

Dissenting Report by Government Senators

1.1 The Senate Select Committee on Fuel and Energy was established in part to scrutinise the Government's plan to introduce an emissions trading scheme to reduce Australia's carbon pollution.

1.2 Scrutiny of important policy is a crucial job for the Australian Senate. But the majority report provides an unbalanced assessment of the Australian Government's climate change policy.

1.3 It presents a partisan and unrepresentative assessment of the views of the Australian community about the need to act on climate change and the Government's Carbon Pollution Reduction Scheme.

1.4 The Australian community strongly supports taking decisive action on climate change. While we can always do more, the Government's climate change strategy provides a strong foundation for tackling climate change, reducing Australia's carbon pollution, protecting jobs and the international competitiveness of Australian industries.

After a decade of climate change policy design work, prolonging the debate now is a recipe for never acting on climate change and will deny business the certainty it needs.

1.5 The Carbon Pollution Reduction Scheme is the culmination of a long policy process going back to a series of four discussion papers on the design of an Australian emissions trading scheme issued by the Howard Government's Australian Greenhouse Office in 1999 and 2000.

1.6 Since then, emissions trading policy was advanced by the states' National Emissions Trading Taskforce; the Howard Government's Prime Ministerial Task Group on Emissions Trading; the Carbon Pollution Reduction Scheme Green Paper; the Garnaut Climate Change Review; the Carbon Pollution Reduction Scheme White Paper; exposure draft legislation; and a series of Senate inquiries.

1.7 The CPRS has been carefully designed and subjected to extensive scrutiny. Calls for further analysis now are only creating greater uncertainty for Australian businesses.

The cost to the Australian economy and households of reducing emissions is manageable

1.8 Acting on climate change will impose costs on the economy but also provides opportunities for green jobs in sectors such as renewable energy.

1.9 In October 2008, the Government released modelling of the costs and opportunities from reducing Australia's greenhouse gas emissions. The Treasury

modelling report, Australia's Low Pollution Future: The Economics of Climate Change Mitigation, provided compelling evidence that early action to tackle climate change will sustain growth, create new jobs and protect the Australian economy into the future.

1.10 The Treasury report had three key conclusions:

- The Australian economy will continue to grow strongly as carbon emissions are reduced.
- The earlier Australia acts, the cheaper the cost of action. The longer we delay, the more damage we risk to the Australian economy.
- Many of Australia's key industries will become more, not less, competitive.

1.11 The Treasury modelling also found that average annual GNP growth will only be one tenth of one per cent less than it would be in a world without action to tackle climate change. It showed that taking early action will allow an orderly and gradual adjustment to a low-carbon economy. It also showed that delaying action, and then playing catch up, would deliver a sharper shock to the economy in the years ahead.

1.12 It showed that economies that act early face lower long-term costs and that putting in place the Carbon Pollution Reduction Scheme will allow Australia to capitalise on emerging opportunities and gain a competitive advantage.

1.13 The Treasury modelling report contains the most complex, comprehensive and rigorous analysis of its kind ever undertaken in Australia. It is also highly transparent. The Treasury consulted with a very wide range of stakeholders and worked with some of Australia's top modelling experts. Extensive documentation supporting the modelling is available on the Treasury website.

Alternative models do not meet Australia's needs

1.14 The Committee heard from a range of stakeholders who argued that alternative policy models such as a carbon tax, a consumption approach, or a variation on the cap and trade model should be investigated.

1.15 Emissions trading schemes present clear benefits. They allow us to have certainty about the quantity of emissions and is consistent with the emerging international consensus. Carbon taxes are not necessarily simpler to administer or easier to enforce. If Australia adopted a consumption approach, it would risk retaliatory trade measures from other economies and could potentially put us in breach of our WTO obligations. We can draw on lessons from emissions trading design from existing schemes like the European Union Emissions Trading Scheme.

1.16 At the last election, both major parties committed to an emissions trading scheme, because emissions trading is the right policy for Australia to reduce its greenhouse gas emissions.

