP, Pasminco, Rio Tinto and the Western Mining Corporation. Are you aware of the two companies, particularly Rio Tinto and BHP, and their actual carbon production and their rankings in the top 20 companies?

**Mr Eyles**—I do not have that data with me. Also, I have no knowledge as to whether there were four members of the Minerals Council or not. I know it was commissioned by the Minerals Council.

**Mr BYRNE**—I guess the question is: would you question some of the assessments made in the report given, as I understand it, that land clearing has not been incorporated within that Allen’s commission report? In fact, if it were, it would reduce the cost of abatement from \$44 a tonne somewhat significantly downwards.



**Mr Eyles**—My recollection is that Allen's attempted to take account of that in setting up the modelling framework for their modellers. In terms of the implication which you are making that somehow the companies funding this directly influence the output, I think you would have to discuss that with Allen's. My understanding is that it was very much a commissioned job to Allen's. They were the consultants that had been used by government as well as industry and they would have carried that out in a professional way, along with the modellers.

**CHAIR**—Your background is with Alcoa?

**Mr Eyles**—Yes.

**CHAIR**—Good. Interestingly, the Secretary of Treasury in the new Bush administration, Paul O'Neill, was the chairman of Alcoa—

**Mr Eyles**—That is right.

**CHAIR**—Before he took this government role. He had quite an enthusiastic position, it seemed, about the protocol before taking office. Why was that? Why would the head of a large aluminium smelter be fairly keen on this?

**Mr Eyles**—First of all, Paul O'Neill's views about climate change that I have seen in the public arena relate to a speech he made in 1998. In that speech he was in fact critical of the Kyoto Protocol. I cannot recall his precise words, although I would be happy to make the speech available to the committee. He felt the protocol was a political fix that perhaps was not going to stand the test of time. On the other hand, in that speech he did indicate that he regarded this as a serious risk and one that should not be ignored and that the aluminium industry, along with everyone else, should be working to try to find ways of addressing the problem. He was somewhat critical of the protocol and the negotiating process that produced it.

**CHAIR**—It is difficult not to be critical of it; it did not work. That said, one last point: the emissions from smelters include some elements that are not included in the protocol, such as HFCs—hydrofluorocarbons.

**Mr Eyles**—The main emissions from the smelters are perfluorocarbons—PFCs. They are one of the family of six gases listed in the protocol. The aluminium industry has made very significant reductions in those emissions, and so the concern the aluminium industry has about the effect on competitiveness primarily arises from the electricity used in the smelters, which is primarily carried out by other parties, although the Alcoa operations here in Victoria have some of their power supplies provided from their own power station.

**CHAIR**—This is a big topic that we cannot go into today, but thanks kindly for giving evidence this morning.

[11.27 a.m.]

**HELPS, Mr Andrew, Managing Director, CDM Systems Pty Ltd**

**CHAIR**—Thank you for your submission. It is nice and concise, and we have had an opportunity to read it. Would you like to make some remarks? Do not go on too long because we get more out of cross-examination, but say a few things and then we will ask some questions.

**Mr Helps**—I basically wrote to you, Mr Chair, because I was concerned with some of the comments that were being made in the *Hansard* record of this inquiry—mainly by the gentleman from the Aluminium Council, Mr Coutts, and by Brian Fisher from ABARE. For a long period now we have had this—I suppose you would call it—‘implied threat’ about carbon leakage in Australia. It is a common story across a lot of the big industry groups who make representation on greenhouse issues. As a person who has extensive business interests in the developing world, I just got to the point where I felt that somebody should come to this committee and say that there are real problems with this concept of—as one Canberra bureaucrat put it recently—‘a boatload of Sri Lankans arriving in Portland and disassembling the smelter and taking it to the east coast of India’.

From a practical point of view, any large capital intensive business is very difficult to establish in even the largest and best established developing world countries. Some of those non-annex B countries do not want polluting businesses anyway, so you can count out places like Korea. For energy intensive industry, such as the aluminium industry, it is virtually impossible to go anywhere where you cannot get a very low cost power supply. We have just heard this morning about the proposal to put a large aluminium smelter into Malaysia, and that is reliant on the construction of a very large hydro dam. The last report I saw circulating last year on that particular project from the World Bank indicated an electricity price of about \$US60 per megawatt hour. Recently published American aluminium industry data indicates that \$US30 in America is the cut-off point for profitability in that particular industry.

So you can see the enormous difficulties. Firstly, there is the difficulty in getting a competitive power price; secondly, there is the long time it takes to build the dam before you can build the smelter; and, thirdly, there is the problem that you get with lending consortia that would be involved in putting the funding package together obtaining MIGA guarantees. The multilateral investment guarantee agency which guarantees most of the lending for big projects in the developing world has an upper limit at the moment of about \$US200 million and aluminium smelters and indeed most energy intensive industries need borrowings way in excess of that target.

The other problem that occurs is also driven by the IMF in that, when developing countries start to get large scale MIGA guarantees involved in projects, it actually indirectly affects their ability to use the IMF funding for other areas. They sort of get up to a de facto overdraft limit with their risk. And again we look at things like the chemical industries and the fact that all the chemical industries will pack up and leave. I would just make the point to the committee at the moment that the current environmental requirements for chemical plants in places like Vietnam are now stronger than they are in the state of Victoria. So why would you go from Victoria to a regime where you have political, financial and import risk and graft and corruption to some

degree within the bureaucracy and tighter environmental regulations? Gentlemen, it does not make sense.

I think it is of great concern also that the reality in the developing countries at the moment is that they are all looking for more environmentally efficient ways to even operate their own businesses. China, for instance, on Monday announced some data for two years ago on its emissions, which are now down 17 per cent vis-a-vis 1990.

