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Australia leads the national  
infrastructure debate by  
bringing together both the  
public and private sectors  
to promote partnerships in  
infrastructure provision.*



## Infrastructure Partnerships Australia

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Submission to the  
Senate Select Committee on Climate Policy  
April 2009

### Contact

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**INFRASTRUCTURE  
PARTNERSHIPS  
AUSTRALIA**

BUILDING AUSTRALIA TOGETHER

## EXECUTIVE SUMMARY

- IPA supports the Australian Government's commitment to reduce the impacts of anthropogenic climate change and broadly supports the role of an emissions trading scheme in contributing to that objective.
- IPA favours the introduction of the CPRS at the lowest economic cost.
- The infrastructure sector is currently impacted by constrained access to finance, increased risk profiles and high investor uncertainty due to:
  - The Global Financial Crisis
  - Various initiatives of government lead infrastructure reform
  - The possible implementation (or delay) of the Carbon Pollution Reduction Scheme
- The Global Financial Crisis has resulted in variations in the cost of debt by more than 400 basis points for major projects and access to debt is severely constrained for projects over \$500 billion to \$600 billion.
- The impacts of this uncertainty on the energy sector, one of the most heavily impacted by the CPRS, are compounded by:
  - Looming generation capacity constraints
  - Significant refinancing requirements for established assets
  - National Electricity Market Reform
  - NSW Five Point Plan
  - The Australian Energy Regulator Review of Weighted Average Costs of Capital (WACC) Parameters for Electricity Transmission and Distribution
  - Price variation in fuel sources and plant
- The cost of these reforms on the sector is substantial, representing an investment requirement of substantially more than \$124 billion, with an estimated additional requirement of \$26 billion to finance the purchase of emission permits.
- The requirement for this investment places a constraint on the ability of the industry to raise additional funds, particularly on economical terms, for use in financing additional initiatives, such as those to reduce carbon emissions.
- IPA submits both the Scheme's implementation, as well as any potential open-ended delay, will have substantial impacts on the delivery of essential infrastructure services, such as electricity generation, through changes in the industries' risk profile and cost of finance.
- A central tenet of the government's CPRS adjustment package should include assistance to meet the short-term costs of financing the installation of emission reducing technology for existing plants. This assistance could be provided through direct grants or alternatively through gap financing assistance or supported lending.
- Specifically, government may consider the extension of the existing State Borrowing Guarantee to support investment in initiatives to enhance infrastructure assets in order to reduce emission profiles.
- Subsequently, IPA contends that the Committee should expediently complete its inquiry into the CPRS legislation, and to determine a bipartisan timeline for the implementation of an effective response to anthropogenic climate change, including an emission trading scheme, with a view to ending the current period of damaging uncertainty.

## **INFRASTRUCTURE PARTNERSHIPS AUSTRALIA**

Infrastructure Partnerships Australia (IPA) is the nation's peak infrastructure body. Our mission is to advocate the best solutions to Australia's infrastructure challenges, equipping the nation with the assets and services we need to secure enduring and strong economic growth and importantly, to meet national social objectives.

Infrastructure is about more than balance sheets and building sites. Infrastructure is the key to how we do business, how we meet the needs of a prosperous economy and growing population and how we sustain a cohesive and inclusive society.

Infrastructure Partnerships Australia seeks to ensure governments have the maximum choice of options to procure key infrastructure. We believe that the use of public or private finance should be assessed on a case-by-case basis. IPA also recognises the enhanced innovation and cost discipline that private sector project management and finance can deliver, especially with large and complex projects.

Our Membership is comprised of the most senior industry leaders across the spectrum of the infrastructure sector, including financiers, constructors, operators and advisors. Importantly, a significant portion of our Membership is comprised of government agencies.

Infrastructure Partnerships Australia draws together the public and private sectors in a genuine partnership to debate the policies and priority projects that will build Australia for the challenges ahead.

## INTRODUCTION

Infrastructure Partnerships Australia (IPA) welcomes this opportunity to submit to the Senate Select Committee on Climate Policy. IPA supports the Australian Government's commitment to reduce the impacts of anthropogenic climate change and broadly supports the role of an emissions trading scheme in contributing to that objective.

The introduction of Australia's proposed emissions trading scheme, the Carbon Pollution Reduction Scheme (CPRS), is among the most substantial policy initiatives of this generation. The Scheme has the potential to significantly alter the fundamental principles that have underpinned Australian economic activity and prosperity over recent decades. It is therefore essential that the introduction of the CPRS occur at the lowest economic cost.

