

RECOMMENDATIONS

Recommendation 1

2.120 The committee notes that the Treasury modelling was conducted in economic circumstances that were markedly different to those in which the legislation is proposed to now be introduced. Since the modelling was conducted the global financial crisis has led to a marked deterioration in the short-term economic outlook.

Whilst the CPRS package has been revised on two occasions, the modelling continues to fail to take into account the impact of these changed economic circumstances. The committee considers the modelling undertaken by Treasury to be inadequate and recommends that the Government direct Treasury to undertake further modelling. The further modelling should:

- consider in detail the short-term adjustment costs;
- respond to criticisms made of Treasury's initial modelling including:
 - taking into account the deterioration of the Australian economy
 - the likely effect of the CPRS upon jobs and upon the environment
 - the absence of any modelling of the impact of the CPRS on regional Australia; and
- model other types of schemes that have been proposed as alternatives to CPRS, including:
 - a conventional baseline-and-credit scheme
 - an intensity model
 - a carbon tax
 - a consumption-based carbon tax, and
 - the McKibbin hybrid approach.

Recommendation 2

4.41 The committee recommends that the CPRS legislation not be passed in its current form.

Recommendation 3

5.89 The committee recommends any remodelled CPRS legislation clarify future arrangements to provide continued support for methane gas capture and energy generation following the foreshadowed cessation of state based schemes.

Recommendation 4

5.90 The committee recommends that the Government work with the NSW, ACT and Queensland governments to clarify, as a priority, transitional arrangements for power generation projects from waste methane which may be affected by the possible cessation of the NSW GGAS and similar programmes.

Recommendation 5

5.141 The committee recommends that the Government consider in detail different claims made about the probable expense of the expanded Renewable Energy Target. Analysis of the different cost estimates should be included in the Regulatory Impact Statement (RIS) accompanying the legislation to amend the *Renewable Energy (Electricity) Act 2000*.

Recommendation 6

5.142 The committee recommends that following the decision by COAG on 30 April 2009 to exempt major emitters, the Government should explain in the RIS accompanying the amendment bills:

- any differences in costs caused to householders and other industry sectors arising from the decision;
- the impact the exemptions will have on the efficiency and effectiveness of the scheme; and
- the form which compensation to householders will take.

Recommendation 7

6.64 The committee recommends the Government review the impact of the CPRS to avoid the EITE provisions generating perverse outcomes for the agriculture sector and the food processing and manufacturing sector such as scaling down and splitting operations.

Recommendation 8

6.68 The committee recommends that, as a priority, the Government develop complementary policy measures for greenhouse gas abatement and mitigation in the agricultural sector; and that such policy measures be underpinned by substantially greater research and development in this area.

Recommendation 9

6.69 The committee recommends that the Government establish an agriculture and land use policy taskforce to accelerate the development of complementary climate change policy measures for the land use sector; and to promote full carbon accounting in land use, agriculture and forestry sectors in international climate change fora.

Recommendation 10

6.105 The committee recommends that the Government promote the testing, development and roll-out of environmental restoration and land stewardship schemes, giving priority to schemes that can make a significant contribution to emissions reductions, agricultural productivity and biodiversity conservation.

Recommendation 11

6.139 The committee recommends that the Government promote the testing, development and roll-out of soil carbon technologies and schemes, giving priority to schemes that can make a significant contribution to emissions reductions and soil health.

Recommendation 12

6.164 The committee recommends that the Government takes steps to ensure that Australia encourages reform of international carbon accounting rules.

Recommendation 13

6.165 The Committee recommends that the Government provide greater funding so that recommendations 8, 9, 10, 11 and 12 can be implemented in a timely manner.