I was present in Wuxi in China in 1998; Wuxi is the engine building capital of China. Two large American diesel truck engine manufacturers were holding a seminar there for their various manufacturers in China. The gentleman from Caterpillar got up and said to them all, 'If you can't demonstrate to us the provenance of the aluminium that you are using for our product, we are not going to buy your product'. One of the Chinese engine building plant guys got up and said, 'Exactly what does this mean please, sir?' And he said, 'If you are not buying aluminium from a smelter in an annex B country, we are not buying your product. We want to know that the emissions that have gone into making that aluminium have been accounted for. We don't want it coming out of Russia or from some place where it is basically unaccounted. We want proper green provenance on what we are buying.'

That was not too much of shock to the Chinese, but it was an indication, even in 1998, that there was a movement by American industry to operate in advance of whatever restrictions were likely to come in. It is of concern to me that we get this common thread within evidence to committees like this one.

I was in the EU last year when the EU green paper was released and there were still some groups in the EU making the same claim to the EU people about having to be careful because all these industries are going to move to the developing world. I think it is a subject that needs greater scrutiny by your committee because it has ultimately an impact on Australia.

My belief is that exactly the reverse will happen for Australian in that we will actually be able to attract, on our terms, more of these energy intensive processing industries if we are smart about how we do it. But we have to have a Canberra bureaucracy that is capable of accepting the fact that there might be a benefit in all this rather than a risk and that the fact that we export a whole lot of raw materials could be a plus in the further processing of those raw materials. Remember, if you send a tonne of coal to Japan you are looking, with current marine technology, at nearly 200 kilograms of CO<sub>2</sub> emissions; and the further you ship it the more emissions you get. The point I really want to make to the committee is that you need to look more laterally at the threats of carbon leakage, because my experience across the whole developing world is that it is probably not going to happen.

At the moment, the aluminium industry in Australia has probably got a \$US204 advantage over American aluminium smelters in pricing, with the electricity prices in Australia. Even after you take into account the renewable energy certificate requirement fully, at \$55, and you allow \$5 for an emission tax, they are still \$US204 per tonne of product better off. So there is going to be a long way to go before any of those people are going to move. They are going to scream, jump up and down and make all sorts of allegations, but, at the end of the day, the fundamental driver is profitability.

**CHAIR**—Thank you. Any questions?

**Senator TCHEN**—Mr Helps, I trust I did not misquote you earlier to the previous witness. In your submission you suggest that this committee should take more evidence outside of capital cities. Can you explain why?

**Mr Helps**—It is of grave concern when we have august organisations like Allen Consulting and ABARE doing all this modelling and nobody yet knows what our 1990 baseline is. If you go to the national greenhouse inventory, there is very good data now and you get great big charts that look like this, but if you say, ‘What is our 1990 baseline?’ then you find a whole lot of the little boxes have got ‘N/E’ or ‘N/A’. N/A means not applicable and N/E means: we have not estimated it yet. So we have got highly august organisations like ABARE and Allen Consulting doing all this modelling and we have not got a baseline. We still do not know what our emissions were in 1990, and we will probably never know because all the big corporations have already trashed all their 1990 tax records. Gwen Andrews was not quick enough, when she took command, in getting them all to freeze their 1990 tax records. There is a lot of hard-core expertise out in regional areas in Australia that deals with sectors that have greenhouse impact. For example, there are enormous emission savings for Australia in the agricultural sector in fixing problems with soil carbon. There are other areas of expertise in engineering, mining and coal transport, for instance.

It is of concern when big Japanese corporations know more about our embodied emissions in Australia than Canberra does. For instance, we have an Ambassador for the Environment, Ralph Hillman. Now, Ralph is either very busy or he does not understand some of the questions, because I wrote to him two years ago and asked him how he was going to handle the greenhouse issues with the gas that comes out of Kutubu and the Timor Gap and he still has not got round to answering that question. For the Chevron pipeline people in Brisbane, for instance, that is a question of fundamental importance to the lending consortia because that is effectively G77 gas. So there is a whole range of issues that need to be explored that have not been. Given that Ralph, after two years, still cannot answer that question—and he is the ambassador—why would anybody explore for oil and gas in Australia when you can go half a kilometre over the seabed boundary and bring it in without any CO<sub>2</sub> stripping emissions? Why would you do it? And it must be an issue because Ralph has not answered the question.

**CHAIR**—That is not exactly good news, though, is it?

**Mr Helps**—No, but you are sometimes better off to have all the hard questions answered before you make decisions than to run around playing catch-up football later, with all due respect. I think it is fundamental for the Australian oil and gas exploration industry. It is fine for them to toss money in for Allen Consulting to go and do a report, but you have to say, ‘What is the impact of G77 gas coming into Australia that has no wellhead gas stripping emissions accounted in it?’ Why would you drill another hole in Australia if you can just go over the continental shelf and punch a hole into the ocean, bring it in and say, ‘Sorry, guys, it is G77—we are bringing this in from Timor. Timor is in the developing world, we do not have to pay anything.’ It is a fundamental question and, in two years, Ralph still has not been able to answer it. Perhaps you guys need to ask him why.

**Mr BYRNE**—Are you aware whether or not the Allen Consulting report have taken land clearing emissions into account?

**Mr Helps**—My understanding of the Allen Consulting report is that there is a factor in there. I make two comments about the Allen Consulting report. The first is that we do not have a 1990 baseline, so with anything you compute after that you are basically in Noddy and Tinkerbell land. Secondly, the Greenhouse Office at the moment has been announcing successful GGAP proposals. To date, the only ones that have been announced involve the fossil fuel sector—you can read your own interpretation into that—and some of the prices on emission credits for that investment are in the \$30 to \$40 bracket. I do not know why that is happening like that, but it is quite strange when you have very robust, well-thought-out, renewable energy projects that still have not got any GGAP money.

**Mr BAIRD**—Part of the thrust of your presentation is that you doubt the proposal that major energy intensive projects are going to move to developing countries as a result of Kyoto protocols. The submissions that we had from the Western Australian government indicated they were concerned that projects that were planned for Western Australia would shift offshore. Are you aware of any projects that are in danger of moving as a result of the Kyoto arrangements undertaken or proposed by the government? Secondly, what role do the multinationals have in that? It seems to me that you often have the same players. The Western Australian government said in their submission that with competitors from developing countries to Western Australia's industries—for example, aluminium—it was often one and the same company involved in these developing countries as well.

