

6th April 2009

To the Senators on the Senate Committee on Climate Policy

Re: The 2009 Carbon Pollution Reduction Scheme Bill

The Carbon Pollution Reduction Scheme Bill (CPRS) will establish an emissions trading scheme in Australia. Is a positive means of addressing this country's obligations under The Kyoto Protocol and the UN Convention on Climate Change, reduce carbon at a low economic cost and establish incentives for investments in clean energy. The CPRS is a strong step towards encouraging the market to internalise the externalities of greenhouse gas emissions by placing a price on polluting gases carbon and its equivalents, thus contributing to a global solution to climate change. However, I feel the Bill is flawed and thus the design of the proposed emissions trading scheme will not send appropriate investment signals to the 'green' economy.

The allocation of permits is a highly contentious issue. My own reservations with the current bill before parliament is not so much the limited nature of the cap of between 5-15%, but the undermining of the price of carbon by an over allocation of free permits. The program will be giving away billions of dollars each year in free units as part of the emissions-intensive trade-exposed assistance program.

The reason to initiate an emissions trading scheme is to create a new market, in this case for carbon. There will be little incentive to trade in this market if the price of carbon has been undermined by the defining legislation. Buyers and sellers within Australia wish to participate in this new market, but need certainty that their investments will not depreciate.

Another area of concern is the exemptions to liable entities given to smaller facilities generating less than GHG equivalent 25,000 tonnes (Part 3, Liable Entities). This figure is far too high and represents an unreasonable exemption to mid-sized polluters. Carbon pollution is increasing at a high rate, whether from large sources or small. All contributions toward mitigation will be necessary to reduce global emissions and comply with our international agreements. This high exemption rate could possibly also serve to undermine the market, as polluters will have varying costs of carbon not in line with current market value. So whilst an ETS is an appropriate mechanism the exemptions do not make it a fair and equitable contribution to global efforts.

The largest and arguably the most successful trading scheme has been the European Union Emission Trading Scheme (EU ETS), which began trading in 2004. However there have been pitfalls, predominantly the over-allocation of free emission allowances. It is not in the Australian government's interest to have to intervene into a supply and demand market and revoke, or buy back, allowances.

I hope you will consider the above points when making an assessment of the proposed bill.

Yours Faithfully

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via email