



## MEDIA RELEASE

# MINERALS COUNCIL OF AUSTRALIA

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### **WHITE PAPER ON CLIMATE CHANGE: TOO HIGH A PRICE FOR GLOBAL LEADERSHIP** **Statement by Mitchell H. Hooke, Chief Executive Officer, Minerals Council of Australia**

The Minerals Council of Australia (MCA) is profoundly disappointed that the Federal Government's Carbon Pollution Reduction Scheme (CPRS) White Paper is not better aligned with progress towards a global agreement on reduction commitments, new low emissions technologies and emissions trading schemes in other countries.

To meet the Federal Government's objective of demonstrable global leadership for a global solution to a global problem, we need a scheme that doesn't pitch Australia so far out in front of the rest of the world that we run the risk of severe economic contraction without the attendant environmental benefits.

The White Paper would impose the most aggressive emissions trading scheme and interim targets in the world. This will impose the highest carbon costs in the world on industries severely constrained in their ability to adjust due to current economic circumstances and the rate of development of new low emissions technologies. Affected Australian businesses will be required to raise more than \$8b per annum under this Scheme during an unprecedented "credit crunch."

Under the White Paper an average firm emitting one million tonnes of CO<sub>2</sub> per year will bear costs in the order of \$100m over four years whereas its European competitor will pay less than \$6m. In the first three years Australian businesses will have paid up to \$30b for permits before a single European competitor has paid a Euro.

The debate about managing climate change has long since moved from the science laboratory to the faculty of economics. It is not a question of whether we act on climate change – rather, the question now is how to effectively and efficiently transition to a low emissions global economy.

A carbon price higher than the cost at which new technologies can reduce future emissions is simply a tax on business and goes straight to the bottom line. The result is a loss of business activity, reduced economic growth, a chill on investment, declining wages and higher unemployment – this is not conducive to sustained and sustainable reductions in greenhouse gas emissions.

We acknowledge the Government has made a number of improvements since the Green Paper, but we are disappointed that the Government has not adopted a phased approach to the auctioning of permits for the trade exposed sector. This would better align Australia with emissions trading schemes elsewhere in the world – the European Union, the Western Climate Initiative of seven US States and four Canadian Provinces, the US Congress' consideration of various cap and trade proposals and New Zealand – all of which adopt a phased approach to the auctioning of permits for the trade exposed sector.

By moving too fast on emissions trading and without a global protocol in place, trade exposed energy intensive businesses will face the highest carbon costs in the world, while their competitors pay nothing. The bottom line is that the incentive to adjust will be to either scale down, shut down, or move offshore.

Surely the objective is to establish a policy framework that creates the incentives to adjust industrial and consumer behaviour, not merely act as a taxation measure for raising revenue to be redistributed to other parts of the economy as compensation.

Targets without real and tangible solutions from low emissions technologies and a global agreement on reduction commitments are a fundamental leap of faith those targets can be achieved.

Targets must not be set in isolation with the scale of agreed emissions reductions in future international agreements. Professor Garnaut was correct in warning Australia against the dangers of going it alone on overly ambitious targets. The MCA considers that the Federal Government's target of a 60 per cent reduction in emissions by 2050 off 2000 levels is achievable, but an interim target in the range of 5-15 per cent is a big ask without new low emissions technologies and a global agreement.

A 5 per cent reduction in emissions (off 2000 levels) by 2020 means a cut of 250 million tonnes of CO<sub>2</sub>-e off business-as-usual projections. This is greater than the total amount of emissions generated by Australia's electricity sector of approximately 200 million tonnes of CO<sub>2</sub>.

Comparisons with the European Union's targets need to be carefully calibrated to gauge the extent of "comparable adjustments". The EU's reported support for a 20 per cent cut off 1990 levels by 2020 is, on International Energy Agency numbers, an 18 per cent cut on "business as usual" projections. In contrast, the same level of cuts for Australia translates into a 43 per cent cut off "business as usual", which amounts to 330MT of emissions. This is equivalent to the total emissions of Australia's electricity, transport and mining sectors combined.

We will continue to work with Government and the Senate to seek changes to the Scheme that introduce a phased approach to full auctioning. This would mean that all trade-exposed firms would be included and required to purchase an increasing proportion of permits as other nations adopt binding emissions reductions under a global protocol and as new low emissions technologies emerge.

We consider this to be a simple but significant change to the Federal Government's White Paper to achieve the dual goals of improving the environment without undermining the economy.

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