In order to ensure an effective response to the threat of climate change, at the lowest economic cost, IPA advocate the considered implementation of climate change abatement initiatives, including an emission trading scheme, with due regard giving to the maintenance of established cost structures that underpin the business models of essential industries.

## THE AUSTRALIAN INFRASTRUCTURE SECTOR

The Australian infrastructure sector is currently undergoing the most significant period of change since the 1940s. Governments across Australia have taken significant steps to strengthen the infrastructure sector driven by a requirement to provide economic stimulus to reduce the impacts of the Global Financial Crisis and reverse long-term underinvestment in key infrastructure assets.

The Commonwealth Government has announced more than \$82 billion in funding to support infrastructure development, including the \$12.6 billion Building Australia Fund; funds for education (\$6 billion), health and hospitals (\$10 billion); a \$26.4 billion investment in road and rail and the infrastructure elements within the various economic stimulus packages. Likewise, across the forward estimates period, state government capital expenditure will approximate \$195 billion.

Notwithstanding these record investments, significant additional investment from both the government and the private sector to facilitate the development of new and renewed infrastructure remains a national priority.

Research released in June 2008 by Citigroup (prior to the global financial crisis) estimated the national infrastructure investment task to 2018 would exceed \$770 billion – estimating the call on private sector capital at above \$360 billion.

Similar research by ABN Amro (now the Royal Bank of Scotland) released in May 2008 forecast that up to \$455 billion would need to be expended on infrastructure over the next decade. Of that figure, it was estimated that some \$80 billion in private investment would be required, with around \$14 billion worth of PPP projects expected to reach financial close before 2010.

In July 2007, Infrastructure Partnerships Australia released another major report, titled *Australia's Infrastructure Priorities: Securing Our Prosperity*. This Report identified more than 160 critical projects and key policy reforms to build Australia for the future. The projects identified in that Report were estimated by external parties to cost more than \$700 billion.

These estimates of forward infrastructure requirements are based on a business as usual scenario. New infrastructure regulations and demands - like the investments which will be required to reduce carbon emissions and enhance sustainability across Australia's economy –

did not form part of these figures however they will have a substantial impact on the construction processes, operation and maintenance of the majority of infrastructure asset classes.

The ability to secure the additional financial commitment to develop this essential infrastructure, such as electricity generation, transport and waste management, is severely limited by the combined impacts of three factors: the Global Financial Crisis, a concerted period of government-led industry reform and the potential introduction of an emission trading scheme.

While the outcome of each of the three current economic reform processes will inevitably be the strengthening of the national economy – the strengthening of financial regulation, the efficient operation of the national energy market and the reduction in atmospheric carbon – the process of reform that will inevitably lead to these outcomes has resulted in an emergence of significant new risks. These risks impact on the ability of the infrastructure sector to raise the necessary finance to fund new infrastructure and to meet upcoming debt roll-over facilities.

In the short-term, these three reforms and other factors have resulted in potential industry investors applying a greater cost to project finance based on perceived risk increases. In order to ensure the sector can address previous underinvestment, and deliver on the commitment of governments to infrastructure investment as a stimulus for economic recovery, it will be essential to ensure the reduction of risk profiles within the sector as a mechanism to ensure investor interest. A key initiative to ensure the reduction of risk can be delivered through the expedient finalisation of outstanding reform programs, including the introduction of the CPRS.

IPA has previously submitted to the Australian Government's Carbon Pollution Reduction Scheme Green Paper, demonstrating an investment of more than \$120 billion in new energy and transport infrastructure, accompanied by a shallow emission trajectory over the early years and 20 year phase-in period, would be necessary to avoid significant unforeseen costs to the economy through the introduction of an Australian emission trading scheme.

This submission can be access at [www.infrastructure.org.au](http://www.infrastructure.org.au) and is enclosed.

## **THE GLOBAL FINANCIAL CRISIS**

The Global Financial Crisis has severely impacted on the ability of financiers to meet the demand for major project finance in Australia. While Australia represents a significant market in its own right, the private finance market for major projects is international and highly mobile. The withdrawal of overseas banks from the Australian market and the tightening of international credit markets have lead to a shortage of funds for Australian projects.