**Mr Helps**—I talk to boards of management of public companies all over the world, because I do quite a bit of closed door greenhouse briefing for public companies all over the world. They will always turn knobs for where they think they can get political pressure. Kyoto is just another great knob to turn to squeeze a better deal out of a state government. That being said, there are two major factors you have to bear in mind. You cannot put together a lending consortium in the developing world for anything more than about \$US20 million unless you have MIGA guarantees and/or IFC guarantees in place, because nobody will lend you the money unless you have closed out the risk.

**Mr BAIRD**—Hang on a minute. What about, for example, Alcoa where the company actually puts its money into investing? They are trying to decide whether they will invest in Jamaica or Perth in Western Australia. There would not be a financial constraint on that.

**Mr Helps**—Yes, there is. Alcoa has traditionally used debt equity mixes in the vicinity of 30 to 50 per cent. So there is always a funding consortium there. There is always these days a shareholder consortium in that, for example, you only have to get one of those decisions wrong and the management is gone. At the end of the day when they sit down and look at the projected figures it is always the best return on investment for the lowest risk. Australia is an inordinately low risk investment climate country. You only have to look at what is happening in China at the moment. All the investment going to China at the moment is either directly off balance sheet and in small numbers or is supported by the World Bank, MIGA and the International Finance Corporation funding consortia. I have yet to see a major corporation in China putting in any more than 40 per cent of its own money. There may be circumstances where all of a sudden there is a super deal to get really cheap electricity from an old Russian hydro dam or something

and somebody may well decide to take the risk but if it is a major user of gas or bauxite, you are talking significant investment in the billions of dollars. I am speaking from personal experience; it is just so hard to put together a funding consortium. Enron walked away from a power station in India. Why? Because the funding consortium would not accept the risk. Enron was not worried about its own money. It was the funding consortium that was worried and they said there were better places to invest their money.

**Senator COONEY**—The sort of evidence you are giving is evidence we have not heard before. From your submission, you more or less said you were just sitting there and you thought that something ought to be said about this and you have done it. You have qualified yourself in a couple of paragraphs there but I am wondering whether you would qualify yourself some more because the evidence is very significant. You would not want to tell us who you have acted for, I know, but how long have you been in this area?

**Mr Helps**—I got into greenhouse in the early 1990s because we had been building a waste services business in Vietnam since the late 1980s and in the early 1990s we started to see European groups moving through places like Vietnam looking for projects capable of generating large quantities of emission credits for little or no costs. Believe me, there are, especially in the waste industry in Asia, enormous opportunities with methane capture. It got to the point in 1994 where we were seeing British bankers, complete with pin-stripe suits, Homburg hats and gold chains wandering around in the tropical heat in Vietnam looking for emission reduction projects. We did not know enough about the subject so my business partners and the Vietnamese government—we were heavily involved in doing their environmental management planning at the top level—said we want to know about this because this might be a way of getting investment. I moved into the emissions area full time from then. I am lucky in that I have an inordinately broad background coming from a heavy diesel engineering background in the 1960s and I have also worked as a professional environmental disaster manager, mainly on nuclear safety. But like all these things—and I make the point to this committee very strongly—these sorts of protocols that we are talking about are ultimately implemented by industry. You only have to look at the Montreal protocol. It sat on the shelf and for a while everybody said, ‘This is difficult.’ Then the various people who made refrigerant gases said, ‘There is a whole lot of money to be made here if we change the system. Everyone will have to buy new systems for their motor cars and we will have better profits on the gas.’ It all happened within about 12 months. Industry decided it was going to happen. I am sitting on the fence in a strange role at the moment because I do not do very much advisory work in Australia at all.

I have only got two clients in Australia, but I do a lot of work in the developing world, I do a lot of work in the EU and I do a heap of work in America. I am seeing a protocol now where industry, and even the biggest players, are saying, ‘Something is going to happen, if we are not heading down this track we are going to get burnt anyway, so we might as well get on and do it.’ The National Coal Corporation in America own the forklift manufacturer Hyster—a strange thing for a coal corporation to own, but they do—and they are now looking at building fork trucks that run on organic methane. Why are they doing that? Because all of a sudden there is a market for trucks that run on organic methane. So you are seeing this movement.

The new American President has got a particular position at the moment. He will maintain that position until they get a massive cyclone or hurricane on the American east coast, then the American and European reinsurance industries will walk away from all that area, and all of a

sudden things will change because he will have a reason to change it. If a lot of the people in Australia who are spending so much money on being negative on greenhouse started to focus on the real issue—and the real issue for Australia is tracking our embodied energy and putting the greenhouse emissions from the embodied energy back to the people those emissions belong to—then we would be doing us all a favour. Rather than everybody running around the place being terribly negative, we would wind up getting our greenhouse target much quicker and much more efficiently at virtually no cost, because, remember, so many of our emissions are not ours—they wind up as Japanese and American.

**Senator COONEY**—Do you say that perhaps not the Kyoto Protocol but the thrust of the Kyoto Protocol would be realised reasonably well if we took a new attitude to the issue of how we go about looking after our industry?

**Mr Helps**—We go through a phase where all sorts of people run around the place being negative because, as Machiavelli said, they are against the new order of change; but, at the end of a period of time, they either run out of arguments or people stop believing them and the tide swings the other way. If you go to China at the moment, it is impossible to get a business licence unless your business is compliant with what they see to be the greenhouse gas requirements. They are already there; and what they are doing, hand-in-hand with India, is just negotiating the best position out of the Americans. There is nothing secretive about what they are doing, they are just being very commercial about it. They will jump in because they need to jump in; because, at the end of the day, if their products are seen to be coming from an ungreen environment, a whole lot of their consumer base will not buy them and they will not get to sell them.

