

Senate Select Committee on Fuels and Energy

Submission on Terms of Reference

Submission by
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a. the impact of higher petroleum, diesel and gas prices on:

- i. families,**
- ii. small business,**
- iii. rural and regional Australia,**
- iv. grocery prices, and**
- v. key industries, including but not limited to tourism and transport;**

The current Cap and Trading Scheme by the Rudd government proposes shielding large carbon emitting industries such as the aluminum industry, the steel, lead and zinc, and coal industries, cement, LNG and paper industries from the full costs of their carbon pollution in the form of a subsidy of 60 to 90 per cent of free carbon permits. This apparently is in response to the very unlikely threat from industry lobbyists that these industries would all pack up and move offshore unless they were exempted from emissions trading or fully compensated for its impact. This subsidy shifts the unmet costs to other lower carbon producing sources such as families, small businesses, rural and regional Australia, grocery businesses and lower carbon emitting key industries such as tourism.

This logic leads to a system that lowers emission targets and places the major costs of those cuts on that sector of the economy that did not produce most of the emissions i.e. the deeper the emission cuts --- the higher the carbon price --- the more businesses wanting shielding from a carbon price -- - the less cuts in emissions --- the more people are compensated --- the greater carbon-cost burden to others.

In reality very little of Australia's economy is much exposed to carbon pricing. The number of vulnerable jobs is a small fraction of the million claimed by the Australian Industry Group. Federal Treasury modeling shows that almost every Australian industry – including almost every quarry industry – would continue growing, only more cleanly, with an emissions control system, and emerge far bigger in 2050 than today!

The vast majority of GDP and employment comes from industries that don't generate large quantities of greenhouse gas. Ten industries responsible for 37 % of our emissions accounted for only 4% of national production, 3% of employment, and 15% of exports

Almost all the large polluters, responsible for 37% of Australia's greenhouse emissions will pay for only a tiny fraction of the carbon dioxide pollution they generate – about one in five tons on average. The rest of Australia will effectively pay for the other four.

Offsetting the impact on petrol prices will shift the cost onto other bills namely electricity. Non-assisted businesses and consumers may pay three times as much for carbon as they should to protect Australia's worst polluting companies.

It would cost \$445 from every Australian household to prop up the value of coal-fired power stations for their mostly government and foreign earners.

There would be a \$500 cost from each Australian household each year 2009 – 2020 (and beyond) to buy free permits for Australia's highest greenhouse gas emitting industries.

In a carbon-constrained economy in the short-term companies would wear a slightly lower rate of return and, focusing on the long-term, they would look for energy efficiency gains. They would not re-locate offshore as during the next forty to fifty years they will face carbon pollution costs in all countries. There are other factors that will influence their location decisions that carry more weight than carbon pricing.

If those sectors seeking compensation were to leave Australia as has been threatened, around 94% of GDP might survive, while Australia's emissions would drop by more than 40%. Companies predicting carbon leakage offshore already produce the same commodities offshore with renewable energy and vastly lower emissions-intensity.

If Australia's coal exports were phased out, the economy would not suffer nearly as much as imagined. Coal only generates \$3.00 out of every \$100.00. Some income lost would be replaced by a renewable energy industry.

It would take one to two years to recover every cent of coal-export revenue foregone between now and 2030.

GDP would double by 2031 instead of 2030.

ABARE found in 2007 that even if Australia acted alone in cutting greenhouse emissions, for every tonne of greenhouse gas cut only around 1/10th of a

tonne would leak offshore, and compensating polluters with free permits made little difference to that.

Treasury's 2009 modelling:

“There is little evidence of carbon leakage ... fears of carbon leakage may be overplayed.”

“Shielding industries, even the aluminum industry, made no difference to their output in Australia in the long run.”

Aluminum producers Rio Tinto Alcan, Alcoa, Hydro Aluminum and Rusal all smelt the vast majority of their aluminum production around the world with renewable power.

In terms of maintaining Australia's competitiveness and innovation in a carbon-constrained world all sectors of the economy should bear the costs of their greenhouse pollution. Otherwise Australia risks being left behind economically. To place an inequitable burden of carbon pollution pricing on the sectors that are largely not responsible is a denial of natural justice to those sectors, and delays reform of the largest polluters, and will hamper Australia's international competitiveness.

b. the role and activities of the Petrol Commissioner, including whether the Petrol Commissioner reduces the price of petroleum;

Reducing the price of petroleum represents a net loss of tax revenue to governments, largely because the larger carbon polluting industries do not want to bear the full costs of their carbon emissions. At a time when the economy is in recession this is not a feasible option. The real need for the government and the Petrol Commissioner is to find a fuel to replace dwindling supplies of oil that is of least harm to the environment and affordable. Australia has abundant supplies of renewable energy compared to most other countries and electric power derived from renewable energy presents the best long-term alternative at present. Azure Energy for example is an Australian based company which has the solar technology to provide electric power for vehicles from each house or housing cluster. There is a huge scope for fuel efficiency requirements and innovations. Australia's fuel efficiency requirements for vehicles have not changed much since the 1960s.

