

The choice of emissions trading as the central policy

(a) the choice of emissions trading as the central policy to reduce Australia's carbon pollution, taking into account the need to:

(i) reduce carbon pollution at the lowest economic cost,

The costs of implementing an emissions trading system are very high. Legislation must be implemented by parliament and monitoring, audit and compliance bodies must be established by the Commonwealth government.

Industries participating in emissions trading incur significant costs for:

1. Auditing their carbon emissions
2. Implementing systems and procedures to measure and track their carbon emissions.
3. Implementing systems and procedures to participate in emissions trading (the buying and selling of emissions permits)

Items (1) and (2) above are already required by the National Greenhouse Emissions Reporting Scheme (NGERS), and are necessary and helpful for understanding greenhouse gas emissions, which in turn will contribute to implementing measures to reduce emissions. These should proceed.

Item (3) however, is only required for emissions trading, which is peripheral to emission reductions. There is considerable doubt that this should proceed.

(ii) put in place long-term incentives for investment in clean energy and low-emission technology,

Emissions trading, in the form of the Carbon Pollution Reduction Scheme (CPRS)¹, does not directly provide any long-term incentives for investment in clean energy and low-emission technology. In particular, the high cap and weak emission reduction targets of the draft CPRS legislation will not establish a price on carbon high enough to provide effective financial incentives to transition to clean energy sources.

Legislating for energy efficiency standards, a Mandatory Renewable Energy Target, and/or a national Feed-in Tariff for all clean energy sources, can directly provide these incentives and are better alternatives to the CPRS.

¹ http://www.greenlivingpedia.org/Carbon_Pollution_Reduction_Scheme

(iii) contribute to a global solution to climate change;

The CPRS legislation in its current form seriously undermines an effective global solution to climate change for the following reasons:

- The 5% committed emission reduction target by 2020 is far too low to effectively reduce emissions
- The 15% cap on emission reduction target by 2020 sets an artificial and arbitrary cap that is below the minimum emission reduction specified at Bali in 2008 (25% to 40% by 2020).
- The ability the trade permits internationally could allow Australia to not reduce emissions domestically and simply buy permits from other countries to meet agreed targets. It is unacceptable for a high per capita emissions country such as Australia to not make tangible emission reductions.

(b) the relative contributions to overall emission reduction targets from complementary measures such as renewable energy feed-in laws, energy efficiency and the protection or development of terrestrial carbon stores such as native forests and soils;

Terrestrial carbon stores such as native forests and soils should not be included as “carbon offsets” for emissions trading as they provide the option for high carbon emission industries to avoid making tangible emission reductions.

The role of **native forests and soils** in sequestering carbon² needs to be recognised and financially rewarded separately from achieving emission reductions from fossil fuel intensive industries and activities.

Renewable energy feed-in laws are a proven and recognised policy measure for encouraging the production of clean energy, and the development of associated green collar jobs, as demonstrated in Germany.³

Energy efficiency measures are the cheapest and easiest method of achieving immediate reductions in greenhouse gas emissions, but the CRPS does not address this directly at all. Strict energy efficiency standards should be enforced for housing, transport, domestic appliance and energy production, and these should be reviewed and improved annually.

The structure of the current CPRS legislation has the effect of reallocating domestic, state and local government emissions to other polluters (such as coal fired power stations), who can then on-sell their permits “freed up” to other polluting industries. This has the perverse effect of completely negating emission reduction measures achieved using clean energy production and/or energy efficiency measures. It also casts into doubt the whole notion of carbon neutrality.⁴ This is a very serious anomaly with the CPRS.

² http://www.greenlivingpedia.org/Green_carbon

³ http://www.greenlivingpedia.org/Feed_in_tariff

⁴ <http://www.climatechange.gov.au/greenhousefriendly/changes.html>

(c) whether the Government's Carbon Pollution Reduction Scheme is environmentally effective, in particular with regard to the adequacy or otherwise of the Government's 2020 and 2050 greenhouse gas emission reduction targets in avoiding dangerous climate change;

The Government's draft CPRS legislation will not be environmentally effective or adequate for reaching greenhouse gas emission targets required for a safe climate future.

Recent scientific evidence of Antarctic and Arctic ice cap melting, the increasing frequency and severity of extreme weather events, sea level rise and severe reductions in rainfall all indicate we are now in the midst of a climate emergency. A target of 300ppm or less for atmospheric CO₂ is now indicated for a safe climate future. To reach this, we must actively draw down CO₂ from the current 380ppm levels.

Annual emission reductions of at least 5% are required to avoid dangerous climate change. The CPRS in its current form cannot deliver this.

(d) an appropriate mechanism for determining what a fair and equitable contribution to the global emission reduction effort would be;

An appropriate mechanism for determining a fair and equitable contribution to the global emission reduction effort would take into account:

- First world countries with developed economies and high per capita emissions should achieve greater emission reductions and have lower targets than developing countries
- Non-tradeable carbon rations could be considered for individuals, with those wishing to incur higher emissions purchasing additional "discretionary" permits to do so, at significant cost
- Monies raised from sale of discretionary permits could be used to fund improved energy efficiency measures and research and development into clean energy technologies.

