



# MEDIA RELEASE

## MINERALS COUNCIL OF AUSTRALIA

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### **White Paper on climate change: phased and measured transition to emissions trading critical** Statement by Mitchell Hooke, Chief Executive Officer Minerals Council of Australia

The Minerals Council of Australia will be looking for one simple, but significant change to the Federal Government's Green Paper on the design of a Carbon Pollution Reduction Scheme when it unveils its White Paper tomorrow - a phased approach to the auctioning of permits for the trade-exposed sector.

The Green Paper's proposes 100 per cent auctioning of permits from day one combined with a highly complex, bureaucratically arbitrary and discriminatory carving-out of emissions intensive trade-exposed (EITE) industries for special compensation.

Under a phased approach, 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 are developed in the market.

The MCA has consistently argued that if Australia is to have an environmentally effective and economically efficient emissions trading scheme, it should be aligned with progress in the development of a global protocol, low emissions technologies and emissions trading schemes in other countries.

A phased approach to auctioning would bring Australia into direct alignment with emissions trading schemes in 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.

The European Union will not introduce auctioning of emissions permits until the 9th year of their scheme and only for the power sector. Emissions intensive, trade-exposed industries in Europe will be allocated free permits until 2020 at least.

The US Western Climate Initiative will adopt a phased approach to auctioning, comparable to what the MCA has recommended to Government.

The Green Paper would impose on the Australian economy the highest carbon costs in the world at a time when industry's capacity to adjust is severely restricted by the current economic circumstances and the availability of breakthrough low emissions technologies including clean coal. Under the Green Paper proposal, 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\*.

Under the Green Paper approach, even Australian firms receiving support as emissions intensive and trade exposed will pay higher carbon costs than all their international competitors.

Without the capacity to adjust, and without other countries bearing comparable constraints on carbon, Australian industry will suffer loss of international competitiveness with the increased cost imposts going straight to the bottom line.

The risks to economic growth, investment and jobs are profound.

The MCA will also be looking for realistic interim targets for emissions reductions by 2020. These targets need to be established on a platform of "comparable adjustment" with other major emitting economies and the rate of development of new low emissions technologies.

Setting targets without solutions and a global protocol in place is a leap of faith that they can be achieved. If Australia was to unilaterally reduce its emissions by 20 per cent off 2000 levels by 2020 without matching commitments from other countries, global emissions would only fall by 0.2 per cent.

Because of Australia's much higher rate of economic and population growth than in Europe, Australia would need to work 2.5 times harder than the European Union to meet such a commitment.

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**Media Contact:**

Director Public Affairs Ben Mitchell

T: 02 6233 0634

M: 0419 850 212

E: [ben.mitchell@minerals.org.au](mailto:ben.mitchell@minerals.org.au)

W: [www.minerals.org.au](http://www.minerals.org.au)

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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>.

A 10 per cent reduction in emissions (off 2000 levels) by 2020 represents a reduction of nearly 275 million tonnes of CO<sub>2</sub>-e off business-as-usual projections. That is the equivalent of eliminating the combined annual CO<sub>2</sub>-e emissions of New South Wales and Victoria.<sup>i</sup>

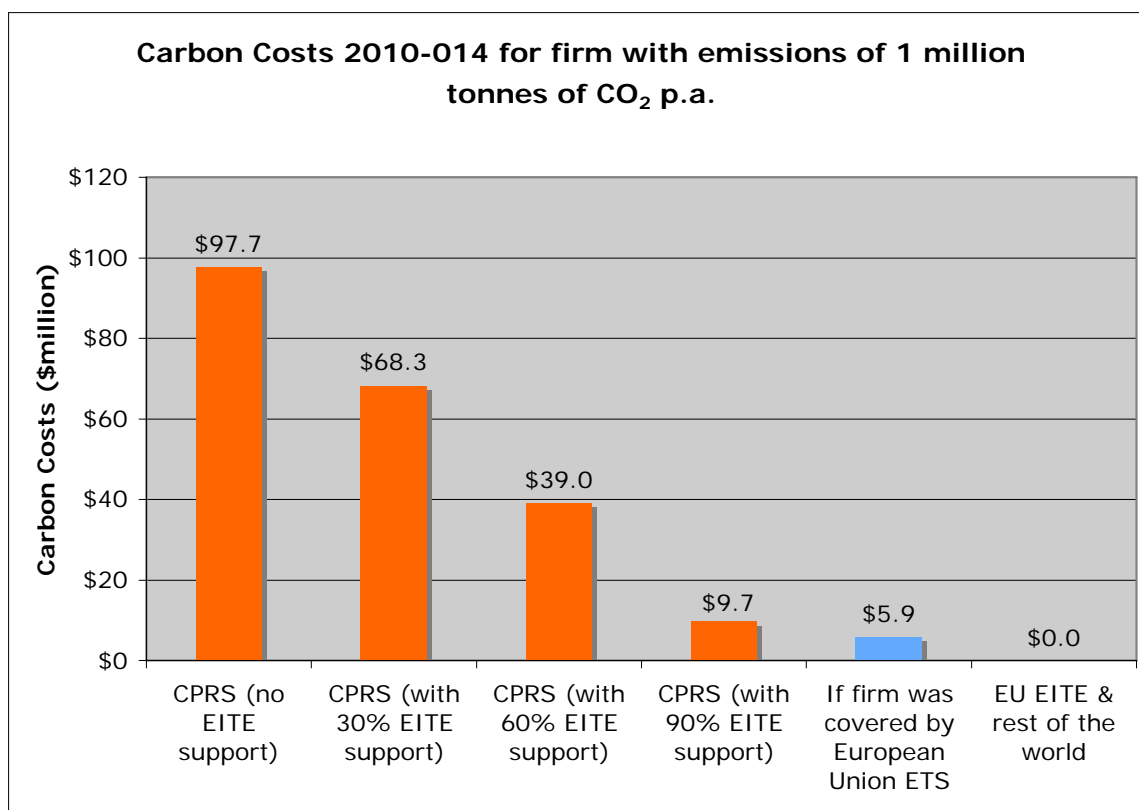
Quite simply, the White Paper framework will not work if it is out of sync with the rest of the world.

Rather than Australia's initiative being a beacon of global leadership for an effective and efficient scheme in determining a carbon price, it will have the opposite effect – it will be an advertisement of what not to do.

Further information can be found [here](#).

<sup>i</sup> Emissions from these states were as follows in 2006 – NSW (160Mt) and Victoria (120.3) See Department of Climate Change, *State and Territory Greenhouse Gas Inventories 2006*, Commonwealth of Australia 2008.

Editor's Note: Attached is an analysis of the carbon costs 2010-2014 for firm with emissions of 1 million tonnes of CO<sub>2</sub> per annum based on carbon prices included in Australian Treasury modelling.



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