So, gentlemen, I am just saying to you that in my opinion this thing is going to happen anyway. The sooner Australia refocuses all its industry on how we exploit this and drive a better result for Australia the better. It worries me when we see people like Brian Fisher spending a lot of time doing all this modelling and research, and some of the stuff that is coming out just does not stand up in the light of day.

**Senator LUDWIG**—You have indicated that there are matters that could be progressed. Instead of looking at figures and worrying about the baseline, what do you say Australia should be doing? I suspect you heard industry saying today that they are moving at the same rate as the government, if not slower—in other words, as I heard it, they are not moving in front of the government regulation or the Australian Greenhouse Office. What do you say they should be doing?

**Mr Helps**—The first thing the AGO should do, at a government level, is get some project management. We have got the government running around spending money on dinky projects. It is spending money on a CNG conversion program for vehicles that are already very clean when we have got 6,854 two-cycle diesel trucks running up and down the highway that burn three times as much diesel and drip oil and stuff all over the roadway. The AGO needs project management; Gwen consistently refuses to address that as an issue. Industry needs to say to itself, ‘Every tonne of aluminium that goes out of Australia, we will put a green provenance certification on it. We will start to say to our suppliers that we can guarantee that this has come out of a smelter where the emissions are actually accounted for.’

It does not mean a lot, it does not cost a lot, but all of a sudden you are setting a standard for other people. Then you will get the Japanese car industry saying, as one major manufacturer is already doing—one that I do a bit of work for—‘We are going to put a certificate in the glove box saying that when this car has finished its economic life you can take it to any of our dealers and get \$US1,000 for it anywhere in the world, because they will buy the wreck off you and they will recycle it.’

You start to drive using the simple mechanisms and Australia’s strengths as the lowest-cost green provenance producer of aluminium, and you start to drive the other sector so that other people have to play catch-up football. Once you can account for the aluminium that is going into Japan and going into America via Japan, via the processing industry, all of a sudden you can start to mount credible arguments that a lot of Australia’s emissions are winding up in the American recycling business. When a Honda is scrapped in America, the aluminium is recycled and America gets the difference between what it takes to melt that tonne of scrap and what it took to make it, which is normally 14 or 15 megawatt hours of electricity equivalent. It gets that on its baseline because it is a recovery. The baselines will not work until they do that, but we should lead the world in that. Once we start effectively netting out our exports of embodied energy, all of a sudden we will not have a problem. We will not have to worry about whether we will get the science of land clearing up—it is irrelevant.

**Senator LUDWIG**—Do you have a view on the domestic trading system on carbon credits?

**Mr Helps**—I think you are going to see certain groups in industry saying, ‘We are going to do this, anyway,’ and it is going to start off under its own steam.

**Senator LUDWIG**—The argument has been put to us that unless and until it is in an international forum it will not be viable; it will be inefficient and it will not happen. There is a lot of reticence on the part of people who have come before this committee. Do you agree with that or do you have a different view?

**Mr Helps**—No, I think they are being negative again. I am a director of a greenhouse gas trading company. We have just been invited to trade into the next Dutch auction of credits out of Australia. When we pointed out that the Australian Greenhouse Office will not allow credits to be exported out of Australia, despite the fact that they have no value at the moment—the AGO refuses export clearance for credits out of Australia at the moment—they said, ‘We’ll deal with the Australian government; you just give us a tender.’ These things will happen. We are better off to be in control, and we are better off as a nation using it for our residents’ good rather than running around after the event, saying, ‘We’ve changed our mind now; Brian Fisher has done a new model; it’ll be all right after all.’ We are better off to be proactive and do it.

**Mr BYRNE**—On a crude reductionist point, if someone came to our committee and said, ‘If we implement this, it will cost X thousand jobs in the La Trobe Valley with respect to coal-fired plants,’ what would be your response?

**Mr Helps**—It depends on how hard you want to work to get jobs in the La Trobe Valley. We put a deal to the Victorian government two years ago that would have created 3½ thousand jobs in the La Trobe Valley. It was a single-smelt casting facility for a Japanese group who want to relocate out of Japan. We also put that to the then Ambassador for the Environment, Howard



Bamsey, and Howard thought it was inappropriate to raise it with the Japanese government. So we did not get those 3½ thousand jobs for a factory that would have made aluminium components. You are always going to lose jobs while you are thinking negatively and while you have bureaucrats who think that job creation is inappropriate. But, at the end of the day, the La Trobe Valley is in a wonderful position—it is probably in one of the best positions in the world—because they are the cheapest electricity producer around. Yes, they have a 400 kilogram CO<sub>2</sub> penalty but, at the end of the day, they are putting stuff into the boilers at two bucks Australian a tonne—\$US1—and all the guys in America are paying \$US30 a tonne for what goes into the boiler, so they can afford it. It is a matter of a mind-set: being aggressive, getting out there and chasing the business, and having a bureaucracy that actually wants it to happen.

**Mr BYRNE**—Have you any other examples of projects that have been put to the Australian Greenhouse Office that offer this new next-step generation of production that they have not acted on?

**Mr Helps**—There is a range of them. I have been involved in some of them. Under article 6 of the protocol, we have this wonderful ability to do what is called baseline shifting. Japan can say, ‘We don’t want this business up here any more because of the penalties involved in carting the raw materials in here.’ There was a proposal last year for an automotive coil steel plant. It made nothing else but top quality automotive coil steel specifically for the new pressing processes, which require some things to change. We could take that plant out of Japan and Japan would get to shut it down. It would claim against its baseline the difference in emissions between what the emissions would be for the plant in Whyalla—because that is probably where it would go—and what they were in Japan. They would transfer the emissions that are required for the plant in Whyalla from the Japanese baseline to the Australian baseline.

