MEDIA RELEASE
MINERALS COUNCIL OF AUSTRALIA

PASSAGE OF US CLIMATE LEGISLATION UNDERLINES NEED FOR MAJOR CHANGES TO THE CARBON POLLUTION REDUCTION SCHEME (CPRS).

Statement by Minerals Council of Australia Chief Executive Officer Mitchell Hooke

The passage of the Waxman Markey Climate Change legislation through the United States House of Representatives highlights the need for substantial changes to Australia's proposed Carbon Pollution Reduction Scheme (CPRS).

Unlike the CPRS, the design of the US legislation recognises the need for a measured transition to a lower emissions economy.

The proposed US cap and trade scheme will auction only 15 to 18 per cent of permits for the first decade of the scheme. In contrast, the CPRS is preoccupied with raising revenue, and will auction 70 to 75 per cent of its permits from day one of the scheme.

The US scheme will not auction 70 per cent of its permits until 2030. Under the European Union's scheme, firms will not have to buy all their permits until 2027.

Every respected climate change economist agrees that it is not necessary to auction permits to establish a carbon price. The allocation of permits does not weaken the environmental objectives, but does ease the transitional impacts on the economy.

By imposing a $30 billion tax on Australian business in the first 4 years, it will reduce, if not largely eliminate, the ability of Australian firms to invest in low emissions technologies. A dollar not spent on low emissions technologies is a dollar lost.

The stark differences between the Australian and US schemes are further highlighted by the fact that the CPRS will raise emissions tax revenue of $A404 per capita in its first full year. The US scheme will raise just $A57. Meanwhile the European emissions trading scheme will raise revenue per capita of just $0.80 per year for its first 8 years (2005 to 2013).

The CPRS's focus on revenue-raising will mean lost jobs, stymied investment and reduced competitiveness in Australian industry.

The key differences between the CPRS and the US legislation are:

- Australian industry will face carbon costs from 2011; their US counterparts will not be covered by the US scheme until 2014. The CPRS shielding for trade exposed firms is partial and inadequate and expires in 2020. US trade exposed firms will receive virtually 100 per cent protection until 2025 at the earliest.

- the CPRS will cost the Australian minerals sector $10 billion in the first five years including $5 billion from the coal sector. The US coal mining sector will face <u>no</u> permit costs under the Waxman Markey legislation. Coal mining operations in Europe face no permits costs.

- the Waxman Markey 2020 targets, when compared with 1990 levels, equate to a 3 to 4 per cent reduction (less than proposed 5 – 25 per cent reduction in the CPRS).

- the transition for the US power sector is much more measured than the CPRS ensuring that both householders and industry will not face spikes in energy prices, and reducing the prospect of severe disruptions to supply.

Since the start of this debate more than a year ago, the Minerals Councils of Australia has called for a phased approach to the full auctioning of permits. Over the weekend, the US House of Representatives endorsed a phased approach. The European Union has already adopted a phased approach.

It is a sensible approach that will provide real economic incentives to reduce greenhouse gas emissions without putting the economy into reverse. The minerals sector looks forward to the Australian Government following the US and EU lead.

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