



# OPINION

## MINERALS COUNCIL OF AUSTRALIA

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Climate Change

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The debate over climate change has its own variation of the famous Catch 22 dilemma: it is not foolish to want to act, to respond prudently to the concept of global warming; but what if the solutions promoted have the potential to harm?

As the business community considers the federal Government's Green Paper on carbon pollution reduction, the question on everybody's lips is what is improvident and what is sensible in the proposed policy response to managing climate change?

In making that judgment we need to differentiate between motivation and actions.

We should all move beyond the question of whether we should act – that debate has been settled. The science is compelling.

The debate now should focus on what actions are environmentally effective, economically efficient and socially acceptable – the fundamental ingredients of sustainable action.

And pivotal to this is a policy mix that recognises the reality of the possible and the nonsense in unrealistic expectations.

Just as it would be careless not to act, so too to act rashly. It would be imprudent to expect a rapid adjustment to a low emissions economy and it would be unwise to penalise our enterprise and our way of life without any real prospect of engendering a global response to a global solution. Even if Australia disappeared off the face of the Earth our carbon footprint would be replaced by just one country – China – in less than three weeks.

For these reasons the Minerals Council of Australia argues that Australia's approach to managing climate change should be a comprehensive measured transition to a low emissions economy founded in the critical alignment of the key three policy pillars – an efficient and effective emissions trading system; a credible global agreement that covers all major emitters; and "breakthrough" technologies that can lower the emissions of existing energy sources and provide credible cost-effective alternatives.

Without all three pillars in sync the system will be distorted and relatively ineffectual, and exacerbate the imperative for compensation to the socially disaffected and the economically disadvantaged.

Market measures that price carbon are fundamental to realising a low-emissions economy. A price on carbon, even initially a low price with the expectation of a measured increase, will be a powerful tool in changing behaviour and mapping the shape of future investment decisions.

But that market signal alone should not be considered as a panacea. It is not magic. It will not drive the kind of investment we need in the pre-competitive research and development in all energy sources. Industry and government must form collaborative R&D partnerships.

And nor should the market mechanisms get ahead of the technology development. An emissions trading system that prices carbon beyond the market's capacity to adjust for want of commercially available technologies is not a "market mechanism", rather it becomes just a punitive tax – it raises revenue without changing behaviour. Surely it is crazy to engineer a system that gives rise to self-induced "market failure", which in turn gives rise to even greater calls for compensation, to the point where "the revenue tail wags the emissions trading dog".

A meaningful global agreement on reducing emissions is crucial if the world is to seriously tackle climate change and Australia is to reap the benefit of its down-payment on global leadership in both technologies and an emissions trading scheme. Without it the benefit will be a token gesture amounting to a contribution of much less than 1 per cent reduction in global carbon levels.

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D: 7 October 2008