

# One-page Submission


To the:

**Inquiry into the exposure drafts of the legislation to implement the  
Carbon Pollution Reduction Scheme**

C/o:  
Committee Secretary

**Senate Standing Committee on Economics  
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**Carbon Negative**

Global warming requires a comprehensive approach - all policy instruments that the government has at its disposal should be applied in the most effective and economic way.

A cap-and-trade approach is narrow in its efforts to fix industrial emissions at a certain level. There also are other emissions to worry about, as the recent bushfires in Victoria proved, which released almost as much carbon dioxide into the atmosphere as Australia's entire annual industrial emission.

Cap-and-trade doesn't encourage activities that would remove greenhouse gases from the atmosphere, such as planting of trees, carbon-negative building and pyrolysis of biowaste for the production of biochar. While natural regrowth will restore some of the vegetation after bushfires, Australia has to do more to avoid desertification. Adding biochar to the soil would enhance soil and reduce the risk of bushfires, but a cap-and-trade scheme fails to reward production or application of biochar.

At best, the proceeds of permits sales could be used to support such activities, but where permits are given away, there are no such proceeds. Without tying specific proceeds to specific funding, it's likely that the money will be used for other purposes, e.g. it may be used to give some extra money to those who struggle most with higher energy cost. A cap-and-trade scheme may make people use less electricity, but if such extra money is then used to buy firewood for heating and cooking, that would be an example where proceeds would be used in a counter-productive way, from the perspective of global warming.

The most effective way to tackle global warming is by imposing fees on specific polluting products and practices, and then tying the proceeds of those fees to rebates on products or activities that can achieve the same results, but without the greenhouse gas emissions of the polluting products and practices. Such a combination of fees and rebates is called a feebate.

While feebates have mostly been proposed as an effective way to achieve a shift away from polluting cars, there are a lot more ways to implement feebates. Fees can also be imposed on fossil fuel, while the proceeds could then fund rebates on better ways to produce energy. Some activities go one step further than cutting carbon emissions, they are actually carbon-negative, e.g. pyrolysis of biomass produces biofuel and biochar with its beneficial impact on soils. Such activities should be rewarded - feebates can both discourage polluting activities and reward beneficial activities.

Instead of a cap-and-trade scheme, it makes more sense to implement a framework of feebates that imposes fees on specific polluting products and practices, while each time using the proceeds to fund rebates on local alternatives that constitute better replacements. Implementing feebates locally can make that the proceeds are applied where they were raised, thus funding good practices where they're needed most. This is the best way to help local jobs and investment - it avoids that money goes to global speculators or disappears within a bureaucracy.

By at the same time discouraging pollution and giving incentives to better practices, feebates are doubly effective in achieving the shifts we need, avoiding that the proceeds will be wasted or, worse, fund counter-productive activities. Such a framework of feebates can be implemented with minimal need for bureaucratic and political change. There already are taxes on goods and services (GST), sales taxes on tobacco, car registration duties and local council fees - to a large extent, the instruments for imposing and collecting fees are already in place.

Proceeds of fees could be deposited into a FeeBate Fund, providing accountability and ensuring that a maximum amount of the proceeds will indeed be used to fund rebates. Such a FeeBate Fund could initially borrow some money (against future proceeds) to ensure that rebates will be paid out from day one. Apart from insisting that, to be eligible for rebates, alternatives should be safe, the only criterion should be how much they comparatively reduce greenhouse gases. Market mechanisms can further sort out what works best, optimizing consumer choice and opportunities for jobs and for investment.

Such a combination of fees and rebates can be self-funding and budget-neutral, while the fees can be adjusted depending on how much progress is made with the shift towards better alternatives and thus with reducing greenhouse gases. Over time, mass production and economies of scale will make such alternatives ever more competitive and, as demand for polluting products disappears, the feebate policy may phase itself out entirely, without requiring legislative intervention.

For examples of feebates, go to: <http://feebates.blogspot.com>