Australia is far from alone in tackling climate change

1.17 Reducing Australia's emissions through the CPRS means Australia will join other developed nations in the fight to tackle climate change. Emissions trading is already underway in 27 European countries. President Obama is committed to introduce an emissions trading scheme in the United States. The Government's proposal to reduce Australia's emissions by 25 per cent on 2000 levels by 2020 in the context of a strong global commitment is a very important inducement to developing and other advanced economies to take strong action on climate change.

1.18 Demonstrating that we can make real cuts to Australia's carbon pollution while continuing to grow our economy will encourage other countries to join the global fight.

The CPRS has a wide range of features to protect today's jobs

1.19 By providing extensive support for emissions-intensive trade-exposed industries, firms that compete internationally will be protected from carbon leakage and helped through the transition to a low-carbon economy. The Electricity Sector Adjustment Scheme will secure the investment environment in the electricity sector. The Climate Change Action Fund will provide a wide range of support for businesses to help them adjust to a low-carbon economy.

De-carbonising the Australian economy is a multi-decade challenge that needs policy certainty

1.20 Professor Warwick McKibbin noted:

"There are a number of features of a carbon abatement scheme that are important. One is that we have very clear long-term price signals so that innovators, investors and others can see where they are getting the highest return for their various investments over time." (p.FUEL ENE 64, 19 February 2009)

1.21 The Carbon Pollution Reduction Scheme delivers this important feature.

1.22 Australia's ambitious medium-term emissions reduction targets – and the means to get us there – need to be locked in now to get the right investments in place.

The Government's new package addresses community and business concerns

1.23 On 4 May 2009, the Government announced a range of new measures for the Carbon Pollution Reduction Scheme. The package of new measures included a delay in the start date of the Carbon Pollution Reduction Scheme of one year, to manage the impacts of the global recession.

1.24 In addition:

- A one year fixed price period will be introduced. Permits will cost \$10 per tonne of carbon in 2011-12, with the transition to full market trading from 1 July 2012.

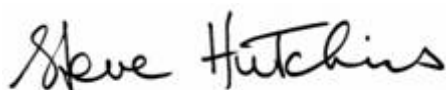
- A new Global Recession Buffer will be provided as part of the assistance package for emissions intensive trade exposed industries. Industries eligible for 60 per cent assistance will receive a 10 per cent buffer, while industries eligible for 90 per cent assistance will receive a 5 per cent buffer.
- Eligible businesses will receive funding to undertake energy efficiency measures from 1 July 2009.
- A commitment to reduce carbon pollution by 25 per cent of 2000 levels by 2020 if the world agrees to an ambitious global deal to stabilise levels of CO₂ equivalent in the atmosphere at 450 parts per million or less by 2050. (Up to five percentage points of the 25 per cent target could be achieved through Government purchase of international credits, such as avoided deforestation credits, using CPRS revenue no earlier than 2015.)
- The establishment of an Australian Carbon Trust to allow households to do their bit by investing directly in reducing Australia's emissions and to drive energy efficiency in buildings.

1.25 This package demonstrates that the Government has paid careful attention the views of the Australian community (and the Parliament). It has received very strong endorsements from leading business groups (including the Australian Industry Group and the Business Council of Australia) and leading environmental and community groups (including the Australian Conservation Foundation, the World Wide Fund for Nature, the Climate Institute, the Australian Council of Trade Unions and the Australian Council of Social Service).

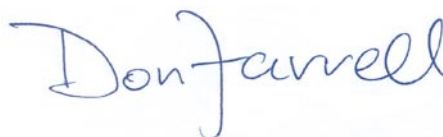
Recommendations

Dissenting senators recommend:

1. **Given that both major parties support an emissions trading scheme for Australia, the Carbon Pollution Reduction Scheme should pass this year.**
2. **The Government should pursue a wide range of complementary measures to set Australia up for a low-carbon future and create green jobs.**



Senator Steve Hutchins



Senator Don Farrell



Senator Anne McEwen