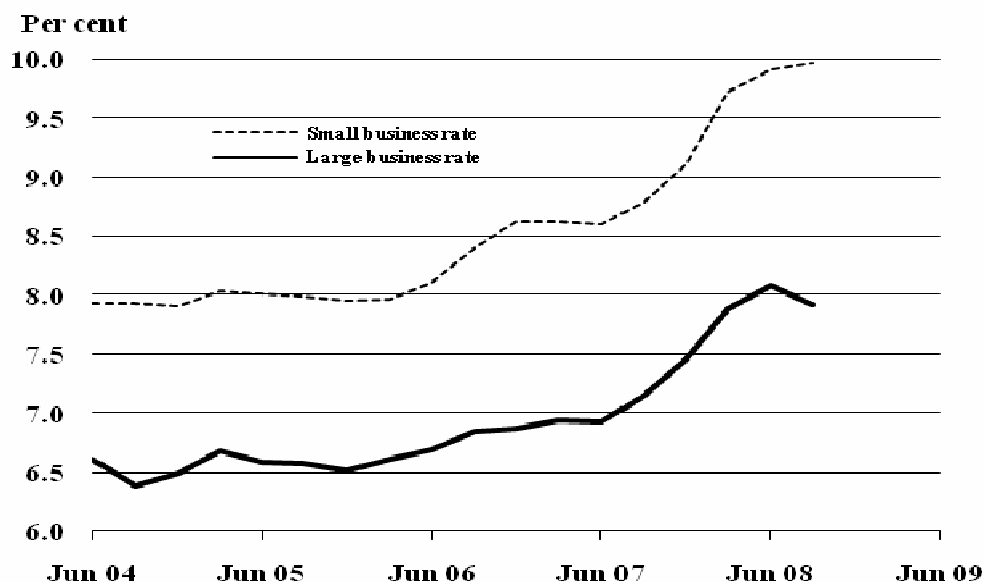
The Global Financial Crisis has directly resulted in a shortage of readily available funds to finance the suite of infrastructure projects that are planned, and required, over the short to medium term.

In the relatively short period of two or three financial quarters, the private infrastructure financing scenario has been transformed from an active market - where debt and equity capital competed to identify projects for funding and investment - to the reverse situation, where projects are struggling to find capital in a markedly slower market, due to a scarcity of available funds. We are now seeing rationing and reduced competition among both debt and equity providers.

Financiers are placing a higher cost on finance with greater requirements on lenders. Indications from industry have conservatively signalled major project financing specifically has been impacted by a 200 - 300 basis point cost increase on debt. Table 1 shows the average

industry business interest rates increase since 2004. Since mid-2007, the increase has been dramatic, over 100 basis points, while industries with high risk exposure, including the major project sector which has potential exposure to patronage risk and construction risk, are experiencing greater increases.

**Table 1: Australian Business Interest Rates (February 2009)**



source: Australian Parliamentary Library (2009)

Some risk-exposed infrastructure sectors and projects have experienced variations more than 400 basis points to April 2009, with the potential for further increases as this unprecedented credit crisis deepens.

The energy sector is the third largest borrower of debt financing following sovereign governments and the banking industry itself. The sector is therefore inherently exposed to variations in economic circumstances. The energy sector is also the world's most capital intensive industry. Dr Paul Simshauser, Chief Economist AGL, estimated that internationally the sector required \$115 billion in investment in 2007/08.

The impacts of recent economic variations have the potential to starkly impact on the upcoming round of refinancing within the electricity generation sector. Investment bank Investec have determined the energy sector specifically, has seen increases in financing costs of between 300-350 basis points.

During 2009-10, it has been estimated that the Australian sector will need to roll-over at least \$5 billion<sup>1</sup> in existing financial commitments, with an additional requirements for new investment up to \$45 billion in the subsequent three years<sup>2</sup>. The refinancing requirement over this period is unusually significant and therefore the sector is unusually exposed to the impacts of the financial crisis.

The affects of the financial crisis combined with the uncertainty associated with the potential implementation (or open-ended delay) of the CPRS has directly impacted on the ability to economically refinance these debt facilities.

<sup>1</sup> S3 Advisory (2008) 'Financing Future Investment in the Energy Sector: Potential Effects of CPRS, RET and the Credit Crisis'

<sup>2</sup> Energy Supply Association of Australia (2009) 'Global Financial Crisis and the Energy Supply Sector'

Infrastructure Partnerships Australia recently released a report *Financing Infrastructure in the Global Financial Crisis* which presented options to government to assist meet Australia's \$800 billion infrastructure shortfall, provide employment and productivity boosting economic stimulus.