c. the operation of the domestic petroleum, diesel and gas markets, including the fostering of maximum competition and provision of consumer information

Any decisions should relate back to the best options long-term in a carbon-constrained economy, and the impacts of mining and developments of any new fossil fuel industries on the environment and communities they impact, which bear an inordinate burden and social and

natural capital costs for those developments but which receive little economic benefit e.g. the proposed synfuel from oil shale mining which creates three times the carbon pollution of coal. Its buried toxic tailings create a permanent water pollution source. Any fossil-fuel industry should bear the full costs of its carbon and other greenhouse pollution.

At present the Rudd government's policy is not to reduce emissions in Australia so much as to buy cheap carbon credits for preventing deforestation in Indonesia and Papua New Guinea.

Domestic petroleum, diesel and gas markets cannot operate efficiently in a market where there are only a few heavily subsidized suppliers with a virtual monopoly on supply. Energy and fuel supplies need to come from distributed supply sources rather than a few centralized supply sources. That argues for a higher adoption of solar energy in Australia to keep internal domestic demand and prices down. Innovations in solar energy continue to bring the costs of installation down and improve energy efficiency.

As supplies of fossil fuels dwindle there is no other option but renewables. Yet support and subsidies for renewable alternatives remains extremely limited, unviable and dwindling.

In 2008 for every dollar spent on greenhouse programs the government was spending \$16.00 on subsidizing fossil-energy use.

Petroleum, diesel and gas industries will all need to capture and store carbon dioxide pollution, and without subsidies this will increase their cost of doing business to the point where renewables are cost competitive.

The International Energy Agency reckons that it might take a carbon price of A\$100 a tonne before Carbon Capture and Storage becomes viable (much higher than for renewable energy options such as wind and solar-thermal power).

“Unless there is an enormous break-through in science, the post-combustion carbon capture technologies would probably send you down the road thinking, ‘I might build something brand-new instead.’
Stanwell Corporation executive to a recent Australian parliamentary inquiry.

As recently as 1999, Australia was a net exporter of oil – today we are only 60% self-sufficient. Quarry vision leads some to think liquefied coal is the answer to peak oil, a local path to energy security that can also be clean if carbon capture and storage (CCS) is used in production. In fact, were CCS to be used, the tailpipe and other emissions released would be the equivalent to

that of the fuels being replaced. Far from killing two birds with one stone, a home-grown problem replaces an imported one.

It seems much more government attention needs to be focused on the implications of continuing to pursue a carbon-intensive future.

d. the impact of an emissions trading scheme on the fuel and energy industry, including but not limited to:

- i. prices,**
- ii. employment in the fuel and energy industries, and any related adverse impacts on regional centres reliant on these industries,**
- iii. domestic energy supply, and**
- iv. future investment in fuel and energy infrastructure;**

Please refer to our relevant comments on an ETS in section a.

Prices will rise but it will be inequitable because of the large subsidies given to the large carbon polluters.

Emissions will rise long-term rather than fall because of “outsourcing” of pollution through purchase of carbon credits offshore for projects at high risk of “leakage”.

Increasing reliance in regions on carbon-intensive industries will make regions much more vulnerable to future wrenching changes as the world shifts to a carbon-constrained future.

Domestic energy supply will have a brighter less polluted future if a switch to renewables energy alternative is made sooner rather than later.

Future investment in fuel and energy infrastructure must focus on less carbon-intensive or lower-carbon intensive sources of energy. Reductions in carbon emissions within Australia will not make a great difference to world concentrations of greenhouse gases, but reduction of Australia’s considerable exports of cheap carbon-intensive fuels will act to reduce the production of coal-fired power plants and carbon-intensive industries worldwide. This action is urgently needed to reduce spiraling concentrations of greenhouse gases which are linked with increasing temperatures, and future massive social, economic and environmental dislocation and losses around the world.

e. the existing set of state government regulatory powers as they relate to petroleum, diesel and gas products;

In Queensland our experience has been chiefly with the mining industry where State government powers appear absolute. Nature Refuges, part of the National Reserve System may be mined e.g. Bimblebox Nature Refuge north of Alpha in Central Queensland is subject to a Mining Lease

application as part of the Alpha project, and good quality agricultural and grazing lands, and groundwater recharge areas can also be mined and destroyed permanently. Short-term profits at the expense of long-term sustainability is not an approach that inspires confidence in government management of the nation's assets.

We are concerned that new experimental industries based on fossil fuels such as the oil shale and underground coal gasification industries will be allowed to proceed without the necessary research to show their full environmental impacts and costs, especially when compared with renewable energy alternatives.

