



29th April 2011

Committee Secretary
Senate Standing Committees on Environment & Communications
Post Office Box 6100
Parliament House
Canberra ACT 2600

By Email: ec.sen.@aph.gov.au

Dear Sir,

The Pastoralists and Graziers Association of WA (Inc) (PGA) is a non-profit industry organisation established in 1907, which represents primary producers in both the pastoral and agricultural regions in Western Australia. This organisation has a history of taking on the status quo in order to deliver real benefits to producers. Examples include lobbying to end the single desk in wheat marketing, to abolish the wool reserve price scheme, and to remove the command and control economics of the lamb marketing board. In each of these examples, vested interests and proponents of market intervention profited at the expense of producers, who paid an equal but opposite cost in lost flexibility, lost independence, lost brand identity, lost control over marketing opportunities and cross subsidisation of under performing business units and assets. The PGA is proud to have challenged those vested interests in the face of substantial opposition.

The PGA represents progressive Western Australian meat, wool and grain producers who believe in the benefits of competition and the reduction of government regulation within their industry. This includes freedom of choice in how, and on what, producers spend their disposable income.

We understand the Carbon Farming Initiative legislation has been referred to committee for inquiry and report.

The PGA welcomes the opportunity to make submissions to committees in both the House of Representatives and the Senate as an interested party who has already responded to the design of the Carbon Farming Initiative Consultation Paper.

As an interested organisation, we find it necessary to go on record as to the lack of notice given to respond.

The PGA was notified via e-mail on the 5th of April that both Committees were seeking written submissions from interested individuals and organisations. The due date for submissions to the Senate committee was the 8th of April, and for the House of Representatives committee, the 13th of April.

The Carbon Credits (CFI) Bill describes the legislative framework necessary to create a supply side mechanism. However, it is part of a much wider process that seeks to provide for, and satisfy a demand that may be created when trading in domestic voluntary and international carbon markets is legislated into the Australian economy. The effects on the Australian economy of setting up a carbon trading market will be significant and will have far-reaching consequences.

The PGA's earlier submission made mention of the dangers of not following a rigorous due diligence process, such is the importance of the issue and the level of obfuscation that surrounds it.

It would seem that both committees are in an unseemly haste and this will naturally disenfranchise those organisations whose assets and resources are necessarily modest from providing wise commentary.


We acknowledge both Committees' secretariat for granting the PGA an extension in time to make a submission.

- The Carbon Credits (CFI) Bill proposes to give access to domestic voluntary and international carbon markets. There are no markets.
- What are sometimes described as markets are prone to deception and fraud. For example, the Chicago Climate Exchange closed in December last year, worth nothing after promising financial gains in the order of \$30 trillion. The European Union ETS has been suspended many times due to fraud. It is estimated that in some countries, up to 90% of trades are fraudulent.
- The PGA notes that what is referred to as international voluntary markets is a marketplace based on regulatory compliance regimes. Such regimes are a tenuous market and depend on the continuation of the government legislation that underpins them. Such legislation can be easily repealed or amended in some overseas legislative jurisdictions.
- Prices of offset credits in the Regional Greenhouse Gas Initiative have dropped from \$3.07 in 2008 to \$1.86 USD this year. This mirrors the volatility seen in the SO₂ market. As it is impossible to set the cap on emissions with any sense that it is correct, any market will suffer from volatility. Markets need to have some certainty for investment to occur.
- To state that the scientific evidence has confirmed that human activities have increased the concentration of greenhouse gases in the atmosphere is disingenuous. The central issue is if more CO₂ by and of itself will result in the weather changing. There is no direct, incontestable evidence that more CO₂ will make the earth's temperature increase.
- In fact, it can be said that Anthropogenic Global Warming (AGW) has become a belief system. As such, it is no longer subject to the basic questions required to determine its bone-fides. It must be recognised that AGW has become an ideology. Simply believing in something does not make it true but it does lead to bad policy decisions such as the CFI/carbon tax/price.
- Science is always uncertain. If the weather patterns are changing, a tax or price on carbon will not achieve anything.
- If the Government goes ahead with placing an explicit price on emissions on stationary energy, transport, fugitives and industrial processes it will effectively put a tax on exports that will make our goods and services more expensive in international markets. If this is not matched by other international economies, our competitive advantage will be reduced. In fact, there will be no incentive for other nations to do anything, as they will profit from Australia's unilateral actions.
- Western Australia exports 95% of its grain, 77% of its livestock and 17% of its horticulture products. The effect of a hidden tax on exports will be crucial to the competitiveness of

local primary producers. In the absence of alternative domestic markets, this will cause dislocation and economic hardship.

- The consultation process referred to in the explanatory memorandum was unsatisfactory. Contrary to statements in the memorandum, the PGA was not involved in any individual meetings and workshops. The only point of contact was a tele-conference between a limited number of participants that was hastily arranged after an earlier tele-conference was over subscribed.
- The PGA is confident that many primary producers in Western Australia are unaware of the true impacts of the Carbon Credits (CFI) Bill and further proposed legislation that seeks to impose a fixed carbon price – essentially a tax until carbon market mechanisms can determine a true price for carbon. Consequently, we demand that the Department of Climate Change and Energy Efficiency explain these impacts and consult more widely and seek further opinion from trade exposed primary producers.
- Many of the eligible offset projects, that is emission-reducing projects will be awarded carbon credit units before an emissions reducing activity is undertaken and it would not have occurred unless the credits were awarded. In effect, there is no real economic imperative for that emission reducing activity to occur. It is simply perverse to create a reward for otherwise uneconomic activities.
- As the CFI is designed to work in conjunction with renewable energy mandates, it will simply add to the cost of producing electricity. This will inevitably lead to government support for unthinking green policies that creates lucrative opportunities for self-interested business but does little to reduce emissions.
- For example, setting targets that require the generation of energy from renewables such as wind and solar have already increased the price of electricity. Typically, those who can afford devices such as rooftop solar panel are high-income earners, who are then subsidised by all other consumers and taxpayers, including those low-income earners who can least afford increases in utility costs.
- A carbon tax is a direct tax on the capital required to invest in and maintain energy intensive industries and businesses. Investment monies will inevitably move to those economies where the costs of doing business are comparatively lower.
- The CFI is just one part of the response to AGW theory that will lead to more needless interventions. Ultimately, they will cause distortions leading to unstable markets. Unstable markets are risky markets and they will not attract long-term meaningful investment.

Yours faithfully,

 Ian Randles
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