The report can be accessed via [www.infrastructure.org.au](http://www.infrastructure.org.au) and is enclosed.

## THE AUSTRALIAN ELECTRICITY SECTOR

The electricity sector is a vital component of the Australian economy. In 2008, the Australian Bureau of Agricultural and Resource Economics (ABARE) valued the Australian electricity sector at \$100 billion, and found it directly contributes over 1.5 percent to national gross domestic product (GDP). The electricity sector further supports the contribution made by the vast majority of industry sectors from hospitality to education from retail to manufacturing, and from mining to agriculture, through acting as a vital input to their activities.

The electricity generation sector will be among the industries most heavily impacted by the introduction of the CPRS. However it is also likely the sector will be potentially heavily impacted by delaying the Scheme's implementation.

It is estimated the stationary energy sector contributes approximately half of Australia's total greenhouse gas emission output<sup>3</sup>. Emissions from the sector have traditionally experienced growth above that of the broader economy. For instance, since 1990 stationary energy emissions have increased by approximately forty percent alongside a four percent economy-wide increase.

However, emission increases within the sector have occurred at rates substantially below increases in output. Over the period from 1990, the industry has increased delivery of electricity by more than fifty per cent to over thirty per cent more customers – while as stated emissions increased by forty percent<sup>4</sup>.

The Garnaut Review indicated the cause of the growth in emissions during the 1990s was the result of an increasing reliance on fossil fuel electricity generation. This increase is attributed to a historical period of investment in coal-powered generation assets, and is not necessarily reflective of the investment in generation assets during the same period.

Indeed, since the 1990s a fundamental shift in the fuel mix and efficiency of new stationary energy assets has been taking place. The Department of Resources, Energy and Tourism Report *Energy 08* forecasts a ten percent reduction in the fuel mix attributed to fossil fuels to 2030. Over the same period key renewable fuel types such as wind and biomass will more than double their share, while biogas will increase by five times. Similarly new fossil fuel technology such as combined cycle gas turbines and coal drying and gasification techniques will contribute to reducing Australian emissions.

The transition to low emission technologies is not without costs both for energy providers and consumers. For instance, within Australia coal power in eastern Australia costs under 4c/kWh, while wind power costs approximately double, 7.5-8.5c/kWh, depending upon site<sup>5</sup>. This will translate to a higher cost for both business and household consumers.

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<sup>3</sup> Garnaut, Prof Ross (2008) 'The Garnaut Climate Change Review' Cambridge University Press, Melbourne

<sup>4</sup> ABARE (2008) 'Energy in Australia: 2008', Australian Bureau of Agriculture and Regional Economics, Australian Government Department of Resources, Energy and Tourism, Canberra

<sup>5</sup> Diesendorf, Dr Mark (2006) 'Nuclear power: not green, clean or cheap', Online Opinion, <http://www.onlineopinion.com.au/view.asp?article=4581> last visited 21 April 2009

Similarly the costs for the conversion of traditional coal combustion technology involve a similar proportional increase. The current cost of plant associated with a supercritical pulverised coal generator is approximately \$2,000kwh. It is conservative to estimate that the cost of plant incorporating a post-combustion carbon capture facility will increase this cost to approximately \$4,000 Kwh. Alternatively, if an integrated pre-combustion technology was favoured, current indications suggest a plant cost of approximately \$4,500-\$5,000Kwh.

Despite these indicative costs, neither pre-combustion nor post-combustion carbon capture technologies are available for commercial scale use. Indeed, it has been estimated that this technology will not be commercially available until post-2025.

Professor Tony Owen, as part of his Inquiry into the New South Wales Electricity Sector, found that all major owners of electricity generators recognised the introduction of carbon pricing would occur post-2012<sup>6</sup>. However, he doubted the capacity within the renewable sector to support large scale transition to renewable energy generation, either currently or within the next phase of generators:

*[Renewable power generation] would not, in my view, be available to supply significant base load requirements for, certainly not for the immediate future, not for 2013, 2014. We have received a number of submissions which point to a large expansion of wind power generation. One would hope that would come on stream, but it certainly wouldn't be sufficient to meet the base load requirements until much later on. Not the next tranche.'*<sup>7</sup>

On the basis that renewable energy will not yet be able to provide sufficient baseload energy, the importance of ensuring that existing and planned non-renewable generators have the capacity to finance either a transition to lower emission profiles or necessary permit purchases. The Energy Supply Association of Australia (ESAA) has forecast the additional requirement for generators for financing the purchase of emission permits alone, as \$26 billion over five years<sup>8</sup>.