It is quite simple and there is a big opportunity there at the moment. But the bureaucrats and the AGO think that that is something that should be happening during or after the first commitment period. There will not be anything left to move by then. But they fly off to conferences all over the world and have their meetings, rather than addressing aggressively the issues of getting the business for Australia. A dedicated coil steel plant in Whyalla would generate about 1,120 new jobs and about \$US2.9 billion of investment and it would be there for 40 years. It is using stuff that we have already got. But the bureaucrats say, ‘We don’t know whether or not we want to do that.’ Somebody needs to refocus people on the opportunities. Meanwhile, the industry associations are funding research by Allen Consulting for a model that does not have a baseline. I am not sure that we are not wasting a whole lot of effort and money. We would probably be better off looking for the opportunity. I might be wrong, but it might be time for us to look at those sorts of things.

**CHAIR**—You are saying that the uncertain response from the Australian Greenhouse Office is already damaging growth prospects in the case of coil steel and—

**Mr Helps**—I do not want to be seen to be a person who is bagging the Greenhouse Office. I have got the highest respect for Ian Carruthers. I really like Gwen Andrews as a person. I think she has done a very good job in building a very large bureaucracy very quickly. But the reality is that, if it were a defence project and we were building warships, they would be project managing it to death. They would have KPMG involved; Coopers would be auditing KPMG; and they would have a room containing Gantt charts so that they could plot everything out. It has

not happened at the Greenhouse Office. All of these staff were hired who had no knowledge of greenhouse. It is really not their fault because the direction needs to come from Roger Beale or somebody higher up, who should say, 'Look, guys, we've got a bit of an opportunity at the moment. The yanks are on a recursive loop over there and they're not doing anything. Let's pin our ears back, go in and snick some business while the big guys aren't out on the street.'

**CHAIR**—Please don't forget the cabinet and the parliament in this equation. Let us get the division of labour straight. It is not the people who run the Public Service who decide where this country goes; the cabinet and the parliament do that. I appreciate your point.

**Mr Helps**—Yes, but it is difficult for people who have views that do not concur with what the bureaucrats think to get to talk to the ministers. There is this firewall there. It is so bad now that the AGO actually hand-pick who goes to the little meetings and briefings so that they do not get asked the hard questions. They have all sorts of meetings all over the place to go through a public consultation process, but they hand-pick who goes so that they do not get asked the hard questions. 'Excuse me, Gwen, why haven't you done this?' So just think of greenhouse as a big defence project and forget about having sailors or the Army run it. Regard it as a big defence project and think about project management. Think about how you would get on top of the issues of making money out of it; because ultimately it is a trade issue.

**CHAIR**—We had better conclude at this point. If some members are curious, can they submit some questions to you in writing?

**Mr Helps**—Yes, at any time.

**CHAIR**—I appreciate that; thank you.

**Mr Helps**—I am always available by email.

[12.05 p.m.]

**FAIRFIELD, Ms Tristy, Climate Change Campaigner, Friends of the Earth (Australia)**

**CHAIR**—We have received a submission from you. Please make a few brief remarks and then we will ask questions.

**Ms Fairfield**—Friends of the Earth (Australia) was one of the signatories to the Climate Action Network Australia submission. That was put in before the events at The Hague. Three of us went to the COP6 negotiations at The Hague. Obviously, a lot of water has passed under the bridge since this submission was made. The Australian government's negotiating position was such that, on just about all of the loopholes in the Kyoto Protocol that the combined environment groups around Australia wanted to see closed, this did not happen. I would have to say that that was not the Australian government's negotiating position on every element.

I wanted to address what has happened since then with respect to the United States' position regarding developing country issues. It is of great concern to not only Friends of the Earth (Australia) but all environment groups in Australia and many NGOs around the world that the Australian government is taking this position with respect to developing countries. When I talk about developing country issues, I am saying that the American government have fundamentally said that their economic interests are going to come before the interests of the global populace and humanity with respect to the global warming crisis that we are facing. There are a few points I wanted to make, particularly in regard to the developing country issue, that are not outlined in the submission.

The right to equity and the fact that developed countries will take the initial steps in combating global warming are entrenched in the United Nations Framework Convention on Climate Change, the UNFCCC. That has outlined the fact that developed countries must take the lead and support developing countries through technological transfer and financial support. That is contained in articles 4.2, 4.3, 4.4 and 4.5 of the UNFCCC. A constant position on the part of developing countries in respect of the global strategy depends on the credible implementation of the basic commitments that developed countries made under the UNFCCC. This is explicit in the convention at Article 4.7.

The convention recognises that economic and social development and poverty eradication are overriding priorities of the developing or so-called non-industrialised countries. The main point that I want to make is that the Australian government fails to recognise that, historically, 80 per cent of the concentration of CO<sub>2</sub> in the atmosphere as at 1990 was the responsibility of developed or industrialised nations and they continue to account for 60 per cent of the CO<sub>2</sub> in the atmosphere. It is all very well to talk about percentages and contributions, but when you think about actual living standards, if Australia is not supporting the Kyoto Protocol on the basis of developing country issues, that is basically saying that we do not support the right of people in developing countries to have basic standards such as lighting and heating. Meanwhile, we are quite content to increase our transport emissions, our energy emissions, our air conditioning and luxury items.

It is often said that Australia has such a small percentage of the world's global greenhouse gas emissions that we are irrelevant, but in terms of access to the global commons, and that is

the atmosphere, Australia accounts for just over one per cent of global greenhouse gas emissions, yet we have only 0.3 per cent of the world's population. If we compare that figure to the figure for a country like India, which accounts for only four per cent of the world's greenhouse gas emissions but which has 16 per cent of the world's population, it can be seen that we have got basic inequities which the Australian government is failing to recognise.

In terms of the IPCC, the Intergovernmental Panel on Climate Change, Bob Watson has quite explicitly stated that the impact of climate change will severely undermine the goal of sustainable development in many parts of the world, with developing countries and the poor in developing countries being the most vulnerable. That is all very well for us to look at on paper, but it is quite significant in terms of global equity and the goals of sustainable living and a basic standard of living for the people of the world. In addition, the incidence of vector borne diseases, such as malaria and dengue fever, will rise. It is expected that 150 million people, by the year 2050, will be displaced by floods, droughts and rising sea levels.