(e) whether the design of the proposed scheme will send appropriate investment signals for green collar jobs, research and development, and the manufacturing and service industries, taking into account permit allocation, leakage, compensation mechanisms and additionality issues;

The proposed CPRS legislation does not send appropriate investment signals to transition Australia to a low carbon economy for the following reasons:

- Large amounts of free permits are gifted to the worst polluting industries. This effectively removes incentives for these industries to reduce their very significant greenhouse gas emissions.
- Cash payments will be made to coal fired power stations. This also effectively removes incentives for these industries to implement significant reductions in greenhouse gas emissions.
- Large amounts of free permits are gifted to Trade Exposed Emissions Intensive (TEEI) industries. This effectively removes incentives for these industries to reduce their very significant greenhouse gas emissions. For example, free emission permits given to Alcoa would allow them to continue to operate their aluminium smelter at Portland using electricity created from brown coal in Victoria's Latrobe Valley. This would provide no incentive for them to build a gas fired power station next to their smelter, which could halve their carbon emissions.

Payments that will be made by households to polluters under the CPRS have been calculated at⁵:

- \$455 one-off payment per average Australian household to prop up the value of coal fired power stations for their mostly government and foreign owners.
- \$93 one-off payment per average Australian household to the coal-mining industry
- \$500 per year per average Australian household between now and 2020 (and beyond) to buy free permits for Australia's worst polluting industries (TEEIs).

The proposed CPRS would not send investment signals for green collar jobs and research and development into clean energy technologies and products.

⁵ http://www.greenlivingpedia.org/Carbon_Pollution_Reduction_Scheme#Compensation_paid_to_polluters

(f) Related matters.

If emissions trading were to proceed, it would only be effective if it included the following:

- No free permits⁶
- No special consideration to Trade Exposed Emission Intensive Industries
- No exemptions for petrol/fuel
- A cap that reduces our total emissions by a minimum of 5% per annum
- No international offsets - this allows us to buy our way out of real emission reductions
- No forest protection offsets - that would allow companies to buy their way out of real emission reductions. Our forest should just be protected.
- No burning of forest biomass as an energy source

Summary of major criticisms of the CPRS

- The unconditional greenhouse target of 5% reduction by 2020 is tiny and far lower than the 25% to 40% target range flagged at the United Nations Bali Convention on climate change in 2008.
- It encourages the growth of highly polluting Energy Intensive Trade Exposed (EITE) industries (such as aluminium smelters) by allocating them 25% of permits free of charge, increasing to 45% by 2020. This is in direct conflict with the recommendations in Garnaut's final report.
- Free permits are given to coal power over the first 5 years. This provides windfall profits to polluters and encourages dirty coal power to continue in the short term.
- Permits are property rights instead of temporary licences. This means that polluters who get them will be paid compensation in the future if more stringent emission reductions are introduced.
- There is no limit on overseas offsets, so Australia's emissions could increase and emission permits bought from overseas to "offset" them.
- The cap on the CO2 price of around \$40/tonne for the first 5 years excludes renewable energy in the absence of other incentives.
- The high "cap" is also a "floor" so emission reductions by households are simply on sold by power stations to other polluters, resulting in no actual emission reductions.

⁶ As recommended in the Garnaut Report

Conclusion

The most recent science, as outlined in the book *Climate Code Red* (2008)⁷, which is more recent than the 2007 IPCC report that is generally used by government, shows that the climate change is much worse than previously thought. As Lord Nicholas Stern pointed out in 2008:

'I underestimated the threat of global warming in my report in Nov 2006. Emissions are growing faster than we thought. The planet's capacity to absorb is less than we thought. The risks of greenhouse gases are worse and are potentially bigger than more cautious estimates. And the speed of climate change is faster'. (Reuters, 16 April 2008)

According to the most recent science described in the *Climate Code Red* (2008), we are already, with the current level of greenhouse gases in the atmosphere and our current rate of emissions, locked in to a warming of 2 degrees by 2030. With a warming on average of two degrees, we are likely to get the melting of the arctic ice sheet, the extinction of 15-40% of all plant and animal species, the acidification of the oceans leading to marine ecosystem collapse and coral bleaching, more frequent extreme weather events and widespread drought and desertification across the globe, especially in Australia. All of these impacts will have a profoundly negative effect on Australia's economy and liveability. We are already witnessing the death of the Murray Darling river system, suffering extreme weather events and have greatly reduced rainfall over most of Victoria.

There is scientific consensus that we need to stop emitting greenhouse gases, and start to remove greenhouse gases from the atmosphere, reducing them to the 1970 level and restrict global temperature rise to 0.5 degrees, down from the current level of 0.8 degrees.

I do not support the CPRS in its current form, because it will be ineffective in reducing greenhouse gas emissions.

Australia needs to go on a carbon diet rather than trusting vague and unpredictable market systems to deliver emission reductions.

If the CPRS is rejected, I think that the focus should shift to legislated emission reductions including efficiency measures, and possibly a carbon tax or carbon ration system⁸ in its place.

It is unacceptable and irresponsible to implement and lock in an expensive emissions trading scheme that will not greatly reduce emissions.

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⁷ http://www.greenlivingpedia.org/Climate_Code_Red

⁸ http://www.greenlivingpedia.org/Carbon_rationing