

Senate Finance and Public Administration Legislation Committee
ANSWER TO QUESTION ON NOTICE
Prime Minister and Cabinet Portfolio
Department of Climate Change
Budget Estimates Hearing–May 2009

Written question reference: CC32a-d

Outcome/Output: Outcome 1, Output Group 1.1 – Response to climate change

Topic: Emissions-intensive, trade-exposed assistance

Hansard Page: Not relevant for written QoN

Question: (Senator Boswell)

- a) Can you please explain how the aims and objects of the bill fulfil Mr Rudd's election promise to 'ensure that Australia's international competitiveness is not compromised by the introduction of emissions trading'? It seems to me that there is a fundamental distinction between ensuring something does not occur and reducing the incentives for something not to occur.
- b) A second plank of Mr Rudd's election promise to trade exposed industry is that they would be consulted to ensure they are not disadvantaged. The CPRS bill is now before Parliament. Is the Government satisfied that consultation with industry has lead to the conclusion that their operations will not be disadvantaged? I refer to such trade exposed industries as coal, cement, aluminium, livestock, steel, LNG, dairy, paper, plastics and chemicals.
- c) The crucial details of the EITE program, including the list of eligible EITE activities, have been referred to regulations. The regulations have not been tabled. The Government claims the CPRS will bring about the biggest structural reform in Australia's history. This is a big deal. Has there ever been precedence on such a gigantic reform where the Parliament has been asked to make a decision on the basis of a substantially incomplete legislative package?
- d) Why is emission intensity being used as a proxy for trade exposure? Is a business that does not meet the emissions intensity thresholds any more or any less trade exposed than those that do? And do they or do they not have.

Answer:

- a) The Government believes the emissions-intensive, trade-exposed (EITE) assistance package delivers on its election commitment.

The Government has consistently said it would address some of the competitiveness concerns of Australia's emissions-intensive trade-exposed industries and has developed a carefully balanced program to assist entities conducting EITE activities. This program will reduce the likelihood of carbon leakage and assist with the transition to a low carbon economy.

- b) The Government has consulted extensively for each potential EITE activity and continues to do so.

In releasing draft regulations the Government has committed to engaging further with the business community on the EITE assistance program.

- c) On 19 June 2009, the Government released draft EITE regulations relating to details of the program's operation, including baselines for the provision of assistance for eight activities. Contrary to the question, the Government has outlined unprecedented detail about the operation of the Carbon Pollution Reduction Scheme prior to the introduction of the legislative package. In addition to the draft regulations outlined, the Government has provided a detailed explanation of the rationale and operation of the assistance program in the White Paper. Much of this is detailed in the Explanatory Memorandum to the Bill.

- d) As outlined in the White Paper there are two criteria that need to be met for an activity to be eligible for assistance under the EITE assistance program. Entities conducting the activity need to be able to establish that they are trade-exposed, that is that they will be constrained in their ability to pass through the carbon cost because of international competitiveness. Entities also need to establish that the emissions-intensity is above the nominated thresholds.

These ensure that the assistance is targeted to trade-exposed activities who will have the most significant exposure to a carbon cost.