Particularly in respect of the Australian government's current attitude towards refugees and people displaced by other events, it will be interesting to see what reaction they will have to the people from the South Pacific who will be displaced by rising sea levels, particularly as environmental refugees are not classified as refugees under the international refugee convention. I would like to make many other points, but I might wait and see if they come up in questions. The particular point that Friends of the Earth (Australia) and other environment groups would like to make is that it is unacceptable and morally indefensible for the Australian government to blame developing countries for this issue, towards which we continue to contribute far more than our fair share.

**Senator TCHEN**—I can accept your argument about why action should be taken, but I am more interested in the submission by Friends of the Earth and Climate Action Network Australia on how action should be taken. Basically, you are demanding that the government ratify the Kyoto Protocol.

**Ms Fairfield**—Yes, ratify an equitable Kyoto Protocol. You are right; the loopholes need to be sorted out first.

**Senator TCHEN**—But you accept that there are loopholes?

**Ms Fairfield**—There are loopholes at this stage because of the unresolved issues from The Hague—absolutely.

**Senator TCHEN**—Is this a change of position from your previous position as described in the written submission?

**Ms Fairfield**—It says that there are two elements to having a just and strong Kyoto Protocol: the first is that the loopholes, such as clean coal nuclear power and the Clean Development Mechanism and the use of sinks in the CDM and the use of sinks, should be clarified by the negotiating parties; and, secondly, that enough countries ratify the Kyoto Protocol accounting for a sufficient amount of emissions to bring it into force.

**Senator TCHEN**—I am sorry; what was your last point?

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**Ms Fairfield**—That a sufficient number of countries, representing a sufficient proportion of the world's greenhouse gas emissions, ratify the Kyoto Protocol and thus bring it into force.

**Senator TCHEN**—You regard that as a loophole?

**Ms Fairfield**—No, I said that in our submission there is the loopholes issue and there is the ratification issue.

**Senator TCHEN**—I am sorry; I am a bit confused now. What is your submission in terms of Australia's position vis-a-vis the Kyoto Protocol?

**Ms Fairfield**—The submission says that there are two priorities for a successful Kyoto Protocol: one, closing loopholes in the rules that allow for spiralling greenhouse pollution; and, two, sufficient ratification of the protocol to bring the treaty into force.

**Senator TCHEN**—Yes, and what do you recommend that the Australian government should do in terms of the second issue?

**Ms Fairfield**—I think we should ratify the Kyoto Protocol and stop blaming developing countries for our failure to ratify.

**Senator TCHEN**—That is what I am getting at. Your position is that—

**Mr BAIRD**—It is a little bit confusing. When you talk about developing countries, do you mean that the issue is that they are blaming developing countries or that you do not want the high energy industries there, or is it predominantly, 'Don't blame them', so you—

**Ms Fairfield**—It is predominantly, 'Don't blame them,' but it is in the context that, with developing countries, in relation to the emissions projection scenarios which indicated, there would be parity in the emissions around 2015 to 2020 and, even at that point, there will be a huge difference in per capita emissions—and that is not equitable. I am saying that these developing countries are increasing their emissions in the hope of gaining a decent basic standard of living for their people. So there are theories such as contraction and convergence which say that developing countries are going to have to increase their emissions because they will have to get a decent standard of living for their citizens and, hopefully through the mechanisms within the UNFCCC such as technology transfer and funding, we will enable those countries to successfully leapfrog the dependence on fossil fuel energy that we have had. That is what the problems in the loopholes refer to—for example, the use of so-called clean coal in the clean development mechanism—and you therefore eliminate the possibility of these countries leapfrogging that fossil fuel dependency.

**Senator TCHEN**—That is the point I was driving at. The issue I want focused on is how—not why we should take action but how to take action. It seems to me from your submission that the 'how' is simple; we just do it. In fact, the subtitle in the Climate Action Network's submission is 'The Kyoto protocol: make it work and make it law'. So if we make it a law, it should work. You represent Friends of the Earth and the image in my mind of Friends of the Earth is that there are times when your members break laws to draw attention to something that

you think should be done. In other words, I am saying that making something law does not actually make it work.

**Ms Fairfield**—Is that a question?

**Senator TCHEN**—What is your comment on that? This is a simple action that you are proposing: make it work by making it law.

**Ms Fairfield**—So you are asking: in what way shall we implement the Kyoto Protocol?

**Senator TCHEN**—No. I am just asking why you say that making it law by signing it will make it work.

**Ms Fairfield**—It is certainly not going to work if it is not law. I do not think there will be much inclination to make it work without making it law if it is not an internationally binding commitment. I can see the analogy that are you going to go to in that you probably have heard submissions saying that our domestic abatement action will be sufficient. But I think, if we want to divert down that path, there are things like the Greenhouse Challenge that have proved spectacularly unsuccessful. The NGGI trends show that our greenhouse gas emissions continue to rise; that voluntary emissions reductions do not work; and that you need a mandatory regulatory framework in order to force corporations, companies and industries to reduce their greenhouse gas emissions. It has been proved—the Greenhouse Challenge is a perfect example—that voluntary emissions reductions programs do not work, that they are not effective. So I think that making something law is certainly a way of putting a greater emphasis on it and for there to be a much greater likelihood of having a positive outcome.

**Senator TCHEN**—We have heard from two previous witnesses this morning. One witness, being the industry representative, argued that industry is doing a great deal in cooperation with government directions; and the second witness said that all this is really irrelevant, because industry will do it anyway, even without laws. Do you have any comment on their saying that?

