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MINERALS COUNCIL OF AUSTRALIA

CHANGES TO CPRS AT THE MARGIN, BASIC FLAWS REMAIN

Statement by Mitchell H Hooke, Chief Executive Officer, Minerals Council of Australia

Today's announced changes to the Carbon Pollution Reduction Scheme (CPRS) do not address the central flaw in this proposed emissions trading scheme (ETS) – the decision to embark on full permit auctioning from the outset of the scheme.

These are changes at the margin. They will not materially improve the environmental outcomes or reduce the economic impact of the scheme. Under today's changes, instead of being hit with \$10 billion in carbon costs over the first 5 years of the scheme, the minerals sector faces an impost of \$9 billion.

The Minerals Council of Australia (MCA) has consistently argued that many of the shortcomings in the proposed CPRS can be addressed with one simple change - a phased approach to the introduction of full auctioning of emissions permits.

All other nations, in establishing comparable emissions trading schemes, are adopting a phased approach to full auctioning. (see [Chart 1](#)) There is broad international consensus that the environmental effectiveness of an ETS is not dependent on the full auctioning of permits.

The MCA welcomes the Government's recognition that its CPRS needs changes. But change must be directed at the underlying fundamentals not just tinkering at the margins.

The proposed changes fall well short of transforming the CPRS into a well-designed ETS capable of delivering economic and environmental benefits over the longer term.

Business' need for certainty is not served by the kind of certainty this scheme will deliver. The proposed one year delay amounts to little more than a temporary stay of execution for thousands of mining jobs and billions of dollars in investment including in breakthrough low emissions technologies.

These losses won't be mitigated by the changes to the so-called 'compensation' measures for emissions intensive and trade exposed (EITE) firms. Ninety per cent of Australian mineral exports will still receive no shielding from the full carbon price ahead of their international competitors.

The continued arbitrary exclusion of coal mining from compensation measures is inexplicable – coal mining meets the criteria of the Government's CPRS yet has been unilaterally excluded. The result will be a severe impact on the coal mining regions in Queensland and New South Wales and the inevitable increase in coal exports from Indonesia, Russia, Colombia and South Africa.

The Government's own Treasury modelling forecasts that coal mining output will be slashed by 35 per cent by 2020. Our own work suggests that the impact on other minerals sectors will be comparable.

Even with the announced changes today, the scheme will still impose on Australian business the highest carbon costs in the world by a wide margin. The transition to the ETS is much more severe than that faced by their competitors in, for example, Europe (see [Chart 2](#))

A phased approach to full auctioning of permits will establish a carbon price signal without putting the economy into reverse. It will reward firms who reduce their emissions. It will also raise sufficient revenue to

Media Contact:

Director Public Affairs Ben Mitchell

T: 02 6233 0634

M: 0419 850 212

E: ben.mitchell@minerals.org.au

W: www.minerals.org.au

D: 4 May 2009



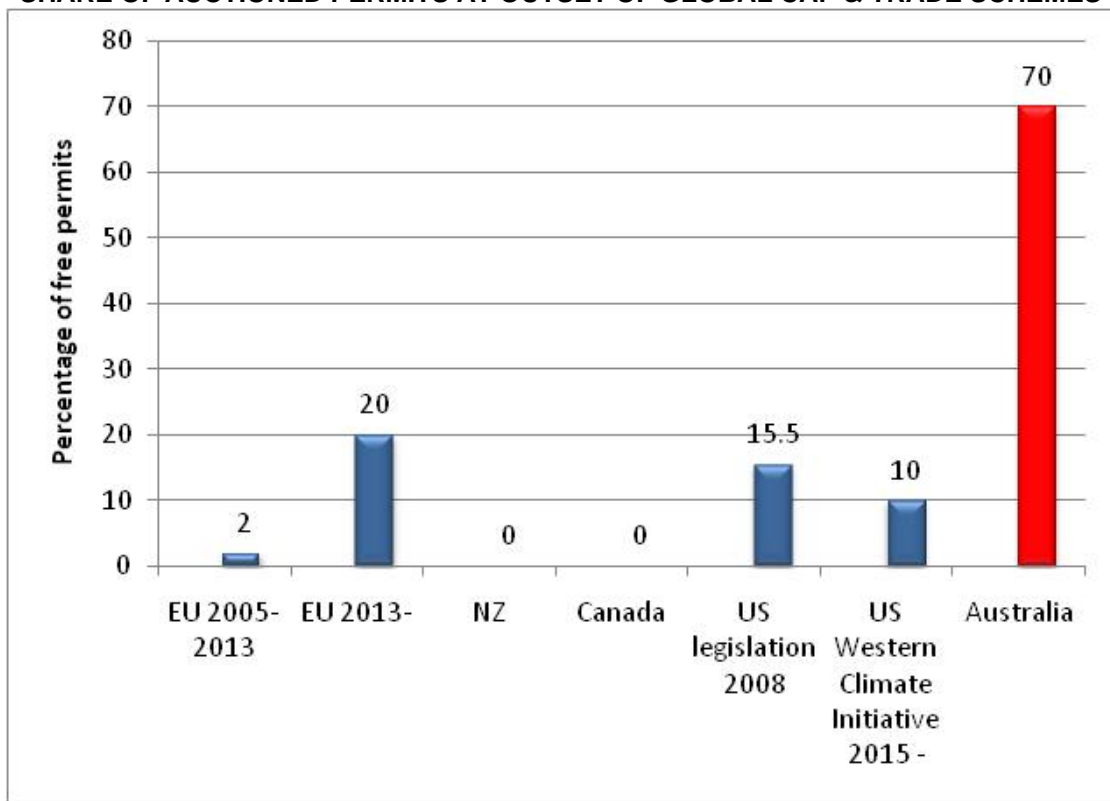
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ensure low and fixed income earners are not economically disadvantaged. There is no need for special treatment or compensation for certain sectors – the burden of the new scheme would be spread evenly across the economy.

As importantly, a phased approach to full auctioning enables Australia to make a measured transition to a low emissions economy aligned with global efforts to reduce emissions, and the deployment of low emissions technologies.

**CHART 1: AUSTRALIAN SCHEME STILL OUT OF STEP:
SHARE OF AUCTIONED PERMITS AT OUTSET OF GLOBAL CAP & TRADE SCHEMES**



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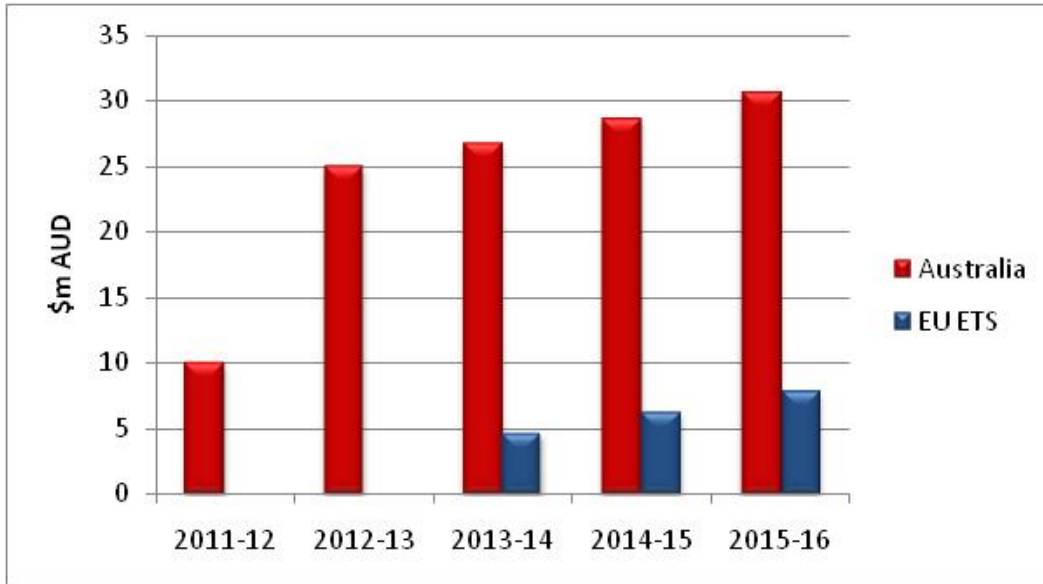
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CHART 2: CPRS CHANGES STILL FAIL TO DELIVER A MEASURED TRANSITION
Analysis of the carbon costs facing an Australian and EU firm emitting 1 million tonnes of CO₂e p.a from 2011-16



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