Failure to provide adequate support will result in additional financial pressure being placed on operators of generators. The negative impact on the financial position of generators will further restrict the ability of these organisations to access to sufficient capital to finance transitional arrangements. In a worst case scenario, the impacts of reduced availability of finance will be the compounding current underinvestment in new capacity, potentially resulting in power deficits, which affect the broad economy.

The introduction of the CPRS, with associated costs, occurs at a time of substantial change within the national electricity industry. Alongside the reforms affecting the broad infrastructure sector, the Australia electricity sector is undergoing a significant period of reform, including:

- **Generation capacity constraints (Financial Requirement: \$50 billion<sup>9</sup>)**
  - Currently over 130 new and expansion projects within the electricity generation sector have been identified within Australia<sup>10</sup>. These and other projects are vital to avoid power shortages expected to impact the National Energy Market by 2013<sup>11</sup>.

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<sup>6</sup> Professor Tony Owen (2007) 'Lateline Business', ABC, 12 December 2009

<sup>7</sup> Professor Tony Owen (2007) 'Lateline Business', ABC, 12 December 2009

<sup>8</sup> ESAA (2009) 'Submission to the Exposure Draft of the Carbon Pollution Reduction Scheme Legislation' [http://www.esaa.com.au/images/stories/policy\\_submissions/20090417cprsbills.pdf](http://www.esaa.com.au/images/stories/policy_submissions/20090417cprsbills.pdf) last visited 21 April 2009

<sup>9</sup> Energy Supply Association of Australia (2009) 'Global Financial Crisis and the Energy Supply Sector'

<sup>10</sup> ABARE (2008) 'Energy in Australia: 2008', Australian Bureau of Agriculture and Regional Economics, Australian Government Department of Resources, Energy and Tourism, Canberra

<sup>11</sup> Owen, Prof Tony (2007) 'Inquiry into the New South Wales Electricity Industry' New South Wales Department of Premier and Cabinet