**Ms Fairfield**—I have already made my comment. I saw the end of John's submission, certainly. It is probably the same evidence that we gave in the Senate inquiry to global warming. The emissions reduction strategies to which John refers have been a spectacular failure. In evidence to one of the estimates committees in May 2000, the then chair—I am not sure whether he is still there—of the Greenhouse Challenge program admitted that less than one in 10 per cent of the companies involved in the Greenhouse Challenge had met their self-imposed emission reduction targets, and almost all of them had reviewed their emission reduction targets in the course of that time. So I think that the evidence is there that voluntary emissions reduction programs do not work. We ourselves have seen that the NGGI trends both for 1998 and 1999 showed emissions reductions increasing, so it is quite obvious that voluntary emissions reduction targets are not working.

**Senator TCHEN**—That is also quite often a matter of assessment, because whether emissions have reduced against expectation or against the actual target are different things; perhaps something has not been done and it is a question of whether the emission would have gone to the same level. The last page of the Climate Action Network's submission talks about green-

house sceptics being ‘full of hot air’. At claim 5 we have your comments on the scientists’ petition. You say that petitions of this kind are not believable. Is that right?

**Ms Fairfield**—This is the specific petition which is often referred to in climate sceptics—

**Senator TCHEN**—Are you talking you about this specific petition or petitions of this kind?

**Ms Fairfield**—By ‘petitions of this kind’, do you mean Internet based petitions?

**Senator TCHEN**—Yes.

**Ms Fairfield**—No, absolutely not. If you determine the validity of sign-on petitions and examine the veracity of the signatories, then they have scope, because obviously we are communicating a lot more electronically than ever before. We have a situation where you are claiming the validity of a petition examining the actual validity of the signatories.

**Senator TCHEN**—In this one, you claim that you have gone through the signatories and actually identified every one of them?

**Ms Fairfield**—I do not know about identifying every one of them, but I certainly think that there are a few there that have been identified—

**Senator TCHEN**—There might well be a genuine Dr Jerri Halliwell, you know. Thank you.

**Mr BAIRD**—I am interested because the thrust is on the developing countries. Do you think, firstly, that there is any danger that, if Australia provides strict criteria in relation to the carbon industries, we will lose industries offshore, as has been claimed in other submissions we have had? Secondly, is there a danger that, if you do have these industries move to developing countries, the standards applied in terms of emissions et cetera will not be as regulated as in Australia and therefore the overall impact in terms of global warming will be much greater?

**Ms Fairfield**—I think that is an issue that has been quite well covered in other submissions, such as that from Professor Lowe from Griffith University. As he said in his submission, there are, with any regulatory changes, winners and losers from the scenario. In that respect, there is the potential that some carbon industries could move offshore, but we have just heard from Andrew Helps that that is not necessarily the case and that there are several other factors, certainly not just the carbon and environmental regulations, that inform a decision on whether to move industries offshore. That would be only one of the factors. I take a lot of points from Andrew’s previous submission—it is not necessarily the case at all that industries would move offshore. There are a wide range of determining factors.

**Mr BAIRD**—Let me give you an example that I am familiar with. There is an airline with which I am quite familiar that does the spraying of its aircraft in China because of their very poor environmental standards in relation to spraying. It is economic for them to carry out the spraying in China. That is a clear example of a country interested in attracting an industry rather than considering environmental concerns.

**Ms Fairfield**—That relates to the broader issue of international trade and international movement of capital. They are things that groups like Friends of the Earth have been pointing out. If you can move industries that have lower labour or environmental standards offshore then you encourage those countries to continue to have a lower standard in those areas. That is where you get to broader issues like the protests against the World Economic Forum and the World Trade Organisation because you have the situation where you get the lowest common denominator and that is not an excuse to not implement a valid environmental protocol—you tighten up the regulations that would stop that from happening.

**Senator LUDWIG**—In relation to the matter Senator Tchen raised in relation to claim 5 from Climate Action Network Australia, do you have the Internet address for that? Perhaps you could help me if you did have it. It strikes me that you would do that only if you wanted to discredit discreditors as well. How do you sign on to an Internet petition which is a sign-yourself-on as has been described in the greenhouse sceptics area? It opens up the second argument that it may not be.

**Ms Fairfield**—I will take the question on the web site on notice and get back to you. In regard to the second point, the resources available to climate sceptics and industry groups are so far and away above the resources available to NGOs to deal with their critics and their reputation that I think we are far more careful in what we put forward as evidence. We check signatories and ensure the validity of our things because we are up against an enormous PR machine, an enormous industry machine, and we struggle with that so that we do not open ourselves to criticism about invalid signatories on petitions. The other point is that this is probably the least concerning of the points in this submission—

**Mr BAIRD**—When you throw Jerri Halliwell's name in you start to wonder.

**Ms Fairfield**—One of the points made in our submission is that the Climate Action Network is very concerned at the weight that this inquiry seems to be lending to the climate sceptics. The fact that this has been picked up on twice seems to lend further weight.

**Senator LUDWIG**—What I was doing was giving you an opportunity to tell the committee that the petitions that you have are valid and that you have put great scrutiny upon them. It has been helpful that you have now explained that to the committee and addressed the point.

**Ms Fairfield**—Thank you, Senator.

**Mr BYRNE**—With respect to your attitude on compliance, presuming that we ratify this particular protocol what compliance mechanisms do you think we should have?

**Ms Fairfield**—The Australian government position on compliance is very problematic in that it basically does not want punitive measures. It thinks that the shaming, naming method of compliance will be sufficient and we take great exception to that. It is simply not the case. What you have got are countries that have the ability to impose trade or other sanctions on the poor or non-industrialised countries or the economies in transition when they come on board. You have got a huge disparity in the ability of countries to ensure compliance through other mechanisms, and predetermined punitive measures, we see, are the best way to go in terms of forcing countries into compliance. The other obvious point from our perspective is that public shaming

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would not be adequate to force countries to comply with the protocol. You can see this government, particularly, has got a very thick skin when it comes to public shaming in the international forum. There have been several examples of that. For this government to say that they would be susceptible to public international shaming is beyond belief.

