



## MEDIA RELEASE MINERALS COUNCIL OF AUSTRALIA

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### MCA CALLS FOR MEASURED TRANSITION TO SUSTAINABLE EMISSIONS TRADING SCHEME

Measured transitional arrangements will be the key to ensuring the proposed emissions trading scheme achieves its environmental objectives without compromising economic growth, community living standards and the competitiveness of Australian industry, the Minerals Council of Australia's (MCA) Chief Executive, Mr Mitchell H.Hooke said today.

"An effective, high quality Emissions Trading Scheme will be the most substantial economic reform of the Australian economy for a generation - but it cannot be digested overnight", Mr Hooke said.

"We cannot underestimate the scale of the challenge for Australia in making substantial reductions in emissions in the short-term. This is particularly the case until low emissions technologies are developed into commercial reality.

"It is critical that all Australians have a realistic expectation of what we can do and what we should aspire to. This is not an argument for inaction, indeed quite the contrary. It is an argument that Australia must match its aspirations with its capability.

"This reality check underscores the critical importance of a measured transition to a lower emissions economy building genuine support for a global framework, developing low emissions technologies and introducing an environmentally effective and economically efficient emissions trading scheme.

"The MCA's submission to the Garnaut Climate Change Review, strongly supports the introduction of an effective Emissions Trading Scheme (ETS) that covers all greenhouse gases and a broad range of sectors and is founded in transitional arrangements to ensure a more sustainable long term reduction in greenhouse gas emissions.

"Australia must be an integral part of a global solution to the global challenge. We agree with Garnaut's conclusion that Australia should not wait until a global framework is established, but in proceeding ahead of other countries the design of the Australian ETS should not compromise the international competitiveness of the Australian industry and the Australian economy.

"Accordingly, the design of the ETS must be founded in a measured transition to full operation", Mr Hooke said. "This will entail transitional arrangements, specifically in:

- a cautious approach to interim targets – implied interim cuts of around 30% on 1990 levels by 2020 will require cuts of around 44% on current projections (that accounts for the contribution of the renewable energy target);
- a gradual ramp-up in the carbon price signal – it is the *expectation* of a higher carbon price coupled with research and development that will stimulate the deployment of low emissions technologies;
- establishing a price cap in the initial stages of the scheme – this is a critical safeguard against high prices and volatility beyond industries' and the economy's capacity to adjust;
- the phased introduction of full auctioning of permits – initial administrative allocations to disproportionately affected industries phasing to full auctioning;
- ensuring that it does not compromise the competitiveness of trade exposed emissions intensive industries with unintended economic and environmental consequences;
- gradual linking to the development of emissions trading schemes in other countries and ultimately a global scheme – critical to ensuring that Australia does not import high carbon prices beyond our ability to adjust."

"Additionally, the MCA strongly contests the Garnaut Review's embrace of uniform per capita emissions targets as a basis for a future global framework. This presumes that all economies are the same in terms of geography, resource endowment, composition of exports and the rates of economic and population growth.

"But no two economies are the same. Australia shares the same population as the Netherlands and Denmark, but on a land mass 99.8 times larger. Moreover, between 1990-2005 Australia's economic and population growth was 2 times and 5 times respectively faster than that of EU – 27. To put this in perspective, identical targets do not mean identical sacrifice. If Australia and the EU were both to commit to a 20% reduction in emissions off 1990 levels by 2020, the EU would only need a reduction of 14% while Australia would need a cut of 33% on current projections.

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"Rather than the uniform per capita approach the Garnaut Review should further develop the concept of "comparable adjustment cost" as a platform for the development of a truly global framework for managing climate change including emissions trading", Mr Hooke said.

The MCA submission also advocates other policy measures to facilitate a transition to a low emissions future, including:

- devoting a share of revenues from emissions trading to forge a stronger partnership between government, industry and researchers to develop low emission technologies including renewable energy sources and carbon capture and storage;
- ensuring the mandatory 20 percent Renewable Energy Target (RET) by 2020 does not contradict the purpose of emissions trading, which is to direct investment towards least cost abatement options. If RET is retained, it should be transitional only and expanded to a Clean Energy Target to include all low emissions technologies including carbon capture and storage;
- streamlining duplicatory and confusing Federal and State climate change related policies; and
- removing remaining restrictions on the mining and export of uranium in Queensland and Western Australia to allow Australia to offset even more of its carbon dioxide emissions – at present Australia's uranium exports displace at least 395 million tones of CO<sub>2</sub> per year (equivalent to two-thirds of Australia's total annual emissions).

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