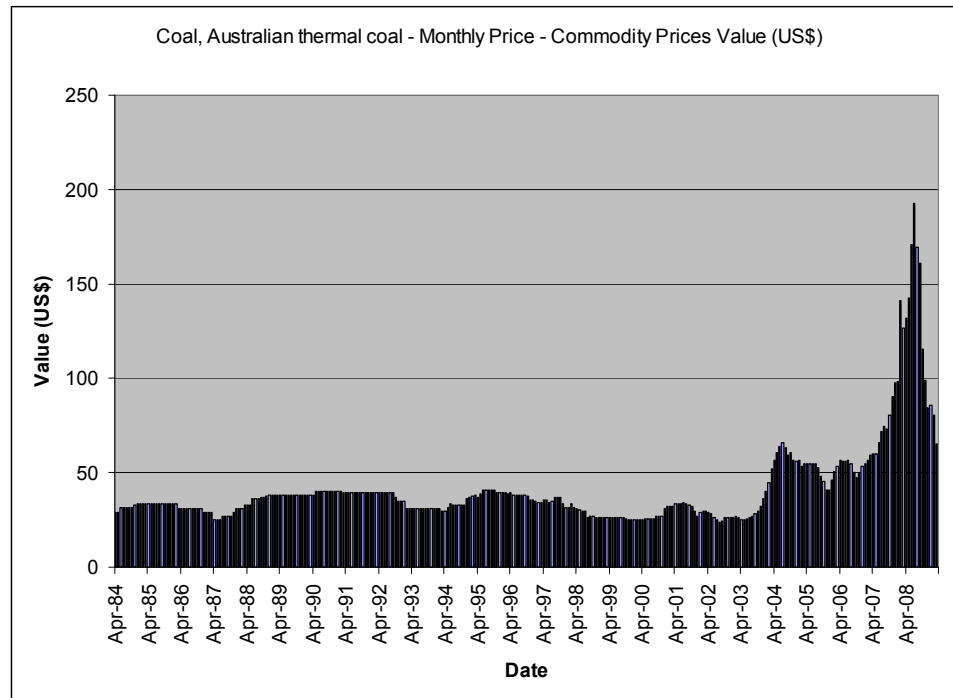
- A recent survey by the Energy Supply Association of Australia (ESAA) found that over the next five years a total capital investment of close to \$100 billion would be required in order to meet demand for electricity<sup>12</sup>.
- The \$50 billion investment in new generating and distribution assets is extremely significant, equating to a 50 percent increase in the total worth of Australian electricity assets.
- **Significant refinancing requirements for established assets (Financial Requirement: \$50 billion)**
  - These requirements by their very nature do not facilitate the delivery of additional capacity and therefore the sector's ability to access additional debt facilities for other purposes within the same period is limited.
- **National Electricity Market Reform (Financial Requirement: \$6 billion)<sup>13</sup>**
  - The National Energy Market is currently facing a period of potential structural reform through the proposed introduction of the 'GenTrader Model' within New South Wales. The proposed reforms will alter the underlying economic framework of the national energy market by potentially altering the value proposition for electricity generators.
  - The privatisation of key assets within the sector will place an additional call on limited financial resources available to the sector.
- **NSW Five Point Plan (Financial Requirement: \$18 billion)**
  - Vital investment in transmission and distribution upgrades to ensure improvements to the New South Wales transmission network. It is estimated that almost one in three power failures within the state are the result of factors within the control of network operators<sup>14</sup>.
- **The Australian Energy Regulator Review of Weighted Average Costs of Capital (WACC) Parameters for Electricity Transmission and Distribution (Financial Requirement: Unknown)**
  - The Australian Energy Regulators review recommended the reduction of the weighted average cost of capital in current market conditions. These reforms will limit the availability of capital within operators for reinvestment in network assets.
- **Price variation in plant and fuel sources (Financial Requirement: Unknown)**
  - Australia has been relatively insulated from the increased cost of plant because of long-standing supply surpluses that have recently been exploited to meet new demand. This has mitigated the need for major increases in new capacity.
  - During this period demonstrable variation in the cost of plant has occurred, this has resulted in significant unforeseen costs in the development of new assets.
  - Since the 1990s a sustained increase in plant costs has impacted the global energy sector. The cost of Australian open cycle gas plants have increased from 2000 (Oakey \$538/Kw) to 2008 (Braemar \$1122Kw) with similar increases in gas combined cycle and coal.

<sup>12</sup> Energy Supply Association of Australia (2009) 'Global Financial Crisis and the Energy Supply Sector'

<sup>13</sup> Clennell, Andrew (2009) 'Tripodi Defends International Power Trip' Sydney Morning Herald, <http://www.smh.com.au/national/tripodi-defends-international-power-trip-20090407-9zla.html>, last visited 20 April 2009

<sup>14</sup> Macdonald MP, the Hon Ian (2009) 'Five Point Plan to Power NSW Future', [http://www.dwe.nsw.gov.au/about/pdf/media\\_release\\_090419\\_five\\_point\\_plan\\_energy\\_announcement\\_macdonald.pdf](http://www.dwe.nsw.gov.au/about/pdf/media_release_090419_five_point_plan_energy_announcement_macdonald.pdf), last visited 20 April 2009

- Energy generation in Australia has been relatively insulated from the impacts of international variation in the price of fuel sources associated with generation. However, the expiry of various fuel contracts within the next two to five years will potentially result in significant increases in the costs of fuel which currently supply over half of the economy's electricity requirements.
- Thermal coal prices within Australia have been historically characterized by relative stability ranging from US\$24-US\$40 per tonne between 1984 and 2004. However in the five years to 2009, prices have varied wildly driven by demand in China and other developing nations.
- During July 2008, prices reached US\$192 per tonne and most experts believed the price would break US\$200 in the near future. The arrival of the Global Financial Crisis with its dampening affect on demand has lead to a reduction to US\$80 in February 2009 – a price still 100% higher than five years earlier.



Source: Index Mundi (2009) <http://indexmundi.com/commodities/?commodity=coal-australian&months=120>

The cost of these reforms on the sector is substantial, representing an investment requirement of substantially more than \$124 billion. The requirement for this investment places a constraint on the ability of the industry to raise additional funds, particularly on economical terms, for use in financing additional initiatives, such as emission-reducing initiatives or the procurement of emission permits.