**Mr BYRNE**—Although it is not my perspective, what is your response to a climate sceptic's perspective on the jobs it will cost if there is an implementation of the protocol? What is your organisation's response to that?

**Ms Fairfield**—We could start at the ABARE modelling which has been thoroughly discredited. It has been the embarrassment of the Australian government in the international community since it was discovered who funded the ABARE modelling, what was left out of it and how the opportunity cost of not taking first mover advantage in renewable and alternative technology was not taken into account. The same bias exists in the Allens Consulting Group modelling. We have heard all about that. Even the World Resources Institute estimates that the maximum effect on GDP for the developed countries would be between 0.1 and 1.1 per cent of GDP. If you compare that with the servicing of foreign external debt by developing countries to the IMF, you are looking at a range per annum in 1998, of between five and eight per cent of GDP to the developing countries to service their external debt to the World Bank and the IMF. That is unacceptable. With our standard of living and our economic circumstances, we cannot claim that the job losses would be unbearable when we have got the perfect opportunity to implement industry transition programs, to stop subsidising fossil fuels and start subsidising renewables. At the moment we are subsidising fossil fuel industry to \$6 billion per annum compared with \$245 million to renewables. If you shift those sorts of subsidies to developing and alternative industries then the job situation will be dealt with. There is a booming job market in Germany with the wind industry. All you need is a valid industry transition and a political will to undertake that.

**Mr BYRNE**—When you say subsidies of \$6 billion for fossil fuels, what are we talking about? Are we talking about taxation incentives?

**Ms Fairfield**—Direct and indirect subsidies of a variety. You can look at the Senate inquiry into global warming and they will be outlined in detail.

**Mr BYRNE**—For my information, because I have not actually read the report, when you are talking about an indirect incentive, what would that be?

**Ms Fairfield**—Indirect subsidies to fossil fuel industries would be things like rebates to motorists for fuel and such things, so it is not directly going to the industry but it is supporting the industry.

**Mr BYRNE**—In that \$6 billion, are you also incorporating taxation incentives and subsidies for petroleum exploration? I have not read the report so I am not sure what we are specifically talking about.

**Ms Fairfield**—I will take that on notice.

**Senator COONEY**—Were you here when CDM Systems gave evidence and did you hear Mr Andrew Helps talk?

**Ms Fairfield**—I was here for most of that, yes. I could not hear all of it, to be honest.

**Senator COONEY**—I think he was saying that, in wanting to take up a position about industry, Australia was overlooking a lot of its strengths, in the sense that there is a low sovereign risk for industry to be here, that the ability to carry on business is very good in Australia and that we are not giving enough weight to that. Have the Friends of the Earth thought about that at all or would they like to think about it by looking at Mr Helps's submission and supplying us with an analysis of it?

**Ms Fairfield**—In terms of?

**Senator COONEY**—I think he is saying that at the moment industry in Australia, and for that matter elsewhere, is being negative about the sorts of things that the Kyoto Protocol raises. In fact, if you looked at it positively there are a lot of good things you could do for industry. In fact, industry could become much more proactive, to its own advantage. In particular, in Australia you could set up things such as saying that aluminium should be obtained in a way that was suitable to the environment and that this would be an advantage. Industry has tended to approach this whole issue in Australia in a negative fashion and it should be done in a more positive fashion. That is what I think he was saying. I am just interested in your comments on that.

**Ms Fairfield**—When Andrew refers to industry in that sense, he would be talking specifically about fossil fuel intensive industries. I think it is probably a valid point in the very short term, but the fact is that the Kyoto Protocol, with an average of five per cent reduction in greenhouse gas emissions globally, is the tiniest first step in stabilising CO<sub>2</sub> concentrations in the atmosphere and the IPCC has said that we need to reduce our greenhouse gas emissions between 60 and 80 per cent in order to stabilise CO<sub>2</sub> in the atmosphere. Whether or not industry can survive in the short term, we have to move away from carbon intensive fossil fuel based industries because the reality is that diseases are spreading through the developing countries.

**Senator COONEY**—I think that is what he is saying. I would hate you to get negative too and not look to some sort of way through all this.

**Ms Fairfield**—Sure. I think it is a point to use in terms of the short-term goal of ratifying the Kyoto Protocol.

**Senator COONEY**—I think he is saying more than that. Could you have a look at it?

**Ms Fairfield**—Sure. I will take it on notice and I will look into that.

**Senator COONEY**—And perhaps you could give us another submission on his submission and, if his does not make sense, perhaps we can get in touch with him. But I think that you and he are saying things much more closely than you are acknowledging at the moment, if I can say that with respect. So I would just like you to look at it.

**Senator LUDWIG**—There may be a difference in magnitude and time. What I am hearing you say is that you understand his submission to mean that the magnitude is not enough and the timing is not quick enough, but you might want to examine that a little bit further to see how close or how far apart you are.

**Ms Fairfield**—Certainly.

**Senator COONEY**—I think that one of the problems, following on from what Senator Ludwig is saying, is that everybody has said, ‘There is a problem with greenhouse emissions. We understand that and we are going to do something about it.’ The issue seems to be what we are going to do. One group seems to be saying, ‘If that is what you are going to suggest, we cannot do it because that is going to lead to a commercial disadvantage.’ The other group is saying, ‘You have got to do it in any event.’ We might still be arguing about it 20 or 30 years from now. If there is some way through all this whereby something could be produced in the short term, that may be helpful. I will no longer be here, but if you are still here 50 years from now, standing in water and saying, ‘This should have been done 50 years ago,’ it would be too late. It seems to me that Mr Helps may be suggesting some way through all this and that is why I would be interested to hear what you have to say.

**Ms Fairfield**—We will certainly talk with him and hopefully come back with a report of some sort.

**Senator COONEY**—Would that be too much trouble?

**Ms Fairfield**—Absolutely not.

Resolved (on motion by **Senator Ludwig**):

That this committee authorises publication of the proof transcript of the evidence given before it at public hearing this day.

**Committee adjourned at 12.35 p.m.**