At present, development applications are considered on an individual project basis, rather than in a regional context associated with the cumulative impacts of other projects in a region. Communities have little time and even fewer resources to understand and respond to potential impacts, and few means of resource to object to what they see as unsustainable projects. CSIRO in a submission to Infrastructure Australia described their modeling system of assessing the integrated impacts of mining projects on the social, economic and environmental assets of a region. We support this approach as being more sensitive to the regulatory requirements of the triple bottom line approach than is currently the case.

- f. taxation arrangements on petroleum, diesel and gas products including:**
- i. Commonwealth excise,**
 - ii. the goods and services tax, and**
 - iii. new state and federal taxes;**

A distributed alternative renewable energy system would reduce consumer and business costs long-term and provide them more funding to meet future changes to adapt to a carbon-constrained world. This would be a better approach than loading more taxes onto communities and businesses as carbon-intensive industries costs will escalate far above those of renewable energy sources as carbon pollution costs need to be met. That option is the road to nowhere.

- g. the role of alternative fuels to petroleum and diesel, including but not limited to: LPG, LNG, CNG, gas to liquids, coal to liquids, electricity and bio-fuels such as, but not limited to, ethanol;**

The primary consideration is the energy efficiency ratio i.e. how much energy does it cost to produce the energy for use. That includes the full costs including environmental, of production and fuel use. The fuel must not incur costs to future generations i.e. long-term or permanent environmental damage. That analysis is not

happening at present. All the alternatives listed have adverse environmental impacts save electricity produced from solar energy. No legislation covers the need for comprehensive cost benefit analyses. The obvious answer is to see how these listed alternatives to petroleum and diesel compare with benign alternatives such as solar energy to produce electricity for electric-powered vehicles.

h. the domestic oil/gas exploration and refinement industry, with particular reference to:

- i. the impact of Commonwealth, state and local government regulations on this industry,**
- ii. increasing domestic oil/gas exploration and refinement activities, with a view to reducing Australia's reliance on imported oil, and**
- iii. other tax incentives;**

Again the focus should be on replacing sources of carbon-intensive energy.

There are few constraints on domestic oil/gas exploration in Queensland. Landowners get little compensation for land destroyed by mining exploration and mining. Environmental protection is minimal. Waterways can be mined and endangered regional ecosystems cleared for mining. Most of central Queensland is covered by mining exploration permits or mining leases or applications for same. Enforcement for protection of remnant vegetation and biodiversity under the Queensland Nature Conservation Act and federal Environmental Protection and Biodiversity Conservation Act can be circumvented for mining by using "Offsets" which in reality represent a net loss for those environmental values and the long-term sustainability of mined areas and regions.

Eventually fossil fuels will all decline. Their continued use only adds more greenhouse gases to the atmosphere and ocean. Continued use will cause a mass extinction of a magnitude on par with the end of the Permian some 250 million years ago when most life forms died on Earth. To continue with "business as usual" with development of the oil and gas industry could only be justified as a stopgap alternative for domestic supplies until safer renewable alternative energy sources and the infrastructure to support them is in place.

Oil refineries are extremely expensive and polluting and would most likely have to be financed primarily by state or federal governments. We have few deepwater access ports along our coasts and more port infrastructure and dredging means more loss of coastal wetlands and other environmental values especially to the Great Barrier Reef coast. It just delays the inevitable need to switch to alternative energy sources and deal with the urgent need for all sectors of the Australia economy to become more energy efficient.

b. the impact of higher petroleum, diesel and gas prices on public transport systems, including the adequacy of public transport infrastructure and record of public transport investment by state governments.

Higher prices will push more people to use and demand public transport. Re-design of the use of current roads and railway and other transport systems is needed, to get fewer vehicles on roads and improve traffic flows, as is building new public transport systems in

many cities based on renewable energy. In rural areas public transport is not a viable option. This applies to most of Queensland. A small electric car fueled by sustainable renewable energy sources is probably the best option for most people for longer journeys that could not be accomplished by bicycle. China has just built a small electric car and GM is planning one. Getting the renewable energy infrastructure in place to provide "clean electricity" is government's challenge.

More people also need to work from home, so the design and implementation of the necessary IT and wireless infrastructure to enable this to happen is also important. Government policies that encourage businesses that can be run from home will also be necessary. The design of new housing and industrial areas should also focus on locating close to work and other support services. Bikeways need to be built where they will be used. Few cities and towns have an integrated connected bikeway system.

Cars and other vehicles which can be used in a "vehicle share" scheme would reduce the number of vehicles on the road and traffic congestion and pollution.

More goods and services produced locally would reduce the need for their long-haul transport from outside the area. Rising prices for fuel and energy may push this development. The current trend to mine or build housing on good quality agricultural land should be prevented as this type of land will be needed within and close to urban centers and towns in the future for locally-based production, to keep costs and pollution down in a carbon-constrained world.