The additional requirement for \$26 billion to finance the purchasing of emission permits, forecast by ESAA, places the total investment requirements at more than 150 percent of the sectors value during the next five years, and one fifth of global energy sector investment (based on 2007/08 investment levels)

Likewise, the sector is equally impacted by delays in the finalisation of the Scheme's framework. The investment requirements and reform initiatives currently impacting the industry have significantly increased the risk profiles, negatively impacting the desire and capacity for

financial institutions to not only makes new commitments within the sector, as well as roll-over existing obligations.

Professor Tony Owen succinctly identified the concerns of industry in his 2007 Inquiry into the NSW Electricity Sector:

*'No major player or potential player in generation thought that carbon pricing was not going to come around. They were all convinced it was going to be a reality after 2012 and their only concern was the lack of certainty surrounding the rules and the criteria applying to the particular scheme that was going to be introduced by the Commonwealth Government.'*<sup>15</sup>

## **RECOMMENDATION**

Infrastructure Partnerships Australia submits there is limited capacity within the sector to facilitate the transition to renewable energy generation within the current and next tranche electricity generation assets. It is therefore vital to ensure sufficient support can be made available to the sector to meet, or support, the cost of transition.

The inability of generators to meet these costs might result in a potentially critical failure of the sector, whereby resulting in a failure to meet demand for electricity. The demise in the financial position of generators or the 'stranding of assets' would compound existing and emerging capacity deficits, whereby severely inhibiting the operation of the broader national economy. If sufficient support is not made available, the industry may not be capable of delivering its share of emission reductions to meet national targets. Subsequently, Australia may fail to meet its obligations under the Kyoto Protocol.

The government has signalled a range of assistance programmes that would be made available to the sector to support the introduction of the CPRS. Infrastructure Partnerships Australia submits that the government consider the provision of assistance to aid the energy sector transition to a low carbon economy.

A central tenet of a government assistance package should include assistance to meet the short-term costs of financing the installation of emission reducing technology for existing plants. This assistance could be provided through direct grants or alternatively through gap financing assistance or supported lending.

Specifically, government may consider the extension of the existing State Borrowing Guarantee to support investment in initiatives to enhance infrastructure assets in order to reduce emission profiles.

## **CONCLUSION**

Australia faces an immense infrastructure task. Historical underinvestment in key infrastructure, including electricity generation, threatens to severely constrain economic activity, reducing the ability of the nation to emerge from the Global Financial Crisis. The fall-out of tightening in global credit markets, industry wide infrastructure reforms and the implementation of the Carbon Pollution Reduction Scheme are compounding pre-existing financing difficulties through further limiting access to competitive capital for new asset development and credit rollover.

In order to ensure the necessary investment in the power generation and distribution assets, and avoid power shortages as early as 2013, it is essential to take immediate steps to increase investor certainty within the electricity sector. IPA submits that a timely signal to the

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<sup>15</sup> Professor Tony Owen (2007) 'Lateline Business', ABC, 12 December 2009

infrastructure sector indicating the implementation timeline and the structure of the Australia emission trading scheme is essential to ensuring the necessary investment is forthcoming.

IPA submit that central to the delivery of economically sustainable greenhouse gas mitigation, or offsetting, will be the ability of industry to finance the transition to a low carbon business model, while minimizing disruptive effects on the national economy. The infrastructure sector broadly, and the energy sector more specifically, are currently undergoing a significant period of increased risk and uncertainty. Subsequently, combined with the contraction of the global economy, the ability of the industry to access sufficient financial resources to adequately fund the transition to a low carbon economy is limited.

IPA submit both the Scheme's implementation, as well as its open-ended delay, will have substantial impacts on the delivery of essential infrastructure services, such as electricity generation, through changes in the industries' risk profile. Furthermore, due to their very nature, the impacts on the industry will have substantial, lasting impacts on the efficient functioning of the broader Australian economy. It is vital that the relative costs of delaying the Scheme in order to refine its structure are contrast against the costs of its immediate implementation.

IPA urge the Committee to expediently complete its inquiry into the CPRS legislation, and to determine a bipartisan timeline for the implementation of an effective response to anthropogenic climate change, including an emission trading scheme, with a view to ending the current period of damaging uncertainty.

If you would like to discuss the IPA submission, please don't hesitate to contact Peter Colacino, Manager – Transport, Energy and Sustainability on (02) 9240 2057.



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